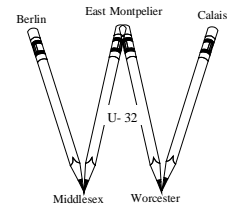


Washington Central Unified Union School District

WCUUSD exists to nurture and inspire in all students the passion, creativity and power to contribute to their local and global communities.

1130 Gallison Hill Road
Montpelier, VT 05602
Phone (802) 229-0553
Fax (802) 229-2761

Debra Taylor, Ph.D.
Interim Superintendent



WCUUSD Finance Committee Meeting Agenda 1.9.20 8:15 – 9:15 am

1130 Gallison Hill Road, Montpelier

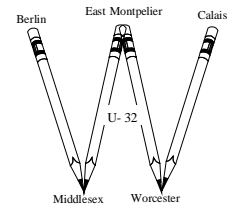
1. Call to Order
2. Approve Minutes of 12.12.19 – pg. 2
3. WCUUSD Budget
4. Capital Projects/Funding
5. 2019 Audit Reports – Discussion - pg. 4
6. Additional Items
7. Future Agenda Items
8. Adjourn

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Interim Superintendent



WCUUSD Finance Committee Unapproved Meeting Minutes 12.12.19 8:15 – 9:15 am

1130 Gallison Hill Road, Montpelier

Members in attendance: Flor Diaz-Smith, Vera Frazier, Scott Thompson

Administration in attendance: Debra Taylor, Lori Bibeau, Kelly Bushey

1. **Call to Order** – 8:20 a.m.
2. **Approve Minutes of 9.12.19, 10.10.19, 11.14.19** – Scott Thompson moved; Flor Diaz Smith seconded; passed unanimously.
3. **Draft #1a WCUUSD Budget** – A discussion review was held regarding the previous night's budget forum. The committee will bring the 3.5 percent increase version to the full board. A discussion was held regarding the budget being a base budget without additional benefit for non-special needs children – such as the need for more enrichment programs.

Ms. Bibeau shared budget numbers regarding the district's K-12 special education funding. Ms. Bushey shared information regarding special education services in the district, and a discussion was held.

Further discussion was held regarding which budget number would be discussed at the full board meeting. Mr. Thompson felt that it would be good to have a 3.5 percent increase version to weigh the two versions at the full board.

4. **Capital Projects/Funding** -
 - 4.1 **Approval of RFP's: Rumney Acoustic and Doty Siding/Window** – Ms. Taylor shared details regarding the Doty Siding/Window RFP. **Ms. Diaz-Smith made a motion to recommend that the Doty RFP go out to bid. Mr. Thompson seconded. The motion was unanimously approved.**

Ms. Taylor shared information regarding the RFP for the Rumney acoustic bid for the cafeteria/gym. **Mr. Thompson made a motion to recommend that the Rumney RFP go out to bid. Ms. Diaz Smith seconded. The motion was unanimously approved.**

4.2 Review of Capital Needs and Resources – Ms. Taylor shared information regarding future capital needs at the district elementary schools. Ms. Taylor will prepare a summary of what funds are available and will bring the summary to the next full board meeting.

A discussion was held regarding the long range capital planning proposal from Black River Design. A discussion was held regarding a capital planning position that would be funded from the capital plan.

5. Approve Bids

5.1 U-32 Vehicles – The total amount for two vans for U-32 is \$44,668, and includes registration, new tires and other fees. This will come out of the U-32 capital fund, and will be used for athletics and small field trips. **Mr. Thompson made a motion to approve the bid of \$44,668 to 802 Honda. Ms. Diaz Smith seconded. The motion was unanimously approved.**

5.2 U-32 Security Cameras – This bid will come out of the U-32 capital fund. **Mr. Thompson made a motion to approve the bid for security cameras from Fiber Net. Ms. Diaz Smith seconded. The motion was unanimously approved.**

6. Additional Items – None

7. Future Agenda Items – Further discussion regarding the hiring an in house for a capital planning position.

8. Adjourn – 9:57 a.m.

Respectfully submitted by,

Hollie Friot, Board Recorder

Audited Financial Statements
and Other Financial Information

Berlin School District

June 30, 2019



Proven Expertise & Integrity

BERLIN SCHOOL DISTRICT

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JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Berlin School District
Montpelier, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Berlin School District as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Berlin 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.

Auditors' Responsibility

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

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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, business-type activities, each major fund and the aggregate remaining fund information of Berlin School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 10 and 59 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Berlin School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and capital asset schedules are the responsibility of management and were derived from and related 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019, on our consideration of the Berlin School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Berlin School District's internal control over financial reporting and compliance.

Buxton, Maine
Vermont Registration No. 092.0000697
November 15, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

(UNAUDITED)

The following management's discussion and analysis of the Berlin School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

The School District's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, pension and OPEB information and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the School District's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the School District's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have separate columns for the two different types of School District activities. The types of activities presented for the School District are:

- *Governmental activities* - The activities in this section are mostly supported by intergovernmental revenues (federal and state grants), support from the town and charges for services. Most of the School District's basic services are reported in governmental activities, which include direct services, support services, fiscal services, operations and maintenance, transportation and program expenses.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. The activity for the School District includes the food service fund.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the School District can be classified into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds: Most of the basic services provided by the School District are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the School District's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the School District.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this

comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The School District presents four columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's major funds are the general fund, the special revenue fund, the capital projects fund and the bond sinking fund. There are no nonmajor funds.

The general fund is the only fund for which the School District legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The School District maintains one proprietary fund, the food service fund. This fund is used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Berlin School District. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

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 the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Net Position - Fiduciary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pension, a Schedule of Proportionate Share of the Net OPEB Liability, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the School District's governmental activities. The School District's total net position for governmental activities increased by \$139,743 from \$1,190,506 to \$1,330,249. For business-type activities, the School District's total net position increased by \$6,194 from \$68,174 to \$74,368.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a balance of \$73,217 at the end of the fiscal year. For business-type activities, the balance increased to a balance of \$62,887.

Table 1
Berlin School District
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Assets:				
Current Assets	\$ 778,789	\$ 983,051	\$ 64,328	\$ 60,423
Noncurrent Assets	3,822,751	3,642,134	11,481	9,339
Total Assets	<u>\$ 4,601,540</u>	<u>\$ 4,625,185</u>	<u>\$ 75,809</u>	<u>\$ 69,762</u>
Liabilities:				
Current Liabilities	\$ 171,539	\$ 181,609	\$ -	\$ -
Noncurrent Liabilities	3,099,752	3,251,070	-	-
Total Liabilities	<u>\$ 3,271,291</u>	<u>\$ 3,432,679</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred Inflows of Resources:				
Deferred Revenues	\$ -	\$ 2,000	\$ 1,441	\$ 1,588
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 1,441</u>	<u>\$ 1,588</u>
Net Position:				
Net Investment in Capital Assets	\$ 572,939	\$ 235,933	\$ 11,481	\$ 9,339
Restricted	684,093	656,404	-	-
Unrestricted	73,217	298,169	62,887	58,835
Total Net Position	<u>\$ 1,330,249</u>	<u>\$ 1,190,506</u>	<u>\$ 74,368</u>	<u>\$ 68,174</u>

Revenues and Expenses

Revenues for the School District's governmental activities increased by 1.33%, while total expenses increased by 3.82%. The increase in revenues was primarily due to operating grants and contributions and grants and contributions not restricted to specific programs, offset by a decrease in miscellaneous. The increase in expenses was due mainly to increases in on-behalf payments, transportation and interest on long-term debt.

Revenues for the School District's business-type activities increased by 0.54%, while total expenses increased by 2.40%.

Table 2
Berlin School District
Changes in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ -	\$ -	\$ 35,506	\$ 43,648
Operating grants and contributions	813,133	759,124	65,670	56,468
<i>General Revenues:</i>				
Grants and contributions not restricted to specific programs	3,506,031	3,406,248	-	-
Miscellaneous	93,483	189,475	2,665	3,164
Total Revenues	4,412,647	4,354,847	103,841	103,280
Expenses				
Direct services	1,973,209	1,974,637	-	-
Support services:				
Student services	176,969	164,757	-	-
Instructional staff services	161,376	134,985	-	-
General administrative services	284,163	282,132	-	-
Area administrative services	219,912	274,297	-	-
Fiscal services	39,205	39,194	-	-
Operations and maintenance	277,151	251,710	-	-
Transportation	132,473	90,803	-	-
On-behalf payments	573,094	522,274	-	-
Program expenses	241,104	235,574	126,847	123,871
Interest on long-term debt	157,967	120,297	-	-
Capital outlay	10,346	-	-	-
Total Expenses	4,246,969	4,090,660	126,847	123,871
Equity transfers by members	-	-	3,265	-
Transfers	(25,935)	(26,276)	25,935	26,276
Change in Net Position	139,743	237,911	6,194	5,685
Net Position - July 1, Restated	1,190,506	952,595	68,174	62,489
Net Position - June 30	\$ 1,330,249	\$ 1,190,506	\$ 74,368	\$ 68,174

Financial Analysis of the School District's Fund Statements

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

Table 3
Berlin School District
Fund Balances - Governmental Funds
June 30,

	<u>2019</u>	<u>2018</u>
Major Funds:		
General Fund:		
Unassigned	\$ 81,369	\$ 303,206
Total General Fund	<u>\$ 81,369</u>	<u>\$ 303,206</u>
Capital Projects Fund:		
Restricted	\$ 434,336	\$ 442,608
Total Capital Projects Fund	<u>\$ 434,336</u>	<u>\$ 442,608</u>
Bond Sinking Fund:		
Restricted	\$ 249,757	\$ 213,796
Total Bond Sinking Fund	<u>\$ 249,757</u>	<u>\$ 213,796</u>

The general fund total fund balance decreased by \$221,837 from the prior fiscal year, primarily due to transfers to other funds. The capital projects fund total fund balance decreased by \$8,272 from the prior fiscal year due to expenditures exceeding revenues and transfers from general fund. The bond sinking fund total fund balance increased by \$35,961 from the prior fiscal year due to interest income and the annual payment into the bond sinking fund.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues exceeded budgeted amounts by \$34,066 primarily due to special education reimbursements and interest income.

The general fund actual expenditures exceeded budgeted amounts by \$255,903 primarily due to additional fund transfers to the capital projects fund.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2019, the net book value of capital assets recorded by the School District increased by \$182,759. This increase was due to current year capital additions of \$340,885 less current year depreciation expense of \$158,126.

Table 4
Berlin School District
Capital Assets (Net of Depreciation)
June 30,

	2019	2018
Construction in progress	\$ -	\$ 2,656,937
Buildings, building improvements and land improvements	3,594,473	764,794
Infrastructure	81,259	83,025
Furniture and equipment	158,500	146,717
Total	<u>\$ 3,834,232</u>	<u>\$ 3,651,473</u>

Debt

Obligations for the School District at June 30, 2019 included \$3,249,812 in bonds and notes from direct borrowings outstanding versus \$3,406,201 last year. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

This will be the last audited financial statements issued by the Berlin School District. Refer to Note 18 of the Notes to Financial Statements for more information.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School District at 1130 Gallison Hill Road, Montpelier, Vermont 05602.

STATEMENT A

BERLIN SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 577,951	\$ -	\$ 577,951
Investments	247,940	-	247,940
Accounts receivable (net of allowance for uncollectibles)	-	1,869	1,869
Loan receivable	385	-	385
Due from other governments	7,777	4,670	12,447
Inventory	-	2,525	2,525
Internal balances	(55,264)	55,264	-
Total current assets	<u>778,789</u>	<u>64,328</u>	<u>843,117</u>
Noncurrent assets:			
Capital assets:			
Buildings, building improvements and other assets, net of accumulated depreciation	3,822,751	11,481	3,834,232
Total noncurrent assets	<u>3,822,751</u>	<u>11,481</u>	<u>3,834,232</u>
TOTAL ASSETS	<u><u>\$ 4,601,540</u></u>	<u><u>\$ 75,809</u></u>	<u><u>\$ 4,677,349</u></u>
LIABILITIES			
Current liabilities:			
Due to other governments	\$ 13,327	\$ -	\$ 13,327
Current portion of long-term obligations	158,212	-	158,212
Total current liabilities	<u>171,539</u>	<u>-</u>	<u>171,539</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	3,047,854	-	3,047,854
Note from direct borrowing payable	49,860	-	49,860
Accrued compensated absences	2,038	-	2,038
Total noncurrent liabilities	<u>3,099,752</u>	<u>-</u>	<u>3,099,752</u>
TOTAL LIABILITIES	<u>3,271,291</u>	<u>-</u>	<u>3,271,291</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	-	1,441	1,441
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>1,441</u>	<u>1,441</u>
NET POSITION			
Net investment in capital assets	572,939	11,481	584,420
Restricted	684,093	-	684,093
Unrestricted	73,217	62,887	136,104
TOTAL NET POSITION	<u>1,330,249</u>	<u>74,368</u>	<u>1,404,617</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 4,601,540</u></u>	<u><u>\$ 75,809</u></u>	<u><u>\$ 4,677,349</u></u>

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
Governmental activities:							
Direct services	\$ 1,973,209	\$ -	\$ -	\$ -	\$ (1,973,209)	\$ -	\$ (1,973,209)
Support services:							
Student services	176,969	-	-	-	(176,969)	-	(176,969)
Instructional staff services	161,376	-	-	-	(161,376)	-	(161,376)
General administrative services	284,163	-	-	-	(284,163)	-	(284,163)
Area administrative services	219,912	-	-	-	(219,912)	-	(219,912)
Fiscal services	39,205	-	-	-	(39,205)	-	(39,205)
Operations and maintenance	277,151	-	-	-	(277,151)	-	(277,151)
Transportation	132,473	-	-	-	(132,473)	-	(132,473)
Program expenses	241,104	-	240,039	-	(1,065)	-	(1,065)
On-behalf payments	573,094	-	573,094	-	-	-	-
Interest on long-term debt	157,967	-	-	-	(157,967)	-	(157,967)
Capital outlay	10,346	-	-	-	(10,346)	-	(10,346)
Total governmental activities	<u>4,246,969</u>	<u>-</u>	<u>813,133</u>	<u>-</u>	<u>(3,433,836)</u>	<u>-</u>	<u>(3,433,836)</u>
Business-type activities:							
Food service	126,847	35,506	65,670	-	-	(25,671)	(25,671)
Total business-type activities	<u>126,847</u>	<u>35,506</u>	<u>65,670</u>	<u>-</u>	<u>-</u>	<u>(25,671)</u>	<u>(25,671)</u>
Total government	<u>\$ 4,373,816</u>	<u>\$ 35,506</u>	<u>\$ 878,803</u>	<u>\$ -</u>	<u>(3,433,836)</u>	<u>(25,671)</u>	<u>(3,459,507)</u>

STATEMENT B (CONTINUED)
BERLIN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(3,433,836)	(25,671)	(3,459,507)
General revenues:			
Grants and contributions not restricted to specific programs	3,506,031	-	3,506,031
Miscellaneous	93,483	2,665	96,148
Equity transfers by members	-	3,265	3,265
Transfers	(25,935)	25,935	-
Total general revenues and transfers	3,573,579	31,865	3,605,444
Change in net position	139,743	6,194	145,937
NET POSITION - JULY 1, RESTATED	1,190,506	68,174	1,258,680
NET POSITION - JUNE 30	\$ 1,330,249	\$ 74,368	\$ 1,404,617

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Bond Sinking Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 576,134	\$ -	\$ -	\$ 1,817	\$ 577,951
Investments	-	-	-	247,940	247,940
Loan receivable	385	-	-	-	385
Due from other governments	7,777	-	-	-	7,777
Due from other funds	-	-	434,336	-	434,336
TOTAL ASSETS	<u>\$ 584,296</u>	<u>\$ -</u>	<u>\$ 434,336</u>	<u>\$ 249,757</u>	<u>\$ 1,268,389</u>
LIABILITIES					
Due to other governments	\$ 13,327	\$ -	\$ -	\$ -	\$ 13,327
Due to other funds	489,600	-	-	-	489,600
TOTAL LIABILITIES	<u>502,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>502,927</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	434,336	249,757	684,093
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	81,369	-	-	-	81,369
TOTAL FUND BALANCES	<u>81,369</u>	<u>-</u>	<u>434,336</u>	<u>249,757</u>	<u>765,462</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 584,296</u>	<u>\$ -</u>	<u>\$ 434,336</u>	<u>\$ 249,757</u>	<u>\$ 1,268,389</u>

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

	Total Governmental Funds
Total Fund Balances	\$ 765,462
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	3,822,751
Long-term obligations shown below are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(3,197,728)
Note from direct borrowing payable	(52,084)
Accrued compensated absences	(8,152)
Net position of governmental activities	<u>\$ 1,330,249</u>

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Bond Sinking Fund	Total Governmental Funds
REVENUES					
Intergovernmental revenues	\$ 3,480,031	\$ 240,039	\$ -	\$ 26,000	\$ 3,746,070
Interest income	49,745	-	4,772	9,961	64,478
On-behalf payments	204,046	-	-	-	204,046
Miscellaneous revenues	15,208	2,000	11,797	-	29,005
TOTAL REVENUES	3,749,030	242,039	16,569	35,961	4,043,599
EXPENDITURES					
Current:					
Direct services	1,893,276	-	-	-	1,893,276
Support services:					
Student services	169,252	-	-	-	169,252
Instructional staff services	146,847	-	-	-	146,847
General administrative services	284,163	-	-	-	284,163
Area administrative services	217,972	-	151	-	218,123
Fiscal services	39,205	-	-	-	39,205
Operations and maintenance	259,632	-	-	-	259,632
Transportation	132,473	-	-	-	132,473
On-behalf payments	204,046	-	-	-	204,046
Program expenses	-	241,104	-	-	241,104
Debt service:					
Principal	156,389	-	-	-	156,389
Interest	157,967	-	-	-	157,967
Capital outlay	-	-	309,335	-	309,335
TOTAL EXPENDITURES	3,661,222	241,104	309,486	-	4,211,812
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	87,808	935	(292,917)	35,961	(168,213)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	284,645	-	284,645
Transfers (out)	(309,645)	(935)	-	-	(310,580)
TOTAL OTHER FINANCING SOURCES (USES)	(309,645)	(935)	284,645	-	(25,935)
NET CHANGE IN FUND BALANCES	(221,837)	-	(8,272)	35,961	(194,148)
FUND BALANCES - JULY 1	303,206	-	442,608	213,796	959,610
FUND BALANCES - JUNE 30	\$ 81,369	\$ -	\$ 434,336	\$ 249,757	\$ 765,462

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (194,148)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	337,620
Depreciation expense	<u>(157,003)</u>
	<u>180,617</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Position	<u>156,389</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>(3,115)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 139,743</u></u>

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	<u>Enterprise Fund</u> <u>Food</u> <u>Service</u>
ASSETS	
Current assets:	
Account receivable - other	\$ 1,869
Due from other governments	4,670
Inventory	2,525
Due from other funds	<u>55,264</u>
Total current assets	<u>64,328</u>
Noncurrent assets:	
Capital assets:	
Building improvements	24,588
Equipment	35,581
Less: accumulated depreciation	<u>(48,688)</u>
Total noncurrent assets	<u>11,481</u>
TOTAL ASSETS	<u><u>\$ 75,809</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	<u>1,441</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,441</u>
NET POSITION	
Net investment in capital assets	11,481
Unrestricted	<u>62,887</u>
TOTAL NET POSITION	<u>74,368</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 75,809</u></u>

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Enterprise Fund</u> <u>Food</u> <u>Service</u>
OPERATING REVENUES	
Intergovernmental	\$ 65,670
Charges for services	35,506
Miscellaneous	2,665
TOTAL OPERATING REVENUES	<u>103,841</u>
OPERATING EXPENSES	
Salaries	53,653
Benefits	21,093
Repairs and maintenance	2,746
Supplies and food	44,967
Equipment	3,265
Depreciation	1,123
TOTAL OPERATING EXPENSES	<u>126,847</u>
OPERATING INCOME (LOSS)	<u>(23,006)</u>
NONOPERATING REVENUES (EXPENSES)	
Equity transfer from members	3,265
Transfers in	25,935
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>29,200</u>
CHANGES IN NET POSITION	6,194
NET POSITION - JULY 1	<u>68,174</u>
NET POSITION - JUNE 30	<u><u>\$ 74,368</u></u>

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Fund
	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 36,302
Intergovernmental receipts	66,974
Internal activity - receipts (payments) from/to other funds	(2,219)
Payments to suppliers	(126,992)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(25,935)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Equity transfer from members	3,265
Equity transfer of fixed assets included in above line	(3,265)
Transfers in (out)	25,935
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>25,935</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - JULY 1	<u>-</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (23,006)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,123
Changes in operating assets, liabilities and deferred inflows of resources:	
(Increase) decrease in due from other governments	1,304
(Increase) decrease in receivables	(1,869)
(Increase) decrease in inventory	(1,121)
(Increase) decrease in due from other funds	(2,219)
(Decrease) increase in deferred revenue	(147)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (25,935)</u></u>

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Agency Funds</u> <u>Student</u> <u>Activities</u>
ASSETS	
Due from other governments	\$ 13,327
TOTAL ASSETS	<u>\$ 13,327</u>
LIABILITIES	
Deposits held for others	\$ 13,327
TOTAL LIABILITIES	<u>\$ 13,327</u>

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Berlin School District was incorporated under the laws in the State of Vermont. The School District operates under the Board of Directors-superintendent form of government and provides the following services: direct services, support services, fiscal services, operations and maintenance, transportation and program expenses.

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The School District's combined financial statements include all accounts and all operations of the School District. We have determined that the School District has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses.

Government-Wide and Fund Financial Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School District's food service fund is categorized as a business-type activity. All other activities of the School District are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The School District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions and business-type activities (instruction, administration, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (support from the School District, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The School District does not allocate indirect costs. All costs are charged directly to the corresponding departments.

The government-wide focus is more on the sustainability of the School District as an entity and the change in the School District's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the School District are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the School District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the School District:

Major Funds:

- a. The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- d. The Bond Sinking Fund is used to account for or report financial resources that are restricted, committed or assigned to pay debt principal and interest.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the School District:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the School District's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The School District has no nonmajor funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The School District's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with Governmental Accounting Standards Board Statement No. 24, Accounting and Reporting for Certain Grants and Other Financial Assistance, payments made by the State of Vermont to the Vermont State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

Revenues per budgetary basis	\$ 3,544,984
Add: On-behalf payments	204,046
Total GAAP basis	<u>\$ 3,749,030</u>
Expenditures per budgetary basis	\$ 3,766,821
Add: On-behalf basis	204,046
Total GAAP basis	<u>\$ 3,970,867</u>

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. The annual school budget is the planning management tool, which delineates the School District's educational priorities and programs and forms the basis for voter review and approval of the budget according to applicable State of Vermont education finance laws.
2. The Board budget process includes input from school district administration and staff on educational priorities for the next school year, along with public hearings, which include the Board of Directors and general public.
3. The budget document itself is based upon the most current funding information available along with the projection of current revenues and expenditures for the next year. At the conclusion of the budget process, a final budget is approved by the Board of Directors.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the School District's policy to value investments at fair value. None of the School District's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The School District Treasurer is authorized by State Statutes to invest all excess funds in the following:

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

The Berlin School District has no formal investment policy but instead follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$28,028 for the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximate market, using the first-in, first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). The food service fund inventory consists of school lunch supplies and food on hand at the end of the year.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more for land, \$20,000 or more for buildings and improvements, \$2,500 for furniture and equipment and \$5,000 for vehicles are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Furniture and equipment	3 - 50 years

Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term obligations consist of bonds and a note from direct borrowing payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) Plan and additions to/deductions from the VSTRS Plan's fiduciary net position have been determined on the same basis as they are reported by the VSTRS Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) Plan and additions to/deductions from the VSTRS OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by VSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the School District. The inhabitants of the School District through School District meetings are the highest level of decision-making authority of the School District. Commitments may be established, modified, or rescinded only through a School District meeting vote.

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Directors.

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently has no deferred outflows of resources.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of this item, deferred revenues, which is reported in both the statements of net position and governmental funds balance sheet. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided, operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The School District does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the School District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

The School District's investment policies, which follow state statutes, authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all School District funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the School District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The School District does not have a policy covering custodial credit risk.

At June 30, 2019, the School District's cash balance of \$577,951 was comprised of bank deposits of \$668,068. Of these bank deposits, \$250,000 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining balance of \$418,068 as collateralized with securities held by the financial institution in the School District's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 10,319
Repurchase agreements	655,932
Cash equivalents	1,817
	<u>\$ 668,068</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the School District does not have a policy for custodial credit risk for investments.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2019, the School District had the following investments and maturities:

Investment Type	Fair Value	Not Applicable	Less than 1 Year	1 - 5 Years
U.S. agency securities	\$ 51,997	\$ -	\$ -	\$ 51,997
Mutual fund	195,943	195,943	-	-
	<u>\$ 247,940</u>	<u>\$ 195,943</u>	<u>\$ -</u>	<u>\$ 51,997</u>

Fair Value Hierarchy

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The School District has the following recurring fair value measurements as June 30, 2019:

	June 30, 2019 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Debt securities:				
U.S. agency securities	\$ 51,997	\$ -	\$ 51,997	\$ -
Mutual fund	195,943	-	195,943	-
Total debt securities	<u>247,940</u>	<u>-</u>	<u>247,940</u>	<u>-</u>
Total investments by fair value level	<u>247,940</u>	<u>\$ -</u>	<u>\$ 247,940</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market fund	1,817			
Total cash equivalents measured at the NAV	<u>1,817</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 249,757</u>			

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The School District has no Level 1 or Level 3

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

investments. The fair value of money market funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2019 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Credit risk - Statutes for the State of Vermont authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The School District does not have an investment policy on credit risk. Generally, the School District invests excess funds in savings accounts and various insured certificates of deposit.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General Fund	\$ -	\$ 489,600
Capital Projects Fund	434,336	-
Food Service Fund	55,264	-
	<u>\$ 489,600</u>	<u>\$ 489,600</u>

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance 7/1/18	Additions	Disposals	Balance 6/30/19
<u>Governmental activities:</u>				
Non-depreciated assets:				
Construction in progress	\$ 2,656,937	\$ -	\$ (2,656,937)	\$ -
	<u>2,656,937</u>	<u>-</u>	<u>(2,656,937)</u>	<u>-</u>
Depreciated assets:				
Buildings	407,744	-	-	407,744
Building improvements	1,077,796	2,955,926	-	4,033,722
Infrastructure	88,324	-	-	88,324
Furniture and equipment	248,464	38,631	-	287,095
	<u>1,822,328</u>	<u>2,994,557</u>	<u>-</u>	<u>4,816,885</u>
Less: accumulated depreciation	(837,131)	(157,003)	-	(994,134)
	<u>985,197</u>	<u>2,837,554</u>	<u>-</u>	<u>3,822,751</u>
Net governmental capital assets	<u>\$ 3,642,134</u>	<u>\$ 2,837,554</u>	<u>\$ (2,656,937)</u>	<u>\$ 3,822,751</u>
<u>Business-type activities:</u>				
Depreciated assets:				
Building improvements	\$ 24,588	\$ -	\$ -	\$ 24,588
Furniture and equipment	33,560	3,265	(1,244)	35,581
	<u>58,148</u>	<u>3,265</u>	<u>(1,244)</u>	<u>60,169</u>
Less: accumulated depreciation	(48,809)	(1,123)	1,244	(48,688)
Net business-type capital assets	<u>\$ 9,339</u>	<u>\$ 2,142</u>	<u>\$ -</u>	<u>\$ 11,481</u>
<u>Current year depreciation:</u>				
Direct services				\$ 115,449
S.S. - students				7,717
S.S. - staff				14,529
S.S. - area adm				1,789
Operations and maintenance				17,519
Total governmental activities depreciation				<u>157,003</u>
Food service				1,123
Total depreciation expense				<u>\$ 158,126</u>

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2019, was as follows:

	Balance 7/1/18	Additions	Reductions	Balance 6/30/19
Tax/revenue anticipation note	\$ -	\$ 1,484,588	\$ (1,484,588)	\$ -
Totals	\$ -	\$ 1,484,588	\$ (1,484,588)	\$ -

On July 2, 2018, the Berlin School District issued a tax/revenue anticipation note to provide liquidity for governmental operations financed by property taxes. The tax/revenue anticipation note allowed principal draws up to \$1,484,588 at 2.70% interest per annum with a maturity date of June 28, 2019. On June 24, 2019 the tax/revenue anticipation note was paid in full. Interest expense for the note was \$39,205.

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Year Portion
Bonds payable	\$ 3,347,602	\$ -	\$ (149,874)	\$ 3,197,728	\$ 149,874
Note from direct borrowings payable	58,599	-	(6,515)	52,084	2,224
	\$ 3,406,201	\$ -	\$ (156,389)	\$ 3,249,812	\$ 152,098

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the bonds and note from direct borrowing payable as of June 30, 2019:

Bonds payable:

\$500,000, Merchants Bank Qualified School Construction Bond due in one principal installment of \$500,000 in March of 2027 with a fixed interest rate at 1.00% per annum payable semi-annually through March of 2027. Deposits of \$26,000 remitted annually into a sinking fund through March of 2027. Interest of 1.00% per annum, applied to the sinking fund balance, payable semi-annually into the sinking fund through March of 2027. The sinking fund balance is irrevocably pledged to secure the principal payment of the bond at maturity. The annual deposit amount of \$26,000 will be increased to \$31,000 as of March 2020. \$ 500,000

\$2,997,476 Merchants Bank bond payable, with principal payments due in annual installments of \$149,874. Fixed interest rate of 2.99% paid semi-annually. The proceeds from the note were used for school building improvements. The bond matures on December 31, 2036. 2,697,728

Total bonds payable 3,197,728

Note from direct borrowing payable:

\$81,340 Vermont Municipal Bond Bank Vermont Environmental Protection Agency Drinking Water State Revolving Fund note payable, due in annual principal, interest and administrative fee installments of \$3,787 through April of 2037. Interest at a fixed rate of 1.00% and administrative fees of 2.00% payable annually through September of 2037. In fiscal year 2017, \$25,000 of the principal balance of the loan was forgiven. Proceeds were originally borrowed for a municipal water connection project. 52,084

Total note from direct borrowing payable 52,084

Total bonds and note from direct borrowing payable \$ 3,249,812

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds and note principal and interest requirements for the following fiscal years ending June 30:

Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 152,098	\$ 87,225	\$ 239,323
2021	152,165	82,885	235,050
2022	152,234	78,127	230,361
2023	152,304	73,575	225,879
2024	152,377	69,021	221,398
2025-2029	1,263,061	266,980	1,530,041
2030-2034	765,240	137,562	902,802
2035-2039	460,333	27,548	487,881
	<u>\$ 3,249,812</u>	<u>\$ 822,923</u>	<u>\$ 4,072,735</u>

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2019 is as follows:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Year Portion
Accrued compensated absences	<u>\$ 5,037</u>	<u>\$ 3,115</u>	<u>\$ -</u>	<u>\$ 8,152</u>	<u>\$ 6,114</u>

Please see Note 8 for detailed information on the other long-term obligations.

NOTE 8 - ACCRUED COMPENSATED ABSENCES

The District's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2019, the School District's liability for accrued compensated absences is \$8,152.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 9 - OPERATING LEASE

A summary of the outstanding operating lease payable is as follows:

Berlin School District leases a postage meter from MailFinance, a Neopost USA Company, under a lease agreement dated January 20, 2016. The lease term is for 60 months ending in December of 2020. Monthly payments are \$67.

Future minimum lease payments at June 30, 2019, are as follows:

Year Ending June 30:	
2020	\$ 809
2021	405
Total lease payments	<u>\$ 1,214</u>

NOTE 10 - RESTRICTED FUND BALANCES

At June 30, 2019, the School District had the following restricted fund balances:

Capital project fund	\$ 434,336
Bond sinking fund	249,757
	<u>\$ 684,093</u>

NOTE 11 - FINANCIAL INFORMATION

The detailed budget to actual report can be found on Schedules 1, A and B.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the School District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private Union teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont 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, 2017 (the most recent period available), the retirement system consisted of 22,193 participating members.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The plan was established effective July 1, 1947, and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the Secretary of Education (ex-officio), the State Treasurer (ex-officio), the Commissioner of Financial Regulation (ex-officio), two members and one alternate elected by active members of the System under rules adopted by the Board and one retired member and one alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

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. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

The VSTRS provides retirement and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. There are two levels of contributions and benefits in the System: Group A - for public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A; and Group C - for public school teachers employed within the State of Vermont on or after July 1, 1990. Group C also includes those teachers hired prior to July 1, 1990 and were in Group B on July 1, 1990. When *Act 74* became effective on June 30, 2010, Group C was further bifurcated into Groups #1 and #2. Group #1 contains members who were at least 57 years of age or had at least 25 years of service and Group #2 contains members who were less than 57 years of age and had less than 25 years of service.

Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Normal service retirement eligibility (no reduction)	Age 60 or 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, 2.0% 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 or 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

Other post-employment benefits are available to all plan members include the following:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pay full premium	Members pay full premium	Members pay full premium

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the School District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan which approximates \$204,046 or 15.75% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Employee Contributions	5.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

Employee contributions totaled \$67,946 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees covered under this plan was \$1,295,528 for the year ended June 30, 2019.

Pension Liabilities

VSTRS Plan

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2019. The State's portion of the collective net pension liability that was associated with the School District was as follows:

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

School District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>2,830,433</u>
Total	<u>\$ 2,830,433</u>

The State of Vermont's proportionate share of the net pension liability associated with the School District is equal to the collective net pension liability, actuarially measured as of June 30, 2017, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the School District's proportion was 0.18736% which was an decrease of 0.0026% from its proportion measured as of June 30, 2017.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the School District recognized total pension expense of \$277,497 and revenue of \$277,497 for support provided by the State of Vermont for the VSTRS plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS Plan
Plan year ended June 30:	
2018	\$ -
2019	-
2020	-
2021	-
2022	-
Thereafter	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using the actuarial assumptions outlined below.

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation

Inflation: 2.50%

Salary Increases: Ranging from 3.75% to 9.09%

Deaths After Retirement: The VSTRS plan used 98% of the RP-2006 White Collar Employee with generational projection using Scale SSA-2017 for pre-retirement, 98% of the RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017 for healthy retirees, and the RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017 for disabled retirees.

Inactive Members: Valuation liability for the VSTRS plan equals 250.0% of accumulated contributions.

Future Administrative Expenses: No provisions were made, expenses of the System are paid by the State.

Unknown Data for Participants: For the VSTRS plan, it is the same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Percent Married: 85% of male members and 35% of female members are assumed to be married.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments: Adjustments for the VSTRS plan are assumed to occur on January 1 following one year of retirement. For the VSTRS plan this occurs at the rate of 2.55% per annum for Group A members and 1.40% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement). The January 1, 2019 COLA is assumed to be 2.60% for Group A and 1.30% for Group C.

Actuarial Cost Method: Uses the Entry Age Actuarial Cost Method. Entry age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Accrued Actuarial Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

For the VSTRS plan, the *asset valuation method* used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

The *long-term expected rate of return* on the VSTRS 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) developed for each major asset class. These best estimate ranges were 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.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	18.00%	6.10%
Non-US Equity	16.00%	7.45%
Global Equity	9.00%	6.74%
Fixed Income	26.00%	2.25%
Real Estate	8.00%	5.11%
Private Markets	15.00%	7.60%
Hedge Funds	8.00%	3.86%

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the VSTRS plan. 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 which exceeds the actuarially determined contribution rate. 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 68.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50% for the VSTRS plan, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.50%	7.50%	8.50%
School District's proportionate share of the net pension liability	\$ 3,417,898	\$ 2,830,433	\$ 2,242,366

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VSTRS or their participating employers. VSTRS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

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

The plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2017 (the most recent period available), the plan consisted of 4,878 retired members or beneficiaries currently receiving benefits and 8,941 active members.

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. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

VSTRS retirees and their spouses are eligible for medical, prescription drug and dental benefits on a lifetime basis if the retiree is eligible for pension benefits, as described in the Notes to Financial Statements for Defined Benefit Plan(s).

Contributions

Varying levels of contributions are required from retirees and spouses for medical and prescription drug coverage at the following premium subsidy rates:

	Retiree Subsidy		Spouse Subsidy*	
Retired before June 30, 2010	At least ten years of service-80% of premium Less than ten years of service-0% of premium		0% of premium	
Retired after June 30, 2010	10 years or more of service at June 30, 2010-80% of premium		Years of service at June 30, 2010-80% of premium:	
	Less than 10 years of service at June 30, 2010:			
	Less than 15 years at retirement	Less than 15 years at retirement	Less than 10 years	25 years at retirement
	15-19.99 years at retirement	15-19.99 years at retirement	10-14.99 years	25 years at retirement
	20-24.99 years at retirement	20-24.99 years at retirement	15-24.99 years	10 additional years from June 30, 2010
	25 years or more at retirement	25 years or more at retirement	25-29.99 years	35 years at retirement
			30 or more years	5 additional years from June 30, 2010

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

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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.

OPEB Liabilities

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 75 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net OPEB liability was recorded at June 30, 2019. The State's portion of the collective net OPEB liability that was associated with the School District was as follows:

School District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the School District	<u>1,802,970</u>
Total	<u><u>\$ 1,802,970</u></u>

The State of Vermont's proportionate share of the net OPEB liability associated with the School District is equal to the collective net OPEB liability, actuarially measured as of June 30, 2018, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the School District's proportion was 0.18893% which was a decrease of 0.00237% from its proportion measured as of June 30, 2017.

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

For the year ended June 30, 2019, the School District recognized total OPEB expense of \$91,551 and revenue of \$91,551 for support provided by the State of Vermont for the Plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	VSTRS OPEB Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

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

	VSTRS OPEB Plan
Plan year ended June 30:	
2018	\$ -
2019	-
2020	-
2021	-
2022	-
Thereafter	-

Discount Rate

The discount rate is the single rate of return, that when applied to all projected benefit payments, results in an actuarial present value that is the sum of the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return, and the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The sensitivity of net OPEB liability to changes in discount rate are as follows:

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
VSTRS OPEB Plan:			
Discount rate	2.870%	3.870%	4.870%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Healthcare Trend Rate

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2019 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics. The sensitivity of net OPEB liability to changes in healthcare trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Asset Valuation Method

The Asset Valuation Method used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

The long-term expected rate of return on both 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) developed for each major asset class. These best estimate ranges were 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.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.50%
International equity	15.00%	7.75%
Emerging international equity	5.00%	9.25%
Core bonds	60.00%	3.75%
Inflation		2.75%
Total	<u>100.00%</u>	

Assumptions

The actuarial assumptions used to calculate the actuarially determined contribution rates can be found in the Report on the Actuarial Valuation of Post-Retirement Benefits of the Vermont State Teachers' Retirement System Prepared as of June 30, 2016 completed by Buck Consulting. As of June 30, 2018, they are as follows:

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount Rate	3.87%
Salary Increase Rate	Varies by age
Non-Medicare	7.15% graded to 4.50% over 12 years
Medicare	7.30% graded to 4.50% over 11 years
Retiree Contributions	Equal to health trend
Pre-retirement Mortality	98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017.
Post-retirement Mortality	98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017.

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2018 with the following exceptions:

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for June 30, 2018. For the fiscal year ended June 30, 2018, the discount rate was increased from 3.58% to 3.87%.

OPEB Plan Fiduciary Net Position

The schedule of employer allocations and schedule of OPEB amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VSTRS or their participating employers. VSTRS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 14 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, students and guests; as well as natural disasters for which the School District either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District.

The School District is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker compensation, multi-line intermunicipal school program and unemployment compensation program, and the Vermont Education Health Initiative (VEHI) for medical benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont School Districts and is owned by the participating Districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, VEHI has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

Multi-Line Intermunicipal School Program provides coverage for property; inland marine and boiler and machinery; crime; commercial general liability; automobile/garagekeepers; and educators legal liability. Annual contributions are based upon appropriate rates applicable to each member; such rates are set based on recommendations of a qualified actuary, plus a proportionate share of all operational and administrative cost including excess reinsurance premiums incurred by the trust. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the program will be terminated with each member assessed their proportionate share of the deficit.

NOTE 15 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the School District's financial position.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 15 - CONTINGENCIES (CONTINUED)

The School District participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the School District's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

The School District participates in a medical insurance plan negotiated through VEHI. This plan is a high-deductible plan with an HRA (Health Reimbursement Arrangement) funded by the School District. The organization contracted to coordinate the processing of claims on behalf of the School District with HRA funds has not processed all claims through June 30, 2019 and as of the date of this report. Additionally, they were unable to provide management with the outstanding amount to be expensed by the School District through June 30, 2019. Therefore, the amount, if any, of any liabilities arising from the unprocessed claims cannot be determined at this time.

NOTE 16 - RELATED ORGANIZATION

The School District has an ongoing financial responsibility to Washington Central School District as defined in GASB 14, paragraph 71. Through Washington Central School District's assessment process, the School District's assessment can be increased to cover a share of any prior year deficits and decreased to share in any prior year surpluses. Separate financial statements on Washington Central School District are available from Washington Central School District.

NOTE 17 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the School District's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 18 - SUBSEQUENT EVENT

All assets and liabilities of the Berlin School District, the Calais School District, the East Montpelier School District, the Middlesex School District, the Worcester School District and the Union High School District No. 32 were transferred to the new Washington Central Unified Union School District on July 1, 2019. All business transactions of these individual member schools ceased as of that date.

BERLIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 - RESTATEMENT

The net position of the governmental activities has been restated as of July 1, 2018 on Statement B and Table 2. The net position was restated to correct an error. The beginning net position was increased by \$61,332, from \$1,129,174 to \$1,190,506.

DRAFT

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pension
- Schedule of Proportionate Share of the Net OPEB Liability
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

BERLIN SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 303,206	\$ 303,206	\$ 303,206	\$ -
Resources (Inflows):				
Intergovernmental:				
State/Town support	3,331,701	3,331,701	3,321,941	(9,760)
Other	145,912	145,912	158,090	12,178
Interest income	30,305	30,305	49,745	19,440
Miscellaneous	3,000	3,000	15,208	12,208
Amounts Available for Appropriation	<u>3,814,124</u>	<u>3,814,124</u>	<u>3,848,190</u>	<u>34,066</u>
Charges to Appropriations (Outflows):				
Direct services	1,882,445	1,882,445	1,893,276	(10,831)
Support services:				
Student services	168,104	168,104	169,252	(1,148)
Instructional staff services	132,196	132,196	146,847	(14,651)
General administrative services	284,415	284,415	284,163	252
Area administrative services	226,507	226,507	217,972	8,535
Fiscal services	40,305	40,305	39,205	1,100
Operations and maintenance	295,146	295,146	259,632	35,514
Transportation	132,640	132,640	132,473	167
Debt service:				
Principal	156,390	156,390	156,389	1
Interest	117,770	117,770	157,967	(40,197)
Transfers to other funds	75,000	75,000	309,645	(234,645)
Total Charges to Appropriations	<u>3,510,918</u>	<u>3,510,918</u>	<u>3,766,821</u>	<u>(255,903)</u>
Budgetary Fund Balance, June 30	<u>\$ 303,206</u>	<u>\$ 303,206</u>	<u>\$ 81,369</u>	<u>\$ (221,837)</u>

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015	2014
<u>VSTRS:</u>						
Proportion of the net pension liability	0.19%	0.19%	0.18%	0.19%	0.23%	0.23%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	2,830,433	2,816,489	2,321,970	2,233,759	2,164,564	\$ 2,315,704
Total	<u>\$ 2,830,433</u>	<u>\$ 2,816,489</u>	<u>\$ 2,321,970</u>	<u>\$ 2,233,759</u>	<u>\$ 2,164,564</u>	<u>\$ 2,315,704</u>
Covered-employee payroll	\$ 1,266,618	\$ 1,241,824	\$ 1,148,637	\$ 1,049,963	\$ 1,280,207	\$ 1,290,975
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	54.81%	53.98%	55.31%	58.22%	64.02%	60.59%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015	2014
<u>VSTRS:</u>						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,295,528	\$ 1,266,618	\$ 1,241,824	\$ 1,148,637	\$ 1,049,963	\$ 1,280,207
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	2019	2018	2017
<u>VSTRS OPEB Plan:</u>			
Proportion of the net OPEB liability	0.19%	0.19%	0.18%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the School District	1,802,970	1,783,478	-
Total	<u>\$ 1,802,970</u>	<u>\$ 1,783,478</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,266,618	\$ 1,241,824	\$ 1,148,637
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.76%	1.52%	0.00%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	2019	2018	2017
<u>VSTRS OPEB Plan:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,295,528	\$ 1,266,618	\$ 1,241,824
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

Changes of Assumptions

VSTRS Pension Plan:

The valuation liability for inactive members as reported by the System was lowered from 332.5% of accumulated contributions to 250.0% of accumulated contributions.

VSTRS OPEB Plan:

The discount rate increased from 3.58% to 3.87% for the VSTRS OPEB liability.

The percentage of non-DC Plan current retirees assumed to have life insurance coverage was increased from 65% to 75%.

Future male retirees were assumed to be two years older than their spouses, decreased from three years. Future female retirees were assumed to be one year younger than their spouses, decreased from three years.

The percentage of future retirees assumed to have a spouse electing coverage was increased from 60% to 70% for male retirees and from 50% to 60% for female retirees.

The claims cost development methodology was modified for non-Medicare participants.

The per capita valuation-year claims and retiree contribution rates were updated.

The assumed health trend rates were modified.

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

BERLIN SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
Education spending grant	\$ 3,331,701	\$ 3,331,701	\$ 3,321,941	\$ (9,760)
Special education reimbursement	136,881	136,881	149,630	12,749
E-rate	9,031	9,031	8,460	(571)
Interest income	30,305	30,305	49,745	19,440
Miscellaneous:				
Other receipts	3,000	3,000	15,208	12,208
Amounts Available for Appropriation	<u>\$ 3,510,918</u>	<u>\$ 3,510,918</u>	<u>\$ 3,544,984</u>	<u>\$ 34,066</u>

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Direct services -				
Instructional services	\$ 1,347,195	\$ 1,347,195	\$ 1,323,133	\$ 24,062
Preschool program	35,562	35,562	22,682	12,880
Special education	244,430	244,430	260,170	(15,740)
SU assessments	231,858	231,858	267,182	(35,324)
English language learner	23,400	23,400	20,109	3,291
Total Direct services	<u>1,882,445</u>	<u>1,882,445</u>	<u>1,893,276</u>	<u>(10,831)</u>
Support services -				
Students -				
Guidance services	96,887	96,887	97,613	(726)
Health services	71,217	71,217	71,639	(422)
Instructional staff -				
Library services	48,531	48,531	53,178	(4,647)
Technology services	83,665	83,665	93,669	(10,004)
Total Support services	<u>300,300</u>	<u>300,300</u>	<u>316,099</u>	<u>(15,799)</u>
General administration -				
Board of Education	16,306	16,306	16,054	252
Office of the superintendent	268,109	268,109	268,109	-
Total General administration	<u>284,415</u>	<u>284,415</u>	<u>284,163</u>	<u>252</u>
Area Administration - Office of the principal	<u>226,507</u>	<u>226,507</u>	<u>217,972</u>	<u>8,535</u>
Fiscal services	<u>40,305</u>	<u>40,305</u>	<u>39,205</u>	<u>1,100</u>
Operations and maintenance	<u>295,146</u>	<u>295,146</u>	<u>259,632</u>	<u>35,514</u>
Transportation	<u>132,640</u>	<u>132,640</u>	<u>132,473</u>	<u>167</u>
Debt service -				
Principal	156,390	156,390	156,389	1
Interest	117,770	117,770	157,967	(40,197)
Total Debt service	<u>274,160</u>	<u>274,160</u>	<u>314,356</u>	<u>(40,196)</u>
Transfers to other funds	<u>75,000</u>	<u>75,000</u>	<u>309,645</u>	<u>(234,645)</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 3,510,918</u>	<u>\$ 3,510,918</u>	<u>\$ 3,766,821</u>	<u>\$ (255,903)</u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

DRAFT

BERLIN SCHOOL DISTRICT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Direct Services	\$ -	\$ 3,264,031	\$ 204,166	\$ -	\$ 3,468,197
S.S. - Students	-	267,178	-	-	267,178
S.S. - Staff	-	503,048	16,154	-	519,202
S.S. - Area Adm	-	61,954	-	-	61,954
Operations and Maintenance	-	345,255	66,775	88,324	500,354
Food Service	-	24,588	35,581	-	60,169
Total General Capital Assets	-	4,466,054	322,676	88,324	4,877,054
Less: Accumulated Depreciation	-	(871,581)	(164,176)	(7,065)	(1,042,822)
Net General Capital Assets	\$ -	\$ 3,594,473	\$ 158,500	\$ 81,259	\$ 3,834,232

See accompanying independent auditors' report and notes to financial statements.

BERLIN SCHOOL DISTRICT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2019

	General Capital Assets 7/1/18	Additions	Deletions	General Capital Assets 6/30/19
Direct Services	\$ 1,234,791	\$ 2,233,406	\$ -	\$ 3,468,197
S.S. - Students	55,534	211,644	-	267,178
S.S. - Staff	120,742	398,460	-	519,202
S.S. - Area Adm	12,886	49,068	-	61,954
Operations and Maintenance	3,055,312	101,979	(2,656,937)	500,354
Food Service	58,148	3,265	(1,244)	60,169
	<u>4,537,413</u>	<u>2,997,822</u>	<u>(2,658,181)</u>	<u>4,877,054</u>
Total General Capital Assets	4,537,413	2,997,822	(2,658,181)	4,877,054
Less: Accumulated Depreciation	<u>(885,940)</u>	<u>(158,126)</u>	<u>1,244</u>	<u>(1,042,822)</u>
Net General Capital Assets	<u>\$ 3,651,473</u>	<u>\$ 2,839,696</u>	<u>\$ (2,656,937)</u>	<u>\$ 3,834,232</u>

See accompanying independent auditors' report and notes to financial statements.



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

Board of Directors
Berlin School District
Montpelier, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Berlin School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Berlin School District's basic financial statements, and have issued our report thereon dated November 15, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Buxton, Maine
Vermont Registration No. 092.0000697
November 15, 2019

Audited Financial Statements
and Other Financial Information

Calais School District

June 30, 2019



Proven Expertise & Integrity

CALAIS SCHOOL DISTRICT

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JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Calais School District
Montpelier, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Calais School District as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Calais 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, business-type activities and each major fund of the Calais School District as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 10 and 54 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Calais School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and capital asset schedules are the responsibility of management and were derived from and related 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019, on our consideration of the Calais School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Calais School District's internal control over financial reporting and compliance.

Buxton, Maine
Vermont Registration No. 092.0000697
November 27, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

(UNAUDITED)

The following management's discussion and analysis of the Calais School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

The School District's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, pension and OPEB information and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the School District's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the School District's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have separate columns for the two different types of School District activities. The types of activities presented for the School District are:

- *Governmental activities* - The activities in this section are mostly supported by intergovernmental revenues (federal and state grants), support from the town and charges for services. Most of the School District's basic services are reported in governmental activities, which include direct services, support services, fiscal services, operations and maintenance, transportation and program expenses.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. The activity for the School District includes the food service fund.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the School District can be classified into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds: Most of the basic services provided by the School District are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the School District's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the School District.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues,

expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The School District presents three columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's major funds are the general fund, the special revenue fund and the capital projects fund. There are no nonmajor funds.

The general fund is the only fund for which the School District legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The School District maintains one proprietary fund, the food service fund. This fund is used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Calais School District. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

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 the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Net Position - Fiduciary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pension, a Schedule of Proportionate Share of the Net OPEB Liability, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the School District's governmental and business-type activities. The School District's total net position for governmental activities decreased by \$32,384 from \$930,788 to \$898,404. For business-type activities, the School District's total net position decreased by \$16,025 from \$43,421 to \$27,396.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a balance of \$52,515 at the end of the fiscal year. For business-type activities, the balance decreased to a balance of \$0.

Table 1
Calais School District
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Assets:				
Current Assets	\$ 252,750	\$ 381,192	\$ 957	\$ 14,868
Noncurrent Assets	654,244	578,257	27,398	29,594
Total Assets	<u>\$ 906,994</u>	<u>\$ 959,449</u>	<u>\$ 28,355</u>	<u>\$ 44,462</u>
Liabilities:				
Current Liabilities	\$ 5,696	\$ 25,820	\$ -	\$ -
Noncurrent Liabilities	2,592	2,841	-	-
Total Liabilities	<u>\$ 8,288</u>	<u>\$ 28,661</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred Inflows of Resources:				
Deferred Revenues	\$ -	\$ -	\$ 957	\$ 1,041
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 957</u>	<u>\$ 1,041</u>
Net Position:				
Net Investment in Capital Assets	\$ 654,244	\$ 578,257	\$ 27,398	\$ 29,594
Restricted	191,947	192,615	-	-
Unrestricted	52,515	159,916	-	13,827
Total Net Position	<u>\$ 898,706</u>	<u>\$ 930,788</u>	<u>\$ 27,398</u>	<u>\$ 43,421</u>

Table 2
Calais School District
Changes in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ -	\$ 3,178	\$ 20,512	\$ 23,387
Operating grants and contributions	539,080	534,993	21,729	24,394
<i>General Revenues:</i>				
Grants and contributions not restricted to specific programs	1,856,903	1,868,473	-	-
Miscellaneous	39,727	30,850	1,369	2,584
Total Revenues	2,435,710	2,437,494	43,610	50,365
Expenses				
Direct services	1,105,398	1,079,025	-	-
Support services:				
Student services	104,047	87,448	-	-
Instructional staff services	123,231	111,884	-	-
General administrative services	169,433	12,412	-	-
Area administrative services	166,794	300,970	-	-
Fiscal services	17,740	17,237	-	-
Operations and maintenance	201,711	217,133	-	-
Transportation	80,391	71,822	-	-
On-behalf payments	410,913	420,724	-	-
Program expenses	57,383	55,496	81,343	78,797
Interest on long-term debt	9,041	31,580	-	-
Total Expenses	2,446,082	2,405,731	81,343	78,797
Equity transfers from members	-	-	-	12,782
Transfers	(21,710)	(21,000)	21,710	21,000
Change in Net Position	(32,082)	10,763	(16,023)	5,350
Net Position - July 1	930,788	920,025	43,421	38,071
Net Position - June 30	\$ 898,706	\$ 930,788	\$ 27,398	\$ 43,421

Revenues and Expenses

Revenues for the School District's governmental activities decreased by 0.07%, while total expenses increased by 1.69%. The decrease in revenues was mainly due to a decrease in grants and contributions not restricted to specific programs. The increase in expenses was mainly due to general administrative services, which was offset by a decrease in area administrative services due to account classification changes.

Revenues for the School District's business-type activities decreased by 13.41%, while total expenses increased by 3.23%.

Financial Analysis of the School District's Fund Statements

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

Table 3
Calais School District
Fund Balances - Governmental Funds
June 30,

	2019	2018
Major Funds:		
General Fund:		
Assigned	\$ 55,971	\$ 163,704
Total General Fund	<u>\$ 55,971</u>	<u>\$ 163,704</u>
Capital Projects Fund:		
Restricted	\$ 191,947	\$ 192,615
Total Capital Projects Fund	<u>\$ 191,947</u>	<u>\$ 192,615</u>

The general fund total fund balance decreased by \$107,733 from the prior fiscal year largely as a result of transfers to other funds. The capital projects fund total fund balance decreased by \$668 from the prior fiscal year mainly due to expenditures exceeding revenues and a transfer in from the general fund.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues exceeded the budgeted revenues by \$61,599. This was a result of additional small schools grant funds, special education reimbursements and miscellaneous revenues.

The general fund actual expenditures were over budget by \$169,332. This was due to additional capital funds transfers and additional staff salaries and benefits.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2019, the net book value of capital assets recorded by the School District increased by \$73,791. The increase was due to current year capital additions of \$125,776 less net disposals of \$607 and current year depreciation expense of \$51,378.

Table 4
Calais School District
Capital Assets (Net of Depreciation)
June 30,

	<u>2019</u>	<u>2018</u>
Construction in progress	\$ 6,000	\$ 6,000
Buildings, building improvements and land improvements	581,551	507,527
Infrastructure	43,988	7,297
Furniture and equipment	50,103	87,027
Total	<u>\$ 681,642</u>	<u>\$ 607,851</u>

Debt

At June 30, 2019, the School District had no outstanding debt.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

This will be the last audited financial statements issued by the Calais School District. Refer to Note 17 of the Notes to Financial Statements for more information.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School District at 1130 Gallison Hill Road, Montpelier, Vermont 05602.

CALAIS SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 241,034	\$ -	\$ 241,034
Accounts receivable (net of allowance for uncollectibles)	-	1,305	1,305
Due from other governments	9,442	1,589	11,031
Inventory	-	337	337
Internal balances	2,274	(2,274)	-
Total current assets	<u>252,750</u>	<u>957</u>	<u>253,707</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	6,000	-	6,000
Buildings, building improvements and other assets, net of accumulated depreciation	648,244	27,398	675,642
Total noncurrent assets	<u>654,244</u>	<u>27,398</u>	<u>681,642</u>
TOTAL ASSETS	<u><u>\$ 906,994</u></u>	<u><u>\$ 28,355</u></u>	<u><u>\$ 935,349</u></u>
LIABILITIES			
Current liabilities:			
Due to other governments	\$ 4,832	\$ -	\$ 4,832
Current portion of long-term obligations	864	-	864
Total current liabilities	<u>5,696</u>	<u>-</u>	<u>5,696</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Accrued compensated absences	2,592	-	2,592
Total noncurrent liabilities	<u>2,592</u>	<u>-</u>	<u>2,592</u>
TOTAL LIABILITIES	<u>8,288</u>	<u>-</u>	<u>8,288</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	-	957	957
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>957</u>	<u>957</u>
NET POSITION			
Net investment in capital assets	654,244	27,398	681,642
Restricted	191,947	-	191,947
Unrestricted	52,515	-	52,515
TOTAL NET POSITION	<u>898,706</u>	<u>27,398</u>	<u>926,104</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 906,994</u></u>	<u><u>\$ 28,355</u></u>	<u><u>\$ 935,349</u></u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT B

CALAIS SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
Governmental activities:							
Direct services	\$ 1,105,398	\$ -	\$ 71,152	\$ -	\$ (1,034,246)	\$ -	\$ (1,034,246)
Support services:							
Student services	104,047	-	-	-	(104,047)	-	(104,047)
Instructional staff services	123,231	-	-	-	(123,231)	-	(123,231)
General administrative services	169,433	-	-	-	(169,433)	-	(169,433)
Area administrative services	166,794	-	-	-	(166,794)	-	(166,794)
Fiscal services	17,740	-	-	-	(17,740)	-	(17,740)
Operations and maintenance	201,711	-	-	-	(201,711)	-	(201,711)
Transportation	80,391	-	-	-	(80,391)	-	(80,391)
Program expenses	57,383	-	57,015	-	(368)	-	(368)
On-behalf payments	410,913	-	410,913	-	-	-	-
Capital outlay	9,041	-	-	-	(9,041)	-	(9,041)
Total governmental activities	<u>2,446,082</u>	<u>-</u>	<u>539,080</u>	<u>-</u>	<u>(1,907,002)</u>	<u>-</u>	<u>(1,907,002)</u>
Business-type activities:							
Food service	81,343	20,512	21,729	-	-	(39,102)	(39,102)
Total business-type activities	<u>81,343</u>	<u>20,512</u>	<u>21,729</u>	<u>-</u>	<u>-</u>	<u>(39,102)</u>	<u>(39,102)</u>
Total government	<u>\$ 2,527,425</u>	<u>\$ 20,512</u>	<u>\$ 560,809</u>	<u>\$ -</u>	<u>(1,907,002)</u>	<u>(39,102)</u>	<u>(1,946,104)</u>

STATEMENT B (CONTINUED)

CALAIS SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(1,907,002)	(39,102)	(1,946,104)
General revenues:			
Grants and contributions not restricted to specific programs	1,856,903	-	1,856,903
Miscellaneous	39,727	1,369	41,096
Transfers	(21,710)	21,710	-
Total general revenues and transfers	1,874,920	23,079	1,897,999
Change in net position	(32,082)	(16,023)	(48,105)
NET POSITION - JULY 1	930,788	43,421	974,209
NET POSITION - JUNE 30	\$ 898,706	\$ 27,398	\$ 926,104

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 241,034	\$ -	\$ -	\$ 241,034
Due from other governments	9,442	-	-	9,442
Due from other funds	-	-	191,947	191,947
TOTAL ASSETS	<u>\$ 250,476</u>	<u>\$ -</u>	<u>\$ 191,947</u>	<u>\$ 442,423</u>
LIABILITIES				
Due to other governments	\$ 4,832	\$ -	\$ -	\$ 4,832
Due to other funds	189,673	-	-	189,673
TOTAL LIABILITIES	<u>194,505</u>	<u>-</u>	<u>-</u>	<u>194,505</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	191,947	191,947
Committed	-	-	-	-
Assigned	55,971	-	-	55,971
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>55,971</u>	<u>-</u>	<u>191,947</u>	<u>247,918</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 250,476</u>	<u>\$ -</u>	<u>\$ 191,947</u>	<u>\$ 442,423</u>

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

	Total Governmental Funds
Total Fund Balances	\$ 247,918
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	654,244
Long-term obligations shown below are not due and payable in the current period and therefore are not reported in the funds shown above:	
Accrued compensated absences	(3,456)
Net position of governmental activities	<u>\$ 898,706</u>

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Intergovernmental revenues	\$ 2,050,153	\$ 57,015	\$ -	\$ 2,107,168
Interest income	24,695	-	1,524	26,219
Miscellaneous revenues	13,140	-	-	13,140
TOTAL REVENUES	<u>2,087,988</u>	<u>57,015</u>	<u>1,524</u>	<u>2,146,527</u>
EXPENDITURES				
Current:				
Direct services	1,102,986	-	-	1,102,986
Support services:				
Student services	86,616	-	-	86,616
Instructional staff services	122,992	-	-	122,992
General administrative services	169,433	-	-	169,433
Area administrative services	165,659	-	-	165,659
Fiscal services	17,740	-	-	17,740
Operations and maintenance	200,035	-	-	200,035
Transportation	80,391	-	-	80,391
On-behalf payments	122,098	-	-	122,098
Program expenses	-	57,015	-	57,015
Capital outlay	-	-	108,253	108,253
TOTAL EXPENDITURES	<u>2,067,950</u>	<u>57,015</u>	<u>108,253</u>	<u>2,233,218</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>20,038</u>	<u>-</u>	<u>(106,729)</u>	<u>(86,691)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	106,061	106,061
Transfers (out)	(127,771)	-	-	(127,771)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(127,771)</u>	<u>-</u>	<u>106,061</u>	<u>(21,710)</u>
NET CHANGE IN FUND BALANCES	(107,733)	-	(668)	(108,401)
FUND BALANCES - JULY 1	<u>163,704</u>	<u>-</u>	<u>192,615</u>	<u>356,319</u>
FUND BALANCES - JUNE 30	<u>\$ 55,971</u>	<u>\$ -</u>	<u>\$ 191,947</u>	<u>\$ 247,918</u>

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds (Statement E) \$ (108,401)

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

Governmental funds report capital outlays as expenditures while governmental activities
report depreciation expense allocated to those expenditures over the life of the assets:

Capital asset acquisitions	125,776
Capital asset disposals	(607)
Depreciation expense	<u>(49,182)</u>
	<u>75,987</u>

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

Accrued compensated absences	<u>332</u>
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Change in net position of governmental activities (Statement B) \$ (32,082)

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	Business-type Activities <u>Enterprise Fund</u> Food Service	Governmental Activities <u>Internal Service Fund</u>
ASSETS		
Current assets:		
Accounts receivable (net of allowance for uncollectibles)	\$ 1,305	\$ -
Due from other governments	1,589	-
Inventory	337	-
Total current assets	<u>3,231</u>	<u>-</u>
Noncurrent assets:		
Capital assets:		
Building improvements	34,298	-
Equipment	34,939	-
Less: accumulated depreciation	<u>(41,839)</u>	<u>-</u>
Total noncurrent assets	<u>27,398</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 30,629</u>	<u>\$ -</u>
LIABILITIES		
Current liabilities:		
Due to other funds	\$ 2,274	\$ -
Total current liabilities	<u>2,274</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,274</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue	957	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>957</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	27,398	-
Unrestricted	-	-
TOTAL NET POSITION	<u>27,398</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 30,629</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities <u>Enterprise Fund</u> Food Service	Governmental Activities <u>Internal Service Fund</u>
OPERATING REVENUES		
Intergovernmental	\$ 21,729	\$ -
Charges for services	20,512	-
Miscellaneous	1,369	368
TOTAL OPERATING REVENUES	<u>43,610</u>	<u>368</u>
OPERATING EXPENSES		
Salaries	27,906	-
Benefits	18,773	368
Repairs and maintenance	1,235	-
Supplies and food	31,233	-
Depreciation	2,196	-
TOTAL OPERATING EXPENSES	<u>81,343</u>	<u>368</u>
OPERATING INCOME (LOSS)	<u>(37,733)</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)		
Transfers in	21,710	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>21,710</u>	<u>-</u>
CHANGES IN NET POSITION	(16,023)	-
NET POSITION - JULY 1	<u>43,421</u>	<u>-</u>
NET POSITION - JUNE 30	<u>\$ 27,398</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities <u>Enterprise Fund</u> Food Service	Governmental Activities <u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 20,576	\$ 368
Intergovernmental receipts	23,569	-
Internal activity - receipts (payments) from/to other funds	12,942	-
Payments to suppliers	(78,797)	(368)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(21,710)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in (out)	21,710	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>21,710</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	-
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (37,733)	\$ -
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	2,196	-
Changes in operating assets, liabilities and deferred inflows of resources:		
(Increase) decrease in due from other governments	1,840	-
(Increase) decrease in accounts receivable	(1,305)	-
(Increase) decrease in inventory	434	-
(Increase) decrease in due from other funds	10,668	-
(Decrease) increase in deferred revenue	(84)	-
(Decrease) increase in due to other funds	2,274	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (21,710)</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency Funds</u> <u>Student</u> <u>Activities</u>
ASSETS	
Due from other governments	\$ 4,832
TOTAL ASSETS	<u>\$ 4,832</u>
LIABILITIES	
Deposits held for others	\$ 4,832
TOTAL LIABILITIES	<u>\$ 4,832</u>

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Calais School District was incorporated under the laws in the State of Vermont. The School District operates under the Board of Directors-superintendent form of government and provides the following services: direct services, support services, fiscal services, operations and maintenance, transportation and program expenses.

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The School District's combined financial statements include all accounts and all operations of the School District. We have determined that the School District has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School District's food service fund is categorized as a business-type activity. All other activities of the School District are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The School District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions and business-type activities (instruction, administration, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The School District does not allocate indirect costs. All costs are charged directly to the corresponding departments.

The government-wide focus is more on the sustainability of the School District as an entity and the change in the School District's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the School District are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the School District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the School District:

Major Funds:

- a. The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the School District:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.
- b. Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the School District on a cost-reimbursement basis. Because the principal users of the internal services are the School District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the School District's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The School District has no nonmajor funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget

The School District's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Vermont to the Vermont State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

Revenues per budgetary basis	\$ 1,965,890
Add: On-behalf payments	122,098
Total GAAP basis	<u>\$ 2,087,988</u>
Expenditures per budgetary basis	\$ 2,073,623
Add: On-behalf basis	122,098
Total GAAP basis	<u>\$ 2,195,721</u>

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. The annual school budget is the planning management tool, which delineates the School District's educational priorities and programs and forms the basis for voter review and approval of the budget according to applicable State of Vermont education finance laws.
2. The Board budget process includes input from school district administration and staff, educational priorities for the next school year, along with public hearings, which include the Board of Directors and general public.
3. The budget document itself is based upon the most current funding information available along with the projection of current revenues and expenditures for the next year. At the conclusion of the budget process, a final budget is approved by the Board of Directors.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

It is the School District's policy to value investments at fair value. None of the School District's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The School District Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

The Calais School District has no formal investment policy but instead follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$17,168 for the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximate market, using the first-in, first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). The food service fund inventory consists of school lunch supplies and food on hand at the end of the year.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more for land, \$20,000 or more for buildings and improvements, \$2,500 for furniture and equipment and \$5,000 for vehicles are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Furniture and equipment	5 - 20 years

Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term obligations consist of accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) Plan and additions to/deductions from the VSTRS Plan's fiduciary net position have been determined on the same basis as they are reported by the VSTRS Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) and additions to/deductions from the VSTRS OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by VSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the School District. The inhabitants of the School District through School District meetings are the highest level of decision-making authority of the School District. Commitments may be established, modified, or rescinded only through a School District meeting vote.

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Directors.

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently has no deferred outflows of resources.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of this item, deferred revenues, which is reported in both the statements of net position and governmental funds balance sheet. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided, operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The School District does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the School District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

The School District's investment policies, which follow state statutes, authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all School District funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the School District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The School District does not have a policy covering custodial credit risk.

At June 30, 2019, the School District's cash balance of \$241,034 was comprised of bank deposits of \$307,830. Of these bank deposits, \$250,000 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining balance of \$57,830 was collateralized with securities held by the financial institution in the School District's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 11,999
Repurchase agreement	295,831
	<u>\$ 307,830</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the School District does not have a policy for custodial credit risk for investments.

At June 30, 2019, the School District had no investments.

Credit risk - Statutes for the State of Vermont authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The School District does not have an investment policy on credit risk. Generally, the School District invests excess funds in savings accounts and various insured certificates of deposit.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ -	\$ 189,673
Capital projects fund	191,947	-
Food service fund	-	2,274
	<u>\$ 191,947</u>	<u>\$ 191,947</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Disposals	Balance 6/30/19
<u>Governmental activities:</u>				
Non-depreciated assets:				
Land	\$ 6,000	\$ -	\$ -	\$ 6,000
	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
Depreciated assets:				
Buildings	194,342	-	-	194,342
Building improvements	957,639	62,306	-	1,019,945
Infrastructure	8,585	36,906	-	45,491
Furniture and equipment	95,112	26,564	(1,010)	120,666
	<u>1,255,678</u>	<u>125,776</u>	<u>(1,010)</u>	<u>1,380,444</u>
Less: accumulated depreciation	<u>(683,421)</u>	<u>(49,182)</u>	<u>403</u>	<u>(732,200)</u>
	<u>572,257</u>	<u>76,594</u>	<u>(607)</u>	<u>648,244</u>
Net governmental capital assets	<u>\$ 578,257</u>	<u>\$ 76,594</u>	<u>\$ (607)</u>	<u>\$ 654,244</u>

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance 7/1/18	Additions	Disposals	Balance 6/30/19
<u>Business-type activities:</u>				
Depreciated assets:				
Building improvements	\$ 34,298	\$ -	\$ -	\$ 34,298
Furniture and equipment	34,939	-	-	34,939
	69,237	-	-	69,237
Less: accumulated depreciation	(39,643)	(2,196)	-	(41,839)
Net business-type capital assets	<u>\$ 29,594</u>	<u>\$ (2,196)</u>	<u>\$ -</u>	<u>\$ 27,398</u>
<u>Current year depreciation:</u>				
Direct services				\$ 28,701
S.S. - students				17,431
S.S. - staff				239
S.S. - area adm				1,135
Operations and maintenance				1,676
Total governmental activities depreciation				<u>49,182</u>
Food service				2,196
Total depreciation expense				<u>\$ 51,378</u>

NOTE 5 - SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2019, was as follows:

	Balance, 7/1/18	Additions	Reductions	Balance, 6/30/19
Tax/revenue anticipation note	<u>\$ -</u>	<u>\$ 671,775</u>	<u>\$ (671,775)</u>	<u>\$ -</u>

On July 2, 2018, the School District issued a tax/revenue anticipation note through Community Bank in anticipation of revenues to meet its operating obligations during the 2019 fiscal year. The note allowed principal draws up to \$671,775 at 2.70% interest per annum with a maturity date of June 29, 2019. At June 24, 2019, the note was paid in full. Interest expense for the note was \$17,740.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 6 - LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2019 is as follows:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Year Portion
Accrued compensated absences	\$ 3,788	\$ -	\$ (332)	\$ 3,456	\$ 864

Please see Note 7 for detailed information on the other long-term obligations.

NOTE 7 - ACCRUED COMPENSATED ABSENCES

The District's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2019, the School District's liability for compensated absences is \$3,456.

NOTE 8 - RESTRICTED FUND BALANCE

At June 30, 2019, the School District had the following restricted fund balance:

Capital projects fund	\$ 191,947
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NOTE 9 - ASSIGNED FUND BALANCES

At June 30, 2019, the School District had the following assigned fund balances:

General fund:	
Reserved for FY 19-20 technology equipment	\$ 17,884
Reserved for future general fund operations	38,087
	<u>\$ 55,971</u>

NOTE 10 - FINANCIAL INFORMATION

The detailed budget to actual report can be found on Schedules 1, A and B.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the School District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private Union teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont 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, 2017 (the most recent period available), the retirement system consisted of 22,193 participating members.

The plan was established effective July 1, 1947, and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the Secretary of Education (ex-officio), the State Treasurer (ex-officio), the Commissioner of Financial Regulation (ex-officio), two members and one alternate elected by active members of the System under rules adopted by the Board and one retired member and one alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

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. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided

The VSTRS provides retirement and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. There are two levels of contributions and benefits in the System: Group A - for public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A; and Group C - for public school teachers employed within the State of Vermont on or after July 1, 1990. Group C also includes those teachers hired prior to July 1, 1990 and were in Group B on July 1, 1990. When Act 74 became effective on June 30, 2010, Group C was further bifurcated into Groups #1 and #2. Group #1 contains members who were at least 57 years of age or had at least 25 years of service and Group #2 contains members who were less than 57 years of age and had less than 25 years of service.

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 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, 2.0% 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 or age 65

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
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

Other post-employment benefits are available to all plan members include the following:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pay full premium	Members pay full premium	Members pay full premium

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the School District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan which approximates \$122,098 or 15.75% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Employee Contributions	5.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Employee contributions totaled \$40,494 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees covered under this plan was \$775,228 for the year ended June 30, 2019.

Pension Liabilities

VSTRS Plan

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2019. The State's portion of the collective net pension liability that was associated with the School District was as follows:

District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	<u>1,775,256</u>
Total	<u>\$ 1,775,256</u>

The State of Vermont's proportionate share of the net pension liability associated with the School District is equal to the collective net pension liability, actuarially measured as of June 30, 2018, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the School District's proportion was 0.11751% which was a decrease of 0.0027% from its proportion measured as of June 30, 2017.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the School District recognized total pension expense of \$219,892 and revenue of \$219,892 for support provided by the State of Vermont for the VSTRS plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	VSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS
Plan year ended June 30:	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using the actuarial assumptions outlined below.

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation

Inflation: 2.50%

Salary Increases: Ranging from 3.75% to 9.09%

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Deaths After Retirement: The VSTRS plan used 98% of the RP-2006 White Collar Employee with generational projection using Scale SSA-2017 for pre-retirement, 98% of the RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017 for healthy retirees, and the RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017 for disabled retirees.

Inactive Members: Valuation liability for the VSTRS plan equals 250.0% of accumulated contributions.

Future Administrative Expenses: No provisions were made, expenses of the System are paid by the State.

Unknown Data for Participants: For the VSTRS plan, it is the same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

Percent Married: 85% of male members and 35% of female members are assumed to be married.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments: Adjustments for the VSTRS plan are assumed to occur on January 1 following one year of retirement. For the VSTRS plan this occurs at the rate of 2.55% per annum for Group A members and 1.40% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement). The January 1, 2019 COLA is assumed to be 2.60% for Group A and 1.30% for Group C.

Actuarial Cost Method: Uses the Entry Age Actuarial Cost Method. Entry age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Accrued Actuarial Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

For the VSTRS plan, the *asset valuation method* used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The *long-term expected rate of return* on the VSTRS 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) developed for each major asset class. These best estimate ranges were 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.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	18.00%	6.10%
Non-US Equity	16.00%	7.45%
Global Equity	9.00%	6.74%
Fixed Income	26.00%	2.25%
Real Estate	8.00%	5.11%
Private Markets	15.00%	7.60%
Hedge Funds	8.00%	3.86%

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the VSTRS plan. 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 which exceeds the actuarially determined contribution rate. 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 68.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50% for the VSTRS plan, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.50%	7.50%	8.50%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VSTRS or their participating employers. VSTRS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

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

The plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2017 (the most recent period available), the plan consisted of 4,878 retired members or beneficiaries currently receiving benefits and 8,941 active members.

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

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

VSTRS retirees and their spouses are eligible for medical, prescription drug and dental benefits on a lifetime basis if the retiree is eligible for pension benefits, as described in the Notes to Financial Statements for Defined Benefit Plan(s).

Contributions

Varying levels of contributions are required from retirees and spouses for medical and prescription drug coverage at the following premium subsidy rates:

	Retiree Subsidy		Spouse Subsidy*	
Retired before June 30, 2010	At least ten years of service - 80% of premium Less than ten years of service - 0% of premium		0% of premium	
Retired after June 30, 2010	10 years or more of service at June 30, 2010 - 80% of premium Less than 10 years of service at June 30, 2010:		Years of service at June 30, 2010 - 80% of premium:	
	Less than 15 years at retirement	Less than 15 years at retirement	Less than 10 years	25 years at retirement
	15-19.99 years at retirement	15-19.99 years at retirement	10-14.99 years	25 years at retirement
	20-24.99 years at retirement	20-24.99 years at retirement	15-24.99 years	10 additional years from June 30, 2010
	25 years or more at retirement	25 years or more at retirement	25-29.99 years 30 or more years	35 years at retirement 5 additional years from June 30, 2010

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

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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.

OPEB Liabilities

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 75 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net OPEB liability was recorded at June 30, 2019. The State's portion of the collective net OPEB liability that was associated with the School District was as follows:

School District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the School District		<u>1,294,414</u>
Total	\$	<u><u>1,294,414</u></u>

The State of Vermont's proportionate share of the net OPEB liability associated with the School District is equal to the collective net OPEB liability, actuarially measured as of June 30, 2018, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the School District's proportion was 0.13564% which was a decrease of 0.00026% from its proportion measured as of June 30, 2017.

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

For the year ended June 30, 2019, the School District recognized total OPEB expense of \$68,923 and revenue of \$68,923 for support provided by the State of Vermont for the Plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	VSTRS OPEB Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

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

	VSTRS OPEB Plan
Plan year ended June 30:	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-

Discount Rate

The discount rate is the single rate of return, that when applied to all projected benefit payments, results in an actuarial present value that is the sum of the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return, and the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The sensitivity of net OPEB liability to changes in discount rate are as follows:

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
VSTRS OPEB Plan:			
Discount rate	2.87%	3.87%	4.87%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Healthcare Trend Rate

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2019 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics. The sensitivity of net OPEB liability to changes in healthcare trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Asset Valuation Method

The Asset Valuation Method used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

The long-term expected rate of return on both 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) developed for each major asset class. These best estimate ranges were 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.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.50%
International equity	15.00%	7.75%
Emerging international equity	5.00%	9.25%
Core bonds	60.00%	3.75%
Inflation		2.75%
Total	<u>100.00%</u>	

Assumptions

The actuarial assumptions used to calculate the actuarially determined contribution rates can be found in the Report on the Actuarial Valuation of Post-Retirement Benefits of the Vermont State Teachers' Retirement System Prepared as of June 30, 2016 completed by Buck Consulting. As of June 30, 2018, they are as follows:

Discount Rate	3.87%
Salary Increase Rate	Varies by age
Non-Medicare	7.15% graded to 4.50% over 12 years
Medicare	7.30% graded to 4.50% over 11 years

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Retiree Contributions	Equal to health trend
Pre-retirement Mortality	98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017
Post-retirement Mortality	98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2018 with the following exceptions:

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for June 30, 2018. For the fiscal year ended June 30, 2018, the discount rate was increased from 3.58% to 3.87%.

OPEB Plan Fiduciary Net Position

The schedule of employer allocations and schedule of OPEB amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VSTRS or their participating employers. VSTRS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

NOTE 13 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, students and guests; as well as natural disasters for which the School District either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 13 - RISK MANAGEMENT (CONTINUED)

The School District is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker compensation, multi-line intermunicipal school program and unemployment compensation program, and the Vermont Education Health Initiative (VEHI) for medical benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont School Districts and is owned by the participating Districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, VEHI has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

Multi-Line Intermunicipal School Program provides coverage for property; inland marine and boiler and machinery; crime; commercial general liability; automobile/garagekeepers; and educators legal liability. Annual contributions are based upon appropriate rates applicable to each member; such rates are set based on recommendations of a qualified actuary, plus a proportionate share of all operational and administrative cost including excess reinsurance premiums incurred by the trust. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the program will be terminated with each member assessed their proportionate share of the deficit.

NOTE 14 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the School District's financial position.

The School District participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the School District's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

CALAIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 14 - CONTINGENCIES (CONTINUED)

The School District participates in a medical insurance plan negotiated through VEHI. This plan is a high-deductible plan with an HRA (Health Reimbursement Arrangement) funded by the School District. The organization contracted to coordinate the processing of claims on behalf of the School District with HRA funds has not processed all claims through June 30, 2019, and as of the date of this report. Additionally, they were unable to provide management with the outstanding amount to be expensed by the School District through June 30, 2019. Therefore, the amount, if any, of any liabilities arising from the unprocessed claims cannot be determined at this time.

NOTE 15 - RELATED ORGANIZATION

The School District has an ongoing financial responsibility to Washington Central School District as defined in GASB 14, paragraph 71. Through Washington Central School District's assessment process, the School District's assessment can be increased to cover a share of any prior year deficits and decreased to share in any prior year surpluses. Separate financial statements on Washington Central School District are available from Washington Central School District.

NOTE 16 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the School District's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 17 - SUBSEQUENT EVENT

All assets and liabilities of the Berlin School District, the Calais School District, the East Montpelier School District, the Middlesex School District, the Worcester School District and the Union High School District No. 32 were transferred to the new Washington Central Unified Union School District on July 1, 2019. All business transactions of these individual member schools ceased as of that date.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pension
- Schedule of Proportionate Share of the Net OPEB Liability
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

CALAIS SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 163,704	\$ 163,704	\$ 163,704	\$ -
Resources (Inflows):				
Intergovernmental:				
State/Town support	1,794,832	1,794,832	1,788,936	(5,896)
Other	88,544	88,544	139,119	50,575
Interest income	20,010	20,010	24,695	4,685
Miscellaneous	905	905	13,140	12,235
Amounts Available for Appropriation	<u>2,067,995</u>	<u>2,067,995</u>	<u>2,129,594</u>	<u>61,599</u>
Charges to Appropriations (Outflows):				
Direct services	1,020,889	1,020,889	1,102,986	(82,097)
Support services:				
Student services	77,111	77,111	86,616	(9,505)
Instructional staff services	109,804	109,804	122,992	(13,188)
General administrative services	170,963	170,963	169,433	1,530
Area administrative services	161,096	161,096	165,659	(4,563)
Fiscal services	19,500	19,500	17,740	1,760
Operations and maintenance	203,933	203,933	200,035	3,898
Transportation	76,995	76,995	80,391	(3,396)
Transfers to other funds	64,000	64,000	127,771	(63,771)
Total Charges to Appropriations	<u>1,904,291</u>	<u>1,904,291</u>	<u>2,073,623</u>	<u>(169,332)</u>
Budgetary Fund Balance, June 30	<u>\$ 163,704</u>	<u>\$ 163,704</u>	<u>\$ 55,971</u>	<u>\$ (107,733)</u>

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015	2014
<u>VSTRS:</u>						
Proportion of the net pension liability	0.12%	0.12%	0.12%	0.11%	0.12%	0.12%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	1,775,256	1,781,946	1,544,951	1,333,227	1,187,359	\$ 1,136,984
Total	<u>\$ 1,775,256</u>	<u>\$ 1,781,946</u>	<u>\$ 1,544,951</u>	<u>\$ 1,333,227</u>	<u>\$ 1,187,359</u>	<u>\$ 1,136,984</u>
Covered-employee payroll	\$ 794,419	\$ 794,331	\$ 764,260	\$ 626,674	\$ 702,250	\$ 633,854
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	54.81%	53.98%	55.31%	58.22%	64.02%	60.59%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015	2014
<u>VSTRS:</u>						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 775,228	\$ 794,419	\$ 794,331	\$ 764,260	\$ 626,674	\$ 702,250
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>
<u>VSTRS OPEB Plan:</u>		
Proportion of the net OPEB liability	0.14%	0.14%
School District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the School District	1,294,414	1,266,942
Total	<u>\$ 1,294,414</u>	<u>\$ 1,266,942</u>
Covered-employee payroll	\$ 794,419	\$ 794,331
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.76%	1.52%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	2019	2018
<u>VSTRS OPEB Plan:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 775,228	\$ 794,419
Contributions as a percentage of covered- employee payroll	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

Changes of Assumptions

VSTRS Pension Plan:

The valuation liability for inactive members as reported by the System was lowered from 332.5% of accumulated contributions to 250.0% of accumulated contributions.

VSTRS OPEB Plan:

The discount rate increased from 3.58% to 3.87% for the VSTRS OPEB liability.

The percentage of non-DC Plan current retirees assumed to have life insurance coverage was increased from 65% to 75%.

Future male retirees were assumed to be two years older than their spouses, decreased from three years. Future female retirees were assumed to be one year younger than their spouses, decreased from three years.

The percentage of future retirees assumed to have a spouse electing coverage was increased from 60% to 70% for male retirees and from 50% to 60% for female retirees.

The claims cost development methodology was modified for non-Medicare participants.

The per capita valuation-year claims and retiree contribution rates were updated.

The assumed health trend rates were modified.

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

CALAIS SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
Education spending grant	\$ 1,794,832	\$ 1,794,832	\$ 1,788,936	\$ (5,896)
Small schools grant	26,694	26,694	64,817	38,123
Special education reimbursement	59,660	59,660	71,152	11,492
E-rate	2,190	2,190	1,377	(813)
Other	-	-	1,773	1,773
Interest income	20,010	20,010	24,695	4,685
Miscellaneous:				
Other receipts	905	905	13,140	12,235
Amounts Available for Appropriation	<u>\$ 1,904,291</u>	<u>\$ 1,904,291</u>	<u>\$ 1,965,890</u>	<u>\$ 61,599</u>

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Direct services -				
Instructional services	\$ 760,759	\$ 760,759	\$ 823,893	\$ (63,134)
Preschool program	21,339	21,339	21,750	(411)
Special education	106,535	106,535	124,506	(17,971)
SU assessments	132,256	132,256	132,837	(581)
Total Direct services	<u>1,020,889</u>	<u>1,020,889</u>	<u>1,102,986</u>	<u>(82,097)</u>
Support services -				
Students -				
Guidance services	49,835	49,835	54,949	(5,114)
Health services	27,276	27,276	31,667	(4,391)
Instructional staff -				
Library services	46,545	46,545	50,344	(3,799)
Technology services	63,259	63,259	72,648	(9,389)
Total Support services	<u>186,915</u>	<u>186,915</u>	<u>209,608</u>	<u>(22,693)</u>
General administration -				
Board of Education	17,436	17,436	15,906	1,530
Office of the superintendent	153,527	153,527	153,527	-
Total General administration	<u>170,963</u>	<u>170,963</u>	<u>169,433</u>	<u>1,530</u>
Area Administration - Office of the principal	<u>161,096</u>	<u>161,096</u>	<u>165,659</u>	<u>(4,563)</u>
Fiscal services	<u>19,500</u>	<u>19,500</u>	<u>17,740</u>	<u>1,760</u>
Operations and maintenance	<u>203,933</u>	<u>203,933</u>	<u>200,035</u>	<u>3,898</u>
Transportation	<u>76,995</u>	<u>76,995</u>	<u>80,391</u>	<u>(3,396)</u>
Transfers to other funds	<u>64,000</u>	<u>64,000</u>	<u>127,771</u>	<u>(63,771)</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 1,904,291</u></u>	<u><u>\$ 1,904,291</u></u>	<u><u>\$ 2,073,623</u></u>	<u><u>\$ (169,332)</u></u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

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CALAIS SCHOOL DISTRICT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Direct Services	\$ -	\$ 705,221	\$ 79,067	\$ -	\$ 784,288
S.S. - Students	-	11,931	-	-	11,931
S.S. - Staff	-	56,934	-	-	56,934
S.S. - Area Adm	-	24,037	8,390	-	32,427
Operations and Maintenance	6,000	416,164	33,209	45,491	500,864
Food Service	-	34,298	34,939	-	69,237
Total General Capital Assets	6,000	1,248,585	155,605	45,491	1,455,681
Less: Accumulated Depreciation	-	(667,034)	(105,502)	(1,503)	(774,039)
Net General Capital Assets	\$ 6,000	\$ 581,551	\$ 50,103	\$ 43,988	\$ 681,642

See accompanying independent auditors' report and notes to financial statements.

CALAIS SCHOOL DISTRICT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2019

	General Capital Assets 7/1/18	Additions	Deletions	General Capital Assets 6/30/19
Direct Services	\$ 758,734	\$ 26,564	\$ (1,010)	\$ 784,288
S.S. - Students	11,931	-	-	11,931
S.S. - Staff	56,934	-	-	56,934
S.S. - Area Adm	32,427	-	-	32,427
Operations and Maintenance	401,652	99,212	-	500,864
Food Service	69,237	-	-	69,237
Total General Capital Assets	1,330,915	125,776	(1,010)	1,455,681
Less: Accumulated Depreciation	(723,064)	(51,378)	403	(774,039)
Net General Capital Assets	<u>\$ 607,851</u>	<u>\$ 74,398</u>	<u>\$ (607)</u>	<u>\$ 681,642</u>

See accompanying independent auditors' report and notes to financial statements.



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

Board of Directors
Calais School District
Montpelier, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of the Calais School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Calais School District's basic financial statements, and have issued our report thereon dated November 27, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Buxton, Maine
Vermont Registration No. 092.0000697
November 27, 2019

Audited Financial Statements
and Other Financial Information

East Montpelier School District

June 30, 2019



Proven Expertise & Integrity

EAST MONTPELIER SCHOOL DISTRICT

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JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
East Montpelier School District
Montpelier, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the East Montpelier School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the East Montpelier 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, business-type activities, each major fund and the aggregate remaining fund information of the East Montpelier School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and OPEB and pension information on pages 4 through 10 and 57 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Montpelier School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the East Montpelier School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Montpelier School District's internal control over financial reporting and compliance.

Buxton, Maine
Vermont Registration No. 092.0000697
December 12, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

(UNAUDITED)

The following management's discussion and analysis of the East Montpelier School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

The School District's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, pension and OPEB information and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the School District's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the School District's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have separate columns for the two different types of School District activities. The types of activities presented for the School District are:

- *Governmental activities* - The activities in this section are mostly supported by intergovernmental revenues (federal and state grants), support from the town and charges for services. Most of the School District's basic services are reported in governmental activities, which include direct services, support services, fiscal services, operations and maintenance, transportation and program expenses.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. The activity for the School District includes the food service fund.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the School District can be classified into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds: Most of the basic services provided by the School District are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the School District's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the School District.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this

comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The School District presents three columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's major funds are the general fund and the capital projects fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the School District legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The School District maintains one proprietary fund, the food service fund. This fund is used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the East Montpelier School District. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

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 the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Changes in Net Position - Fiduciary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions - Pension, a Schedule of Proportionate Share of the Net OPEB Liability, Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the School District's governmental and business-type activities. The School District's total net position for governmental activities increased by \$281,365 from \$2,672,169 to \$2,953,534. For business-type activities, the School District's total net position decreased by \$2,399 from \$561,225 to \$558,826.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a balance of \$100,559 at the end of the fiscal year. For business-type activities, the balance increased to a balance of \$50,350.

Table 1
East Montpelier School District
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Assets:				
Current Assets	\$ 1,006,944	\$ 1,006,290	\$ 52,078	\$ 41,784
Noncurrent Assets	7,658,808	7,835,537	508,476	520,775
Total Assets	<u>\$ 8,665,752</u>	<u>\$ 8,841,827</u>	<u>\$ 560,554</u>	<u>\$ 562,559</u>
Liabilities:				
Current Liabilities	\$ 426,899	\$ 475,195	\$ -	\$ 9
Noncurrent Liabilities	5,282,402	5,693,632	-	-
Total Liabilities	<u>\$ 5,709,301</u>	<u>\$ 6,168,827</u>	<u>\$ -</u>	<u>\$ 9</u>
Deferred Inflows of Resources:				
Deferred Revenues	\$ 2,917	\$ 831	\$ 1,728	\$ 1,325
Total Deferred Inflows of Resources	<u>\$ 2,917</u>	<u>\$ 831</u>	<u>\$ 1,728</u>	<u>\$ 1,325</u>
Net Position:				
Net Investment in Capital Assets	\$ 1,974,354	\$ 1,740,030	\$ 508,476	\$ 520,775
Restricted	878,621	696,612	-	-
Unrestricted	100,559	235,527	50,350	40,450
Total Net Position	<u>\$ 2,953,534</u>	<u>\$ 2,672,169</u>	<u>\$ 558,826</u>	<u>\$ 561,225</u>

Revenues and Expenses

Revenues for the School District's governmental activities increased by 0.76%, while total expenses increased by 0.87%. The increase in revenues was primarily due to grants and contributions not restricted to specific programs and miscellaneous revenues, which were offset by a decrease in operating grants and contributions. The increase in expenses was mainly due to an increase in most of the expenditure categories with the exception of on-behalf payments, interest on long-term debt and fiscal services.

Revenues for the School District's business-type activities decreased by 9.60% primarily due to charges for services and operating grants and contributions, while total expenses decreased by 9.80% primarily due to benefits and supplies and food.

Table 2
East Montpelier School District
Changes in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ -	\$ -	\$ 51,693	\$ 57,108
Operating grants and contributions	582,429	729,758	34,551	40,163
<i>General Revenues:</i>				
Grants and contributions not restricted to specific programs	3,818,842	3,670,673	-	-
Miscellaneous	116,493	83,339	3,546	2,052
Total Revenues	4,517,764	4,483,770	89,790	99,323
Expenses				
Direct services	2,148,362	2,084,024	-	-
Support services:				
Student services	157,957	142,383	-	-
Instructional staff services	211,139	191,115	-	-
General administrative services	290,083	279,464	-	-
Area administrative services	214,621	208,134	-	-
Fiscal services	47,143	48,311	-	-
Operations and maintenance	353,698	310,096	-	-
Transportation	133,407	97,299	-	-
On-behalf payments	459,780	620,325	-	-
Program expenses	19,937	6,199	107,180	118,822
Interest on long-term debt	185,281	197,777	-	-
Total Expenses	4,221,408	4,185,127	107,180	118,822
Transfers	(14,991)	(13,950)	14,991	13,950
Change in Net Position	281,365	284,693	(2,399)	(5,549)
Net Position - July 1	2,672,169	2,387,476	561,225	566,774
Net Position - June 30	<u>\$ 2,953,534</u>	<u>\$ 2,672,169</u>	<u>\$ 558,826</u>	<u>\$ 561,225</u>

Financial Analysis of the School District's Fund Statements

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

Table 3
East Montpelier School District
Fund Balances - Governmental Funds
June 30,

	<u>2019</u>	<u>2018</u>
Major Funds:		
General Fund:		
Nonspendable	\$ -	\$ 27,879
Assigned	110,110	217,306
Total General Fund	<u>\$ 110,110</u>	<u>\$ 245,185</u>
Capital Projects Fund:		
Restricted	\$ 878,621	\$ 696,612
Total Capital Projects Fund	<u>\$ 878,621</u>	<u>\$ 696,612</u>

The general fund total fund balance decreased by \$135,075 from the prior fiscal year, primarily due to transfers to other funds. The capital projects fund total fund balance increased by \$182,009 from the prior fiscal year, primarily due to transfers from other funds. The total fund balance for the nonmajor funds did not change from the prior year.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund budgeted revenues exceeded budgeted amounts by \$47,931 primarily due to interest income and shared benefits.

The general fund actual expenditures exceeded budgeted amounts by \$170,286, primarily due to additional transfers to capital projects fund and additional staffing costs.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2019, the net book value of capital assets recorded by the School District decreased by \$189,028 . This decrease was due to current year capital additions of \$51,803, less current year depreciation expense of \$240,831.

Table 4
East Montpelier School District
Capital Assets (Net of Depreciation)
June 30,

	2019	2018
Buildings, building improvements and land improvements	\$ 7,745,518	\$ 7,930,800
Infrastructure	137,433	141,598
Furniture and equipment	284,333	283,914
Total	<u>\$ 8,167,284</u>	<u>\$ 8,356,312</u>

Debt

At June 30, 2019, the School District had \$5,684,454 in a bond and notes from direct borrowings outstanding versus \$6,095,507 last year. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

This will be the last audited financial statements issued by the East Montpelier School District. Refer to Note 19 of the Notes to Financial Statements for more information.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School District at 1130 Gallison Hill Road, Montpelier, Vermont 05602.

EAST MONTPELIER SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,044,909	\$ -	\$ 1,044,909
Accounts receivable (net of allowance for uncollectibles)	-	2,516	2,516
Loan receivable	1,282	-	1,282
Due from other governments	4,099	2,835	6,934
Inventory	-	3,381	3,381
Internal balances	(43,346)	43,346	-
Total current assets	<u>1,006,944</u>	<u>52,078</u>	<u>1,059,022</u>
Noncurrent assets:			
Capital assets:			
Buildings, building improvements and other assets, net of accumulated depreciation	7,658,808	508,476	8,167,284
Total noncurrent assets	<u>7,658,808</u>	<u>508,476</u>	<u>8,167,284</u>
TOTAL ASSETS	<u>\$ 8,665,752</u>	<u>\$ 560,554</u>	<u>\$ 9,226,306</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1	\$ -	\$ 1
Due to other governments	15,295	-	15,295
Current portion of long-term obligations	411,603	-	411,603
Total current liabilities	<u>426,899</u>	<u>-</u>	<u>426,899</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bond payable	5,231,071	-	5,231,071
Notes from direct borrowings payable	42,258	-	42,258
Accrued compensated absences	9,073	-	9,073
Total noncurrent liabilities	<u>5,282,402</u>	<u>-</u>	<u>5,282,402</u>
TOTAL LIABILITIES	<u>5,709,301</u>	<u>-</u>	<u>5,709,301</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	2,917	1,728	4,645
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,917</u>	<u>1,728</u>	<u>4,645</u>
NET POSITION			
Net investment in capital assets	1,974,354	508,476	2,482,830
Restricted: Capital project funds	878,621	-	878,621
Unrestricted	100,559	50,350	150,909
TOTAL NET POSITION	<u>2,953,534</u>	<u>558,826</u>	<u>3,512,360</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 8,665,752</u>	<u>\$ 560,554</u>	<u>\$ 9,226,306</u>

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
Governmental activities:							
Direct services	\$ 2,148,362	\$ -	\$ 102,712	\$ -	\$ (2,045,650)	\$ -	\$ (2,045,650)
Support services:							
Student services	157,957	-	-	-	(157,957)	-	(157,957)
Instructional staff services	211,139	-	-	-	(211,139)	-	(211,139)
General administrative services	290,083	-	-	-	(290,083)	-	(290,083)
Area administrative services	214,621	-	-	-	(214,621)	-	(214,621)
Fiscal services	47,143	-	-	-	(47,143)	-	(47,143)
Operations and maintenance	353,698	-	-	-	(353,698)	-	(353,698)
Transportation	133,407	-	-	-	(133,407)	-	(133,407)
Program expenses	19,937	-	19,937	-	-	-	-
On-behalf payments	459,780	-	459,780	-	-	-	-
Interest on long-term debt	185,281	-	-	-	(185,281)	-	(185,281)
Total governmental activities	<u>4,221,408</u>	<u>-</u>	<u>582,429</u>	<u>-</u>	<u>(3,638,979)</u>	<u>-</u>	<u>(3,638,979)</u>
Business-type activities:							
Food service	107,180	51,693	34,551	-	-	(20,936)	(20,936)
Total business-type activities	<u>107,180</u>	<u>51,693</u>	<u>34,551</u>	<u>-</u>	<u>-</u>	<u>(20,936)</u>	<u>(20,936)</u>
Total government	<u>\$ 4,328,588</u>	<u>\$ 51,693</u>	<u>\$ 616,980</u>	<u>\$ -</u>	<u>(3,638,979)</u>	<u>(20,936)</u>	<u>(3,659,915)</u>

STATEMENT B (CONTINUED)
EAST MONTPELIER SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(3,638,979)	(20,936)	(3,659,915)
General revenues:			
Grants and contributions not restricted to specific programs	3,818,842	-	3,818,842
Miscellaneous	116,493	3,546	120,039
Transfers	(14,991)	14,991	-
Total general revenues and transfers	3,920,344	18,537	3,938,881
Change in net position	281,365	(2,399)	278,966
NET POSITION - JULY 1	2,672,169	561,225	3,233,394
NET POSITION - JUNE 30	\$ 2,953,534	\$ 558,826	\$ 3,512,360

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,044,909	\$ -	\$ -	\$ 1,044,909
Loan receivable	1,282	-	-	1,282
Due from other governments	4,099	-	-	4,099
Due from other funds	-	878,621	2,917	881,538
TOTAL ASSETS	\$ 1,050,290	\$ 878,621	\$ 2,917	\$ 1,931,828
LIABILITIES				
Accounts payable	\$ 1	\$ -	\$ -	\$ 1
Due to other governments	15,295	-	-	15,295
Due to other funds	924,884	-	-	924,884
TOTAL LIABILITIES	940,180	-	-	940,180
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	-	-	2,917	2,917
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	2,917	2,917
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	878,621	-	878,621
Committed	-	-	-	-
Assigned	110,110	-	-	110,110
Unassigned	-	-	-	-
TOTAL FUND BALANCES	110,110	878,621	-	988,731
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,050,290	\$ 878,621	\$ 2,917	\$ 1,931,828

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

	Total Governmental Funds
Total Fund Balances	\$ 988,731
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	7,658,808
Long-term obligations shown below are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bond payable	(5,639,571)
Notes from direct borrowings payable	(44,883)
Accrued compensated absences	(9,551)
Net position of governmental activities	<u>\$ 2,953,534</u>

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental revenues	\$ 4,128,522	\$ -	\$ 19,937	\$ 4,148,459
Interest income	66,269	11,232	-	77,501
Miscellaneous revenues	38,161	-	831	38,992
TOTAL REVENUES	<u>4,232,952</u>	<u>11,232</u>	<u>20,768</u>	<u>4,264,952</u>
EXPENDITURES				
Current:				
Direct services	2,025,202	-	-	2,025,202
Support services:				
Student services	155,587	-	-	155,587
Instructional staff services	199,744	-	-	199,744
General administrative services	290,083	-	-	290,083
Area administrative services	206,771	-	-	206,771
Fiscal services	47,143	-	-	47,143
Operations and maintenance	321,851	-	-	321,851
Transportation	133,407	-	-	133,407
On-behalf payments	206,968	-	-	206,968
Program expenses	-	-	19,937	19,937
Debt service:				
Principal	411,050	-	-	411,050
Interest	185,284	-	-	185,284
TOTAL EXPENDITURES	<u>4,183,090</u>	<u>-</u>	<u>19,937</u>	<u>4,203,027</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>49,862</u>	<u>11,232</u>	<u>831</u>	<u>61,925</u>
OTHER FINANCING SOURCES (USES)				
Equity transfer to enterprise	-	(4,991)	-	(4,991)
Transfers in	-	175,768	-	175,768
Transfers (out)	(184,937)	-	(831)	(185,768)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(184,937)</u>	<u>170,777</u>	<u>(831)</u>	<u>(14,991)</u>
NET CHANGE IN FUND BALANCES	(135,075)	182,009	-	46,934
FUND BALANCES - JULY 1	<u>245,185</u>	<u>696,612</u>	<u>-</u>	<u>941,797</u>
FUND BALANCES - JUNE 30	<u>\$ 110,110</u>	<u>\$ 878,621</u>	<u>\$ -</u>	<u>\$ 988,731</u>

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 46,934</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	46,812
Depreciation expense	<u>(223,541)</u>
	<u>(176,729)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	<u>411,053</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>107</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 281,365</u></u>

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	Business-type Activities
	Enterprise Fund
	Food Service
ASSETS	
Current assets:	
Accounts receivable (net of allowance for uncollectibles)	\$ 2,516
Due from other governments	2,835
Inventory	3,381
Due from other funds	43,346
Total current assets	<u>52,078</u>
Noncurrent assets:	
Capital assets:	
Buildings and improvements	516,516
Equipment	117,840
Less: accumulated depreciation	(125,880)
Total noncurrent assets	<u>508,476</u>
TOTAL ASSETS	<u><u>\$ 560,554</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ -
Total current liabilities	<u>-</u>
TOTAL LIABILITIES	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	1,728
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,728</u>
NET POSITION	
Net investment in capital assets	508,476
Unrestricted	50,350
TOTAL NET POSITION	<u><u>558,826</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 560,554</u></u>

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities
	<u>Enterprise Fund</u>
	<u>Food</u>
	<u>Service</u>
OPERATING REVENUES	
Intergovernmental	\$ 34,551
Charges for services	51,693
Miscellaneous	3,546
TOTAL OPERATING REVENUES	<u>89,790</u>
OPERATING EXPENSES	
Salaries	51,227
Benefits	6,485
Supplies and food	32,178
Depreciation	17,290
TOTAL OPERATING EXPENSES	<u>107,180</u>
OPERATING INCOME (LOSS)	<u>(17,390)</u>
NONOPERATING REVENUES (EXPENSES)	
Equity transfer of fixed assets	4,991
Transfers in	10,000
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>14,991</u>
CHANGES IN NET POSITION	(2,399)
NET POSITION - JULY 1	<u>561,225</u>
NET POSITION - JUNE 30	<u>\$ 558,826</u>

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities
	Enterprise Fund
	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 54,241
Intergovernmental receipts	34,295
Internal activity - receipts (payments) from/to other funds	(6,873)
Payments to suppliers	(91,663)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(10,000)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in (out)	10,000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	10,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - JULY 1	-
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (17,390)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	17,290
Changes in operating assets, liabilities and deferred inflows of resources:	
(Increase) decrease in accounts receivable	(998)
(Increase) decrease in due from other governments	(256)
(Increase) decrease in inventory	(2,167)
(Increase) decrease in due from other funds	(6,873)
(Decrease) increase in accounts payable	(9)
(Decrease) increase in deferred revenue	403
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (10,000)

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019

	Agency Funds Student Activities	Private-Purpose Trust Funds Total
ASSETS		
Due from other governments	\$ 6,319	\$ 8,976
TOTAL ASSETS	<u>\$ 6,319</u>	<u>\$ 8,976</u>
LIABILITIES		
Accounts payable	\$ 6,319	\$ -
TOTAL LIABILITIES	<u>\$ 6,319</u>	<u>-</u>
NET POSITION		
Restricted - held in trust		8,976
TOTAL LIABILITIES AND NET POSITION		<u>\$ 8,976</u>

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Private-Purpose Trust Funds <u>Total</u>
ADDITIONS	
Interest	\$ 65
TOTAL ADDITIONS	<u>65</u>
DEDUCTIONS	
Supplies	120
TOTAL DEDUCTIONS	<u>120</u>
CHANGE IN NET POSITION	(55)
NET POSITION - JULY 1	<u>9,031</u>
NET POSITION - JUNE 30	<u>\$ 8,976</u>

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

East Montpelier School District was incorporated under the laws in the State of Vermont. The School District operates under the Board of Directors-superintendent form of government and provides the following services: direct services, support services, fiscal services, operations and maintenance, transportation and program expenses.

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The School District's combined financial statements include all accounts and all operations of the School District. We have determined that the School District has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School District's food service fund is categorized as a business-type activity. All other activities of the School District are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The School District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions and business-type activities (instruction, administration, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The School District does not allocate indirect costs. All costs are charged directly to the corresponding departments.

The government-wide focus is more on the sustainability of the School District as an entity and the change in the School District's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the School District are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the School District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the School District:

Major Funds:

- a. The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Fund:

- c. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the School District:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the School District's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency and private-purpose). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The School District's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Vermont to the Vermont State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues per budgetary basis	\$ 4,025,984
Add: On-behalf payments	206,968
Total GAAP basis	<u>\$ 4,232,952</u>
Expenditures per budgetary basis	\$ 4,161,059
Add: On-behalf basis	206,968
Total GAAP basis	<u>\$ 4,368,027</u>

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. The annual school budget is the planning management tool, which delineates the District's educational priorities and programs and forms the basis for voter review and approval of the budget according to applicable State of Vermont education finance laws.
2. The Board budget process includes input from school district administration and staff, educational priorities for the next school year, along with public hearings, which include the Board of Directors and general public.
3. The budget document itself is based upon the most current funding information available along with the projection of current revenues and expenditures for the next year. At the conclusion of the budget process, a final budget is approved by the Board of Directors.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the School District's policy to value investments at fair value. None of the School District's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The School District Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The East Montpelier School District has no formal investment policy but instead follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$26,027 for the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximate market, using the first-in, first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). The food service fund inventory consists of food service supplies and food on hand at the end of the year.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more for land, \$20,000 or more for buildings and improvements, \$2,500 for furniture and equipment and \$5,000 for vehicles are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received.

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Furniture and equipment	5 - 20 years

Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term obligations consist of a bond payable, notes from direct borrowings payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) Plan and additions to/deductions from the VSTRS Plan's fiduciary net position have been determined on the same basis as they are reported by the VSTRS Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) Plan and additions to/deductions from the VSTRS OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by VSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the School District. The inhabitants of the School District through School District meetings are the highest level of decision-making authority of the School District. Commitments may be established, modified, or rescinded only through a School District meeting vote.

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Directors.

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently has no deferred outflows of resources.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of this item, deferred revenues, which is reported in both the statements of net position and governmental funds balance sheet. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided, operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The School District does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the School District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

The School District's investment policies, which follow state statutes, authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all School District funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the School District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The School District does not have a policy covering custodial credit risk.

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2019, the School District's cash balance of \$1,044,909 was comprised of bank deposits of \$1,145,931. Of these bank deposits, \$250,000 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining balance of \$895,931 was collateralized with securities held by the financial institution in the School District's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 10,560
Repurchase agreements	1,135,371
	<u>\$ 1,145,931</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the School District does not have a policy for custodial credit risk for investments.

At June 30, 2019, the School District had no investments.

Credit risk - Statutes for the State of Vermont authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The School District does not have an investment policy on credit risk. Generally, the School District invests excess funds in savings accounts and various insured certificates of deposit.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ -	\$ 924,884
Capital projects fund	878,621	-
Food service fund	43,346	-
Nonmajor special revenue funds	2,917	-
	<u>\$ 924,884</u>	<u>\$ 924,884</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Disposals	Balance, 6/30/19
<u>Governmental activities:</u>				
Depreciated assets:				
Buildings	\$ 524,997	\$ -	\$ -	\$ 524,997
Building improvements	8,553,191	-	-	8,553,191
Infrastructure	166,586	-	-	166,586
Furniture and equipment	377,616	46,812	-	424,428
	<u>9,622,390</u>	<u>46,812</u>	<u>-</u>	<u>9,669,202</u>
Less: accumulated depreciation	<u>(1,786,853)</u>	<u>(223,541)</u>	<u>-</u>	<u>(2,010,394)</u>
	<u>7,835,537</u>	<u>(176,729)</u>	<u>-</u>	<u>7,658,808</u>
Net governmental capital assets	<u>\$ 7,835,537</u>	<u>\$ (176,729)</u>	<u>\$ -</u>	<u>\$ 7,658,808</u>
<u>Business-type activities:</u>				
Depreciated assets:				
Buildings	\$ 30,139	\$ -	\$ -	\$ 30,139
Building improvements	486,377	-	-	486,377
Furniture and equipment	112,849	4,991	-	117,840
	<u>629,365</u>	<u>4,991</u>	<u>-</u>	<u>634,356</u>
Less: accumulated depreciation	<u>(108,590)</u>	<u>(17,290)</u>	<u>-</u>	<u>(125,880)</u>
Net business-type capital assets	<u>\$ 520,775</u>	<u>\$ (12,299)</u>	<u>\$ -</u>	<u>\$ 508,476</u>

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation:

Direct services	\$ 170,079
S.S. - students	2,370
S.S. - staff	11,395
S.S. - area adm	7,850
Operations and maintenance	31,847
Total governmental activities depreciation	<u>223,541</u>
Food service	17,290
Total depreciation expense	<u><u>\$ 240,831</u></u>

NOTE 5 - SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2019, was as follows:

	Balance, 7/1/18	Additions	Reductions	Balance, 6/30/19
Tax/revenue anticipation note	<u>\$ -</u>	<u>\$ 1,785,182</u>	<u>\$ (1,785,182)</u>	<u>\$ -</u>

On July 2, 2018, the School District issued a tax/revenue anticipation note through Community Bank, NA in anticipation of revenues to meet its operating obligations during the fiscal year. The note allowed principal draws up to \$1,785,182 at 2.70% interest with a maturity date of June 28, 2019. On June 24, 2019, the note was paid in full. Interest expense for the note was \$47,143.

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Year Portion
Bond payable	\$ 6,048,071	\$ -	\$ (408,500)	\$ 5,639,571	\$ 408,500
Notes from direct borrowings payable	47,436	-	(2,553)	44,883	2,625
	<u>\$ 6,095,507</u>	<u>\$ -</u>	<u>\$ (411,053)</u>	<u>\$ 5,684,454</u>	<u>\$ 411,125</u>

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the bond and notes from direct borrowings payable as of June 30, 2019:

Bond payable:

\$8,170,000 Community Bank, N.A. bond payable, with principal payments due in annual installments of \$408,500 and a principal pre-payment of \$79,429 in December of 2014 and a final principal payment of \$329,071 due in June of 2033. Interest at a fixed rate of 3.04% paid semi-annually. The proceeds from the bond were used for school building improvements. The bond matures on June 28, 2033.

\$ 5,639,571

Total bond payable

5,639,571

Notes from direct borrowings payable:

\$26,504 Vermont Environmental Protection Agency note payable, due in annual principal, interest and administrative fee installments of \$101. Interest at a fixed rate of 1% and an administrative fee of 2% is charged per annum. On November 18, 2009, an ARRA Subsidy for \$25,000 was received and applied towards the principal amount due. The proceeds from the note were used to finance a water project. The note matures on January 1, 2033.

1,140

\$57,612 Vermont Environmental Protection Agency note payable, due in annual principal, interest and administrative fee installments of \$3,872. Interest at a fixed rate of 1% and an administrative fee of 2% is charged per annum. On January 14, 2014, the note payable was amended, reducing the principal amount due by \$25,000, to reflect an ARRA subsidy. The proceeds from the note were used to finance the implementation phase of a water project. The note matures on January 1, 2033.

43,743

Total notes from direct borrowings payable

44,883

Total bond and notes from direct borrowings payable

\$ 5,684,454

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding bond and notes from direct borrowings principal and interest requirements for the following fiscal years ending June 30:

Year Ending June 30,	<u>Bond</u>		<u>Notes from Direct Borrowings</u>	
	Principal	Interest	Principal	Interest
2020	\$ 408,500	\$ 171,913	\$ 2,625	\$ 1,348
2021	408,500	159,024	2,706	1,268
2022	408,500	146,606	2,787	1,186
2023	408,500	134,188	2,871	1,103
2024	408,500	122,103	2,957	1,017
2025-2029	2,042,500	422,767	16,168	3,640
2030-2034	1,554,571	114,588	14,769	1,124
	<u>\$ 5,639,571</u>	<u>\$ 1,271,189</u>	<u>\$ 44,883</u>	<u>\$ 10,686</u>

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2019 is as follows:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Year Portion
Accrued compensated absences	\$ 9,658	\$ -	\$ (107)	\$ 9,551	\$ 478

Please see Note 8 for detailed information on the other long-term obligations.

NOTE 8 - ACCRUED COMPENSATED ABSENCES

The District's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2019, the School District's liability for compensated absences is \$9,551.

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - RESTRICTED FUND BALANCE

At June 30, 2019, the School District had the following restricted fund balance:

Capital projects fund	<u>\$ 878,621</u>
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NOTE 10 - ASSIGNED FUND BALANCE

At June 30, 2019, the School District had the following assigned fund balance:

General fund:	
Reserved for future general fund operations	<u>\$ 110,110</u>

NOTE 11 - EXPENDITURES OVER APPROPRIATIONS

The School District was non-compliant with the legally adopted budget, overspending the entire allowed appropriation of \$3,990,773 by \$170,286 at June 30, 2019.

NOTE 12 - FINANCIAL INFORMATION

The detailed budget to actual report can be found on Schedules 1, A and B.

NOTE 13 - DEFINED BENEFIT PENSION PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the School District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private Union teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont 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, 2017 (the most recent period available), the retirement system consisted of 22,193 participating members.

The plan was established effective July 1, 1947, and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the Secretary of Education (ex-officio), the State Treasurer (ex-officio), the Commissioner of Financial Regulation (ex-officio), two members and one alternate elected by active members of the System under rules adopted by the Board and one retired member and one alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

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. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

The VSTRS provides retirement and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. There are two levels of contributions and benefits in the System: Group A - for public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A; and Group C - for public school teachers employed within the State of Vermont on or after July 1, 1990. Group C also includes those teachers hired prior to July 1, 1990 and were in Group B on July 1, 1990. When Act 74 became effective on June 30, 2010, Group C was further bifurcated into Groups #1 and #2. Group #1 contains members who were at least 57 years of age or had at least 25 years of service and Group #2 contains members who were less than 57 years of age and had less than 25 years of service.

Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Normal service retirement eligibility (no reduction)	Age 60 or 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, 2.0% 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 or 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

Other post-employment benefits are available to all plan members include the following:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pay full premium	Members pay full premium	Members pay full premium

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the School District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan which approximates \$206,968 or 15.75% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Employee Contributions	5.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

Employee contributions totaled \$66,315 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees covered under this plan was \$1,314,080 for the year ended June 30, 2019.

Pension Liabilities

VSTRS Plan

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2019. The State's portion of the collective net pension liability that was associated with the School District was as follows:

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

School District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>2,826,154</u>
Total	<u>\$ 2,826,154</u>

The State of Vermont's proportionate share of the net pension liability associated with the School District is equal to the collective net pension liability, actuarially measured as of June 30, 2018, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the School District's proportion was 0.18708% which was an decrease of 0.012660% from its proportion measured as of June 30, 2017.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the School District recognized total pension expense of \$173,004 and revenue of \$173,004 for support provided by the State of Vermont for the VSTRS plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS Plan
Plan year ended June 30:	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using the actuarial assumptions outlined below.

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation

Inflation: 2.50%

Salary Increases: Ranging from 3.75% to 9.09%

Deaths After Retirement: The VSTRS plan used 98% of the RP-2006 White Collar Employee with generational projection using Scale SSA-2017 for pre-retirement, 98% of the RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017 for healthy retirees, and the RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017 for disabled retirees.

Inactive Members: Valuation liability for the VSTRS plan equals 250.0% of accumulated contributions.

Future Administrative Expenses: No provisions were made, expenses of the System are paid by the State.

Unknown Data for Participants: For the VSTRS plan, it is the same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Percent Married: 85% of male members and 35% of female members are assumed to be married.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments: Adjustments for the VSTRS plan are assumed to occur on January 1 following one year of retirement. For the VSTRS plan this occurs at the rate of 2.55% per annum for Group A members and 1.40% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement). The January 1, 2019 COLA is assumed to be 2.60% for Group A and 1.30% for Group C.

Actuarial Cost Method: Uses the Entry Age Actuarial Cost Method. Entry age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Accrued Actuarial Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

For the VSTRS plan, the *asset valuation method* used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

The *long-term expected rate of return* on the VSTRS 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) developed for each major asset class. These best estimate ranges were 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.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	18.00%	6.10%
Non-US Equity	16.00%	7.45%
Global Equity	9.00%	6.74%
Fixed Income	26.00%	2.25%
Real Estate	8.00%	5.11%
Private Markets	15.00%	7.60%
Hedge Funds	8.00%	3.86%

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the VSTRS plan. 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 which exceeds the actuarially determined contribution rate. 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 68.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50% for the VSTRS plan, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.50%	7.50%	8.50%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VSTRS or their participating employers. VSTRS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

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

The plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2017 (the most recent period available), the plan consisted of 4,878 retired members or beneficiaries currently receiving benefits and 8,941 active members.

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. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

VSTRS retirees and their spouses are eligible for medical, prescription drug and dental benefits on a lifetime basis if the retiree is eligible for pension benefits, as described in the Notes to Financial Statements for Defined Benefit Plan(s).

Contributions

Varying levels of contributions are required from retirees and spouses for medical and prescription drug coverage at the following premium subsidy rates:

	Retiree Subsidy		Spouse Subsidy*	
Retired before June 30, 2010	At least ten years of service - 80% of premium Less than ten years of service - 0% of premium		0% of premium	
Retired after June 30, 2010	10 years or more of service at June 30, 2010 - 80% of premium		Years of service at June 30, 2010 - 80% of premium:	
	Less than 10 years of service at June 30, 2010:			
	Less than 15 years at retirement	Less than 15 years at retirement	Less than 10 years	25 years at retirement
	15-19.99 years at retirement	15-19.99 years at retirement	10-14.99 years	25 years at retirement
	20-24.99 years at retirement	20-24.99 years at retirement	15-24.99 years	10 additional years from June 30, 2010
	25 years or more at retirement	25 years or more at retirement	25-29.99 years	35 years at retirement
			30 or more years	5 additional years from June 30, 2010

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

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

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

OPEB Liabilities

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 75 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net OPEB liability was recorded at June 30, 2019. The State's portion of the collective net OPEB liability that was associated with the School District was as follows:

School District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the School District	<u>1,738,745</u>
Total	<u><u>\$ 1,738,745</u></u>

The State of Vermont's proportionate share of the net OPEB liability associated with the School District is equal to the collective net OPEB liability, actuarially measured as of June 30, 2018, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the School District's proportion was 0.18220% which was a decrease of 0.006120% from its proportion measured as of June 30, 2017.

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

For the year ended June 30, 2019, the School District recognized total OPEB expense of \$79,808 and revenue of \$79,808 for support provided by the State of Vermont for the Plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	VSTRS OPEB Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

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

	VSTRS OPEB Plan
Plan year ended June 30:	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-

Discount Rate

The discount rate is the single rate of return, that when applied to all projected benefit payments, results in an actuarial present value that is the sum of the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return, and the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The sensitivity of net OPEB liability to changes in discount rate are as follows:

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
VSTRS OPEB Plan:			
Discount rate	2.87%	3.87%	4.87%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Healthcare Trend Rate

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2019 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics. The sensitivity of net OPEB liability to changes in healthcare trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Asset Valuation Method

The Asset Valuation Method used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

The long-term expected rate of return on both 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) developed for each major asset class. These best estimate ranges were 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.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.50%
International equity	15.00%	7.75%
Emerging international equity	5.00%	9.25%
Core bonds	60.00%	3.75%
Inflation		2.75%
Total	<u>100.00%</u>	

Assumptions

The actuarial assumptions used to calculate the actuarially determined contribution rates can be found in the Report on the Actuarial Valuation of Post-Retirement Benefits of the Vermont State Teachers' Retirement System Prepared as of June 30, 2016 completed by Buck Consulting. As of June 30, 2018, they are as follows:

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount Rate	3.87%
Salary Increase Rate	Varies by age
Non-Medicare	7.15% graded to 4.50% over 12 years
Medicare	7.30% graded to 4.50% over 11 years
Retiree Contributions	Equal to health trend
Pre-retirement Mortality	98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017
Post-retirement Mortality	98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2018 with the following exceptions:

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for June 30, 2018. For the fiscal year ended June 30, 2018, the discount rate was increased from 3.58% to 3.87%.

OPEB Plan Fiduciary Net Position

The schedule of employer allocations and schedule of OPEB amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VSTRS or their participating employers. VSTRS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 15 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, students and guests; as well as natural disasters for which the School District either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District.

The School District is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker compensation, multi-line intermunicipal school program, and unemployment compensation program, and the Vermont Education Health Initiative (VEHI) for medical benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont School Districts and is owned by the participating Districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, VEHI has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

Multi-Line Intermunicipal School Program provides coverage for property; inland marine and boiler and machinery; crime; commercial general liability; automobile/garagekeepers; and educators legal liability. Annual contributions are based upon appropriate rates applicable to each member; such rates are set based on recommendations of a qualified actuary, plus a proportionate share of all operational and administrative cost including excess reinsurance premiums incurred by the trust. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the program will be terminated with each member assessed their proportionate share of the deficit.

NOTE 16 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the School District's financial position.

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 16 - CONTINGENCIES (CONTINUED)

The School District participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the School District's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

The School District participates in a medical insurance plan negotiated through VEHI. This plan is a high-deductible plan with an HRA (Health Reimbursement Arrangement) funded by the School District. The organization contracted to coordinate the processing of claims on behalf of the School District with HRA funds has not processed all claims through June 30, 2019, and as of the date of this report. Additionally, they were unable to provide management with the outstanding amount to be expensed by the School District through June 30, 2019. Therefore, the amount, if any, of any liabilities arising from the unprocessed claims cannot be determined at this time.

NOTE 17 - RELATED ORGANIZATION

The School District has an ongoing financial responsibility to Washington Central School District as defined in GASB 14, paragraph 71. Through Washington Central School District's assessment process, the School District's assessment can be increased to cover a share of any prior year deficits and decreased to share in any prior year surpluses. Separate financial statements on Washington Central School District are available from Washington Central School District.

NOTE 18 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the School District's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 19 - SUBSEQUENT EVENT

All assets and liabilities of the Berlin School District, the Calais School District, the East Montpelier School District, the Middlesex School District, the Worcester School District and the Union High School District No. 32 were transferred to the new Washington Central Unified Union School District on July 1, 2019. All business transactions of these individual member schools ceased as of that date.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pension
- Schedule of Proportionate Share of the Net OPEB Liability
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

EAST MONTPELIER SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 245,185	\$ 245,185	\$ 245,185	\$ -
Resources (Inflows):				
Intergovernmental:				
State/Town support	3,807,332	3,807,332	3,797,314	(10,018)
Other	114,082	114,082	124,240	10,158
Interest income	52,225	52,225	66,269	14,044
Miscellaneous	4,414	4,414	38,161	33,747
Amounts Available for Appropriation	<u>4,223,238</u>	<u>4,223,238</u>	<u>4,271,169</u>	<u>47,931</u>
Charges to Appropriations (Outflows):				
Direct services	2,013,552	2,013,552	2,025,202	(11,650)
Support services:				
Student services	132,835	132,835	155,587	(22,752)
Instructional staff services	185,732	185,732	199,744	(14,012)
General administrative services	292,020	292,020	290,083	1,937
Area administrative services	213,492	213,492	206,771	6,721
Fiscal services	52,225	52,225	47,143	5,082
Operations and maintenance	291,355	291,355	321,851	(30,496)
Transportation	131,705	131,705	133,407	(1,702)
Debt service:				
Principal	411,050	411,050	411,050	-
Interest	185,285	185,285	185,284	1
Transfers to other funds	81,522	81,522	184,937	(103,415)
Total Charges to Appropriations	<u>3,990,773</u>	<u>3,990,773</u>	<u>4,161,059</u>	<u>(170,286)</u>
Budgetary Fund Balance, June 30	<u>\$ 232,465</u>	<u>\$ 232,465</u>	<u>\$ 110,110</u>	<u>\$ (122,355)</u>
Utilization of assigned fund balance	<u>\$ 12,720</u>	<u>\$ 12,720</u>	<u>\$ -</u>	<u>\$ (12,720)</u>

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015	2014
<u>VSTRS:</u>						
Proportion of the net pension liability	0.19%	0.20%	0.20%	0.21%	0.26%	0.27%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	2,826,154	2,960,933	2,608,034	2,493,816	2,511,630	\$ 2,751,781
Total	<u>\$ 2,826,154</u>	<u>\$ 2,960,933</u>	<u>\$ 2,608,034</u>	<u>\$ 2,493,816</u>	<u>\$ 2,511,630</u>	<u>\$ 2,751,781</u>
Covered-employee payroll	\$ 1,264,693	\$ 1,319,883	\$ 1,290,148	\$ 1,172,201	\$ 1,485,475	\$ 1,534,082
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	54.81%	53.98%	55.31%	58.22%	64.02%	60.59%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015	2014
<u>VSTRS:</u>						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,314,080	\$ 1,264,693	\$ 1,319,883	\$ 1,290,148	\$ 1,172,201	\$ 1,485,475
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	2019	2018	2017
<u>VSTRS OPEB Plan:</u>			
Proportion of the net OPEB liability	0.18%	0.19%	0.19%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the School District	1,738,745	1,755,716	-
Total	<u>\$ 1,738,745</u>	<u>\$ 1,755,716</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,264,693	\$ 1,319,883	\$ 1,290,148
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.76%	1.52%	0.00%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	2019	2018	2017
<u>VSTRS OPEB Plan:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,314,080	\$ 1,264,693	\$ 1,319,883
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Changes of Assumptions

VSTRS Pension Plan:

The valuation liability for inactive members as reported by the System was lowered from 332.5% of accumulated contributions to 250.0% of accumulated contributions.

VSTRS OPEB Plan:

The discount rate increased from 3.58% to 3.87% for the VSTRS OPEB liability.

The percentage of non-DC Plan current retirees assumed to have life insurance coverage was increased from 65% to 75%.

Future male retirees were assumed to be two years older than their spouses, decreased from three years. Future female retirees were assumed to be one year younger than their spouses, decreased from three years.

The percentage of future retirees assumed to have a spouse electing coverage was increased from 60% to 70% for male retirees and from 50% to 60% for female retirees.

The claims cost development methodology was modified for non-Medicare participants.

The per capita valuation-year claims and retiree contribution rates were updated.

The assumed health trend rates were modified.

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Schedule of Net Position - Private-Purpose Trust Funds
- Combining Schedule of Changes in Net Position - Private-Purpose Trust Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

EAST MONTPELIER SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
Education spending grant	\$ 3,807,332	\$ 3,807,332	\$ 3,797,314	\$ (10,018)
Special education reimbursement	105,311	105,311	102,712	(2,599)
Other	8,771	8,771	21,528	12,757
Interest income	52,225	52,225	66,269	14,044
Miscellaneous:				
Other receipts	4,414	4,414	38,161	33,747
Used of assigned fund balance	12,720	12,720	-	(12,720)
Amounts Available for Appropriation	<u>\$ 3,990,773</u>	<u>\$ 3,990,773</u>	<u>\$ 4,025,984</u>	<u>\$ 35,211</u>

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Direct services -				
Instructional services	\$ 1,442,466	\$ 1,442,466	\$ 1,461,553	\$ (19,087)
Preschool program	151,252	151,252	149,681	1,571
Special education	188,056	188,056	180,299	7,757
SU assessments	231,778	231,778	233,669	(1,891)
Total Direct services	<u>2,013,552</u>	<u>2,013,552</u>	<u>2,025,202</u>	<u>(11,650)</u>
Support services -				
Students -				
Guidance services	49,585	49,585	57,557	(7,972)
Health services	83,250	83,250	98,030	(14,780)
Instructional staff -				
Library services	82,774	82,774	87,228	(4,454)
Technology services	102,958	102,958	112,516	(9,558)
Total Support services	<u>318,567</u>	<u>318,567</u>	<u>355,331</u>	<u>(36,764)</u>
General administration -				
Board of education	28,382	28,382	26,445	1,937
Office of the superintendent	263,638	263,638	263,638	-
Total General administration	<u>292,020</u>	<u>292,020</u>	<u>290,083</u>	<u>1,937</u>
Area Administration - Office of the principal	<u>213,492</u>	<u>213,492</u>	<u>206,771</u>	<u>6,721</u>
Fiscal services	<u>52,225</u>	<u>52,225</u>	<u>47,143</u>	<u>5,082</u>
Operations and maintenance	<u>291,355</u>	<u>291,355</u>	<u>321,851</u>	<u>(30,496)</u>
Transportation	<u>131,705</u>	<u>131,705</u>	<u>133,407</u>	<u>(1,702)</u>
Debt service -				
Principal	411,050	411,050	411,050	-
Interest	185,285	185,285	185,284	1
Total Debt service	<u>596,335</u>	<u>596,335</u>	<u>596,334</u>	<u>1</u>
Transfers to other funds	<u>81,522</u>	<u>81,522</u>	<u>184,937</u>	<u>(103,415)</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 3,990,773</u>	<u>\$ 3,990,773</u>	<u>\$ 4,161,059</u>	<u>\$ (170,286)</u>

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS		
Due from other funds	\$ 2,917	\$ 2,917
TOTAL ASSETS	<u>\$ 2,917</u>	<u>\$ 2,917</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue	2,917	2,917
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,917</u>	<u>2,917</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,917</u>	<u>\$ 2,917</u>

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES		
Intergovernmental	\$ 19,937	\$ 19,937
Other	831	831
TOTAL REVENUES	<u>20,768</u>	<u>20,768</u>
EXPENDITURES		
Other	<u>19,937</u>	<u>19,937</u>
TOTAL EXPENDITURES	<u>19,937</u>	<u>19,937</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>831</u>	<u>831</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers (out)	<u>(831)</u>	<u>(831)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(831)</u>	<u>(831)</u>
NET CHANGE IN FUND BALANCES	-	-
FUND BALANCES - JULY 1	<u>-</u>	<u>-</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

DRAFT

EAST MONTPELIER SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	Playground Project	Federal Grant	EPSDT Mini Grant	Total
ASSETS				
Due from other funds	\$ 2,917	\$ -	\$ -	\$ 2,917
TOTAL ASSETS	<u>\$ 2,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,917</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	2,917	-	-	2,917
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,917</u>	<u>-</u>	<u>-</u>	<u>2,917</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,917</u>

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Playground Project	Federal Grant	EPSDT Mini Grant	Total
REVENUES				
Intergovernmental	\$ -	\$ 15,937	\$ 4,000	\$ 19,937
Other	831	-	-	831
TOTAL REVENUES	831	15,937	4,000	20,768
EXPENDITURES				
Other	-	15,937	4,000	19,937
TOTAL EXPENDITURES	-	15,937	4,000	19,937
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	831	-	-	831
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	(831)	-	-	(831)
TOTAL OTHER FINANCING SOURCES (USES)	(831)	-	-	(831)
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES - JULY 1	-	-	-	-
FUND BALANCES - JUNE 30	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditors' report and notes to financial statements.

Fiduciary Funds

These funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

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EAST MONTPELIER SCHOOL DISTRICT

COMBINING SCHEDULE OF NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2019

	Jon Miller Fund	Music Fund	Total
ASSETS			
Due from other governments	\$ 2,211	\$ 6,765	\$ 8,976
TOTAL ASSETS	<u>\$ 2,211</u>	<u>\$ 6,765</u>	<u>\$ 8,976</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted - held in trust	2,211	6,765	8,976
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,211</u>	<u>\$ 6,765</u>	<u>\$ 8,976</u>

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

COMBINING SCHEDULE OF CHANGES IN NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2019

	Jon Miller Fund	Music Fund	Total
ADDITIONS			
Interest	\$ 65	\$ -	\$ 65
TOTAL ADDITIONS	<u>65</u>	<u>-</u>	<u>65</u>
DEDUCTIONS			
Supplies	120	-	120
TOTAL DEDUCTIONS	<u>120</u>	<u>-</u>	<u>120</u>
CHANGE IN NET POSITION	(55)	-	(55)
NET POSITION - JULY 1	<u>2,266</u>	<u>6,765</u>	<u>9,031</u>
NET POSITION - JUNE 30	<u><u>\$ 2,211</u></u>	<u><u>\$ 6,765</u></u>	<u><u>\$ 8,976</u></u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

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EAST MONTPELIER SCHOOL DISTRICT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Direct Services	\$ -	\$ 6,857,668	\$ 376,531	\$ -	\$ 7,234,199
S.S. - Students	-	124,257	-	-	124,257
S.S. - Staff	-	593,273	22,887	-	616,160
S.S. - Area Adm	-	392,121	24,830	-	416,951
Operations and Maintenance	-	1,050,562	60,487	166,586	1,277,635
Food Service	-	516,516	117,840	-	634,356
Total General Capital Assets	-	9,534,397	602,575	166,586	10,303,558
Less: Accumulated Depreciation	-	(1,788,879)	(318,242)	(29,153)	(2,136,274)
Net General Capital Assets	\$ -	\$ 7,745,518	\$ 284,333	\$ 137,433	\$ 8,167,284

See accompanying independent auditors' report and notes to financial statements.

EAST MONTPELIER SCHOOL DISTRICT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2019

	General Capital Assets 7/1/18	Additions	Deletions	General Capital Assets 6/30/19
Direct Services	\$ 7,187,387	\$ 46,812	\$ -	\$ 7,234,199
S.S. - Students	124,257	-	-	124,257
S.S. - Staff	616,160	-	-	616,160
S.S. - Area Adm	416,951	-	-	416,951
Operations and Maintenance	1,277,635	-	-	1,277,635
Food Service	629,365	4,991	-	634,356
Total General Capital Assets	10,251,755	51,803	-	10,303,558
Less: Accumulated Depreciation	(1,895,443)	(240,831)	-	(2,136,274)
Net General Capital Assets	<u>\$ 8,356,312</u>	<u>\$ (189,028)</u>	<u>\$ -</u>	<u>\$ 8,167,284</u>

See accompanying independent auditors' report and notes to financial statements.



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

Board of Directors
East Montpelier School District
Montpelier, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the East Montpelier School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the East Montpelier School District's basic financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Buxton, Maine
Vermont Registration No. 092.0000697
December 12, 2019

Audited Financial Statements
and Other Financial Information

Middlesex School District

June 30, 2019



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MIDDLESEX SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Middlesex School District
Montpelier, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Middlesex School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Middlesex 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.

Auditors' Responsibility

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

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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, business-type activities, each major fund and the aggregate remaining fund information of Middlesex School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 4 through 10 and 60 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Middlesex School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019, on our consideration of the Middlesex School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Middlesex School District's internal control over financial reporting and compliance.

Buxton, Maine
Vermont Registration No. 092.0000697
November 27, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

(UNAUDITED)

The following management's discussion and analysis of the Middlesex School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

The School District's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, pension and OPEB information and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the School District's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the School District's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have separate columns for the two different types of School District activities. The types of activities presented for the School District are:

- *Governmental activities* - The activities in this section are mostly supported by intergovernmental revenues (federal and state grants), support from the town and charges for services. Most of the School District's basic services are reported in governmental activities, which include direct services, support services, fiscal services, operations and maintenance and transportation.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. The activity for the School District includes the food service fund and internal service fund.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the School District can be classified into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds: Most of the basic services provided by the School District are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the School District's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the School District.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues,

expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The School District presents two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's major fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the School District legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The School District maintains one proprietary fund, the food service fund. This fund is used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial 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 the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Net Position - Fiduciary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions - Pensions, a Schedule of Proportionate Share of the Net OPEB Liability, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the School District's governmental and business-type activities. The School District's total net position for governmental activities increased by \$245,617 from \$1,146,192 to \$1,391,809. For business-type activities, the School District's total net position decreased by \$1,635 from \$145,934 to \$144,299.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a deficit balance of \$1,165 at the end of the fiscal year. For business-type activities, the balance increased to \$1,710.

Table 1
Middlesex School District
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Assets:				
Current Assets	\$ 685,639	\$ 554,938	\$ 32,268	\$ 31,555
Noncurrent Assets	3,942,862	3,925,883	113,922	115,953
Total Assets	<u>\$ 4,628,501</u>	<u>\$ 4,480,821</u>	<u>\$ 146,190</u>	<u>\$ 147,508</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	\$ 53,129	\$ 51,756	\$ -	\$ -
Total Deferred Outflows of Resources	<u>\$ 53,129</u>	<u>\$ 51,756</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Current Liabilities	\$ 505,579	\$ 443,880	\$ -	\$ -
Noncurrent Liabilities	2,780,771	2,937,963	-	-
Total Liabilities	<u>\$ 3,286,350</u>	<u>\$ 3,381,843</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred Inflows of Resources:				
Deferred Revenues	\$ -	\$ -	\$ 1,891	\$ 1,574
Deferred Inflows Related to Pensions	3,471	4,542	-	-
Total Deferred Inflows of Resources	<u>\$ 3,471</u>	<u>\$ 4,542</u>	<u>\$ 1,891</u>	<u>\$ 1,574</u>
Net Position:				
Net Investment in Capital Assets	\$ 1,100,747	\$ 906,375	\$ 113,922	\$ 115,953
Restricted	292,227	145,692	28,667	29,362
Unrestricted (deficit)	(1,165)	94,125	1,710	619
Total Net Position	<u>\$ 1,391,809</u>	<u>\$ 1,146,192</u>	<u>\$ 144,299</u>	<u>\$ 145,934</u>

Table 2
Middlesex School District
Changes in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ -	\$ 1,805	\$ 41,356	\$ 47,643
Operating grants and contributions	571,651	471,142	26,020	29,016
<i>General Revenues:</i>				
Grants and contributions not restricted to specific programs	3,218,654	3,096,756	-	-
Miscellaneous	75,353	98,986	758	6,976
Total Revenues	3,865,658	3,668,689	68,134	83,635
Expenses				
Direct services	1,856,698	1,826,994	-	-
Support services:			-	-
Student services	147,069	149,365	-	-
Instructional staff services	103,420	94,209	-	-
General administrative services	23,652	27,182	-	-
Area administrative services	403,160	422,142	-	-
Fiscal services	40,301	41,584	-	-
Operations and maintenance	114,540	171,950	-	-
Transportation	110,963	76,443	-	-
On-behalf payments	560,346	464,181	-	-
Program expenses	11,305	6,961	93,411	93,458
Interest on long-term debt	80,735	85,630	-	-
Capital outlay	148,852	79,496	-	-
Total Expenses	3,601,041	3,446,137	93,411	93,458
Equity transfer from members	-	-	4,642	1,976
Transfers	(19,000)	(17,600)	19,000	17,600
Change in Net Position	245,617	204,952	(1,635)	9,753
Net Position - July 1	1,146,192	941,240	145,934	136,181
Net Position - June 30	\$ 1,391,809	\$ 1,146,192	\$ 144,299	\$ 145,934

Revenues and Expenses

Revenues for the School District's governmental activities increased by 5.37%, while total expenses increased by 4.50%. The increase in revenues was due to grants and contributions not restricted to specific programs and operating grants and contributions. The increase in expenses was mainly due to on-behalf payments and capital outlay.

Revenues for the School District's business-type activities decreased by 18.53%, while total expenses decreased by 0.05%. The decrease in revenues was due to decreases in all revenue categories.

Financial Analysis of the School District's Fund Statements

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

Table 3
Middlesex School District
Fund Balances - Governmental Funds
June 30,

	<u>2019</u>	<u>2018</u>
Major Funds:		
General Fund:		
Assigned	\$ 65,326	\$ 142,700
Total General Fund	<u>\$ 65,326</u>	<u>\$ 142,700</u>
Nonmajor Funds:		
Capital Projects Funds		
Restricted	\$ 292,227	\$ 145,692
Total Nonmajor Funds	<u>\$ 292,227</u>	<u>\$ 145,692</u>

The general fund total fund balance decreased by \$77,374 from the prior fiscal year as a result of expenditures and transfers to other funds exceeding revenues. The total fund balance for the nonmajor funds increased by \$146,535 from the prior year mainly as a result of transfers from the general fund.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues exceeded budgeted revenues by \$25,258 primarily due to interest income and miscellaneous income from shared benefits.

The general fund actual expenditures exceeded the budget by \$102,632. This was primarily due to additional transfers to capital projects funds.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2019, the net book value of capital assets recorded by the School District increased by \$14,948. This increase was due to capital additions of \$144,392 less net disposal of assets of \$1,388 and current year depreciation expense of \$128,056.

Table 4
Middlesex School District
Capital Assets (Net of Depreciation)
June 30,

	2019	2018
Buildings, building improvements and land improvements	\$ 3,659,630	\$ 3,613,935
Infrastructure	181,952	187,460
Furniture and equipment	215,202	240,441
Total	<u>\$ 4,056,784</u>	<u>\$ 4,041,836</u>

Debt

At June 30, 2019, the School District had \$2,842,115 in a bond and a note from direct borrowing outstanding versus \$3,019,508 last year. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

This will be the last audited financial statements issued by the Middlesex School District. Refer to Note 19 of the Notes to Financial Statements for more information.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School District at 1130 Gallison Hill Road, Montpelier, Vermont 05602.

MIDDLESEX SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 385,793	\$ -	\$ 385,793
Accounts receivable (net of allowance for uncollectibles)	-	4,703	4,703
Due from other governments	7,619	2,021	9,640
Due from other funds	292,227	23,964	316,191
Inventory	-	1,580	1,580
Total current assets	<u>685,639</u>	<u>32,268</u>	<u>717,907</u>
Noncurrent assets:			
Capital assets:			
Buildings, building improvements and other assets, net of accumulated depreciation	3,942,862	113,922	4,056,784
Total noncurrent assets	<u>3,942,862</u>	<u>113,922</u>	<u>4,056,784</u>
TOTAL ASSETS	<u>4,628,501</u>	<u>146,190</u>	<u>4,774,691</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	53,129	-	53,129
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>53,129</u>	<u>-</u>	<u>53,129</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,681,630</u>	<u>\$ 146,190</u>	<u>\$ 4,827,820</u>
LIABILITIES			
Current liabilities:			
Due to other funds	\$ 328,086	\$ -	\$ 328,086
Current portion of long-term obligations	177,493	-	177,493
Total current liabilities	<u>505,579</u>	<u>-</u>	<u>505,579</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	2,625,000	-	2,625,000
Notes from direct borrowings payable	39,650	-	39,650
Accrued compensated absences	537	-	537
Net pension liability	115,584	-	115,584
Total noncurrent liabilities	<u>2,780,771</u>	<u>-</u>	<u>2,780,771</u>
TOTAL LIABILITIES	<u>3,286,350</u>	<u>-</u>	<u>3,286,350</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	-	1,891	1,891
Deferred inflows related to pensions	3,471	-	3,471
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,471</u>	<u>1,891</u>	<u>5,362</u>
NET POSITION			
Net investment in capital assets	1,100,747	113,922	1,214,669
Restricted	292,227	28,667	320,894
Unrestricted (deficit)	(1,165)	1,710	545
TOTAL NET POSITION	<u>1,391,809</u>	<u>144,299</u>	<u>1,536,108</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 4,681,630</u>	<u>\$ 146,190</u>	<u>\$ 4,827,820</u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
Governmental activities:							
Direct services	\$ 1,856,698	\$ -	\$ -	\$ -	\$ (1,856,698)	\$ -	\$ (1,856,698)
Support services:							
Student services	147,069	-	-	-	(147,069)	-	(147,069)
Instructional staff services	103,420	-	-	-	(103,420)	-	(103,420)
General administrative services	23,652	-	-	-	(23,652)	-	(23,652)
Area administrative services	403,160	-	-	-	(403,160)	-	(403,160)
Fiscal services	40,301	-	-	-	(40,301)	-	(40,301)
Operations and maintenance	114,540	-	-	-	(114,540)	-	(114,540)
Transportation	110,963	-	-	-	(110,963)	-	(110,963)
Program expenses	11,305	-	11,305	-	-	-	-
On-behalf payments	560,346	-	560,346	-	-	-	-
Interest on long-term debt	80,735	-	-	-	(80,735)	-	(80,735)
Capital outlay	148,852	-	-	-	(148,852)	-	(148,852)
Total governmental activities	<u>3,601,041</u>	<u>-</u>	<u>571,651</u>	<u>-</u>	<u>(3,029,390)</u>	<u>-</u>	<u>(3,029,390)</u>
Business-type activities:							
Food service	93,411	41,356	26,020	-	-	(26,035)	(26,035)
Total business-type activities	<u>93,411</u>	<u>41,356</u>	<u>26,020</u>	<u>-</u>	<u>-</u>	<u>(26,035)</u>	<u>(26,035)</u>
Total government	<u>\$ 3,694,452</u>	<u>\$ 41,356</u>	<u>\$ 597,671</u>	<u>\$ -</u>	<u>(3,029,390)</u>	<u>(26,035)</u>	<u>(3,055,425)</u>

STATEMENT B (CONTINUED)
MIDDLESEX SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	<u>(3,029,390)</u>	<u>(26,035)</u>	<u>(3,055,425)</u>
General revenues:			
Grants and contributions not restricted to specific programs	3,218,654	-	3,218,654
Miscellaneous	75,353	758	76,111
Equity transfer from members	-	4,642	4,642
Transfers	<u>(19,000)</u>	<u>19,000</u>	<u>-</u>
Total general revenues and transfers	<u>3,275,007</u>	<u>24,400</u>	<u>3,299,407</u>
Change in net position	245,617	(1,635)	243,982
NET POSITION - JULY 1	<u>1,146,192</u>	<u>145,934</u>	<u>1,292,126</u>
NET POSITION - JUNE 30	<u>\$ 1,391,809</u>	<u>\$ 144,299</u>	<u>\$ 1,536,108</u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 385,793	\$ -	\$ 385,793
Due from other governments	7,619	-	7,619
Due from other funds	-	292,227	292,227
TOTAL ASSETS	<u>\$ 393,412</u>	<u>\$ 292,227</u>	<u>\$ 685,639</u>
LIABILITIES			
Due to other governments	\$ 11,895	\$ -	\$ 11,895
Due to other funds	316,191	-	316,191
TOTAL LIABILITIES	<u>328,086</u>	<u>-</u>	<u>328,086</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	292,227	292,227
Committed	-	-	-
Assigned	65,326	-	65,326
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>65,326</u>	<u>292,227</u>	<u>357,553</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 393,412</u>	<u>\$ 292,227</u>	<u>\$ 685,639</u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

	Total Governmental Funds
Total Fund Balances	\$ 357,553
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	3,942,862
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	53,129
Long-term obligations shown below are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bond payable	(2,800,000)
Note from direct borrowing payable	(42,115)
Accrued compensated absences	(565)
Net pension liability	(115,584)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(3,471)
Net position of governmental activities	<u>\$ 1,391,809</u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Intergovernmental revenues	\$ 3,389,523	\$ 11,305	\$ 3,400,828
Interest income	55,227	-	55,227
Miscellaneous revenues	17,660	2,466	20,126
TOTAL REVENUES	<u>3,462,410</u>	<u>13,771</u>	<u>3,476,181</u>
EXPENDITURES			
Current:			
Direct services	1,790,442	-	1,790,442
Support services:			
Student services	146,058	-	146,058
Instructional staff services	98,331	-	98,331
General administrative services	23,652	-	23,652
Area administrative services	398,567	-	398,567
Fiscal services	40,301	-	40,301
Operations and maintenance	190,552	-	190,552
Transportation	110,963	-	110,963
On-behalf payments	170,869	-	170,869
Program expenses	-	11,305	11,305
Debt service:			
Principal	177,393	-	177,393
Interest	80,735	-	80,735
Capital outlay	-	148,852	148,852
TOTAL EXPENDITURES	<u>3,227,863</u>	<u>160,157</u>	<u>3,388,020</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>234,547</u>	<u>(146,386)</u>	<u>88,161</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	292,921	292,921
Transfers (out)	(311,921)	-	(311,921)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(311,921)</u>	<u>292,921</u>	<u>(19,000)</u>
NET CHANGE IN FUND BALANCES	(77,374)	146,535	69,161
FUND BALANCES - JULY 1	<u>142,700</u>	<u>145,692</u>	<u>288,392</u>
FUND BALANCES - JUNE 30	<u>\$ 65,326</u>	<u>\$ 292,227</u>	<u>\$ 357,553</u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 69,161</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	139,750
Capital asset net disposals	(1,388)
Depreciation expense	<u>(121,383)</u>
	<u>16,979</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>1,373</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	
	<u>177,393</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>1,071</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(180)
Net pension liability	<u>(20,180)</u>
	<u>(20,360)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 245,617</u></u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	Business-type Activities <u>Enterprise Fund</u> Food Service	Governmental Activities <u>Internal</u> Service Fund
ASSETS		
Current assets:		
Accounts receivable (net of allowance for uncollectibles)	\$ 4,703	\$ -
Inventory	1,580	-
Due from other governments	2,021	-
Due from other funds	23,964	-
Total current assets	<u>32,268</u>	<u>-</u>
Noncurrent assets:		
Capital assets:		
Buildings	8,643	-
Building improvements	37,007	-
Equipment	111,616	-
Less: accumulated depreciation	(43,344)	-
Total noncurrent assets	<u>113,922</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 146,190</u>	<u>\$ -</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ -	\$ -
Total current liabilities	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue	1,891	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,891</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	113,922	-
Restricted	28,667	-
Unrestricted	1,710	-
TOTAL NET POSITION	<u>144,299</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 146,190</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities <u>Enterprise Fund</u> Food Service	Governmental Activities <u>Internal Service Fund</u>
OPERATING REVENUES		
Intergovernmental	\$ 26,020	\$ -
Charges for services	41,356	-
Miscellaneous	758	200
TOTAL OPERATING REVENUES	<u>68,134</u>	<u>200</u>
OPERATING EXPENSES		
Salaries	43,465	-
Benefits	13,745	-
Repairs and maintenance	117	-
Supplies and food	24,769	200
Depreciation	6,673	-
Equipment	4,642	-
TOTAL OPERATING EXPENSES	<u>93,411</u>	<u>200</u>
OPERATING INCOME (LOSS)	<u>(25,277)</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)		
Equity transfer from members	4,642	-
Transfers in	19,000	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>23,642</u>	<u>-</u>
CHANGES IN NET POSITION	(1,635)	-
NET POSITION - JULY 1	<u>145,934</u>	<u>-</u>
NET POSITION - JUNE 30	<u>\$ 144,299</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities <u>Enterprise Fund</u> Food Service	Governmental Activities <u>Internal</u> Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 42,114	\$ 200
Intergovernmental receipts	23,999	-
Internal activity - receipts (payments) from/to other funds	(52)	-
Payments to suppliers	(85,061)	(200)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(19,000)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in (out)	19,000	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>19,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS - JULY 1	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (25,277)	\$ -
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	6,673	-
Changes in operating assets, liabilities and deferred inflows of resources:		
(Increase) decrease in accounts receivable	747	-
(Increase) decrease in due from other governments	(2,021)	-
(Increase) decrease in inventory	613	-
(Increase) decrease in due from other funds	(52)	-
(Decrease) increase in deferred revenue	317	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (19,000)</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Agency Funds</u> <u>Student</u> <u>Activities</u>
ASSETS	
Due from other governments	\$ 11,895
TOTAL ASSETS	<u>\$ 11,895</u>
LIABILITIES	
Deposits held for others	\$ 11,895
TOTAL LIABILITIES	<u>\$ 11,895</u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Middlesex School District was incorporated under the laws in the State of Vermont. The School District operates under the Board of Directors-superintendent form of government and provides the following services: direct services, support services, fiscal services, operations and maintenance and transportation.

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The School District's combined financial statements include all accounts and all operations of the School District. We have determined that the School District has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses.

Government-Wide and Fund Financial Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School District's food service fund is categorized as a business-type activity. All other activities of the School District are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The School District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions and business-type activities (instruction, administration, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The School District does not allocate indirect costs. All costs are charged directly to the corresponding departments.

The government-wide focus is more on the sustainability of the School District as an entity and the change in the School District's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the School District are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the School District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the School District:

Major Fund:

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

Nonmajor Funds:

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the School District:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.
- b. Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the School District on a cost-reimbursement basis. Because the principal users of the internal services are the School District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the School District's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The School District's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Vermont to the Vermont State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

Revenues per budgetary basis	\$ 3,291,541
Add: On-behalf payments	170,869
Total GAAP basis	<u>\$ 3,462,410</u>
Expenditures per budgetary basis	\$ 3,368,915
Add: On-behalf basis	170,869
Total GAAP basis	<u>\$ 3,539,784</u>

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. The annual school budget is the planning management tool, which delineates the School District's educational priorities and programs and forms the basis for voter review and approval of the budget according to applicable State of Vermont education finance laws.
2. The Board budget process includes input from school district administration and staff, educational priorities for the next school year, along with public hearings, which include the Board of Directors and general public.
3. The budget document itself is based upon the most current funding information available along with the projection of current revenues and expenditures for the next year. At the conclusion of the budget process, a final budget is approved by the Board of Directors.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the School District's policy to value investments at fair value. None of the School District's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The School District Treasurer is authorized by State Statutes to invest all excess funds in the following:

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

The Middlesex School District has no formal investment policy but instead follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$26,238 for the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximate market, using the first-in, first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). The food service fund inventory consists of food service supplies and food on hand at the end of the year.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values. The School District has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years

Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term obligations consist of a bond and a note from direct borrowing payable, accrued compensated absences and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

System (VSTRS) and the Vermont Municipal Employees' Retirement System (VMERS) Plans and additions to/deductions from the VSTRS and VMERS Plans' fiduciary net position have been determined on the same basis as they are reported by the VSTRS and VMERS Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) additions to/deductions from the VSTRS OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by VSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the School District. The inhabitants of the School District through School District meetings are the highest level of decision-making authority of the School District. Commitments may be established, modified, or rescinded only through a School District meeting vote.

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Directors.

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently has deferred outflows related to pensions, which is reported only in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of resources (revenue) until that time. Deferred revenues, which is reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to pensions also qualifies for reporting in this category. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided, operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The School District does utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the School District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

The School District's investment policies, which follow state statutes, authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all School District funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the School District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The School District does not have a policy covering custodial credit risk.

At June 30, 2019, the School District's cash balance of \$385,793 was comprised of bank deposits of \$456,115. Of these bank deposits, \$250,000 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining balance of \$206,115 was collateralized with securities held by the financial institution in the School District's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 10,540
Repurchase agreement	445,575
	<u>\$ 456,115</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the School District does not have a policy for custodial credit risk for investments.

At June 30, 2019, the School District had no investments.

Credit risk - Statutes for the State of Vermont authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The School District does not have an investment policy on credit risk. Generally, the School District invests excess funds in savings accounts and various insured certificates of deposit.

MIDDLESEX SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ -	\$ 316,191
Nonmajor capital projects funds	292,227	-
Proprietary funds	23,964	-
	<u>\$ 316,191</u>	<u>\$ 316,191</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance, 7/1/2018	Additions	Disposals	Balance 6/30/19
<u>Governmental activities:</u>				
Depreciated assets:				
Land improvements	\$ 6,875	\$ -	\$ -	\$ 6,875
Buildings	242,075	-	-	242,075
Building improvements	4,235,966	88,088	-	4,324,054
Infrastructure	220,542	-	-	220,542
Furniture and equipment	212,940	51,662	(2,256)	262,346
	<u>4,918,398</u>	<u>139,750</u>	<u>(2,256)</u>	<u>5,055,892</u>
Less: accumulated depreciation	<u>(992,515)</u>	<u>(121,383)</u>	<u>868</u>	<u>(1,113,030)</u>
	<u>3,925,883</u>	<u>18,367</u>	<u>(1,388)</u>	<u>3,942,862</u>
Net governmental capital assets	<u>\$ 3,925,883</u>	<u>\$ 18,367</u>	<u>\$ (1,388)</u>	<u>\$ 3,942,862</u>
<u>Business-type activities:</u>				
Depreciated assets:				
Buildings	\$ 8,643	\$ -	\$ -	\$ 8,643
Building improvements	37,007	-	-	37,007
Furniture and equipment	107,592	4,642	(618)	111,616
	<u>153,242</u>	<u>4,642</u>	<u>(618)</u>	<u>157,266</u>
Less: accumulated depreciation	<u>(37,289)</u>	<u>(6,673)</u>	<u>618</u>	<u>(43,344)</u>
Net business-type capital assets	<u>\$ 115,953</u>	<u>\$ (2,031)</u>	<u>\$ -</u>	<u>\$ 113,922</u>

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation:

Direct services	\$ 98,615
S.S. - students	1,011
S.S. - staff	5,089
S.S. - area administration	4,593
Operations and maintenance	12,075
Total governmental activities depreciation	<u>121,383</u>
Food service	6,673
Total depreciation expense	<u>\$ 128,056</u>

NOTE 5 - SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2019, was as follows:

	Balance, 7/1/18	Additions	Reductions	Balance, 6/30/19
Tax/revenue anticipation note	\$ -	\$ 1,526,063	\$ (1,526,063)	\$ -

On July 2, 2018, the School District issued a tax/revenue anticipation note through Union Bank in anticipation of revenues to meet its operating obligations during the fiscal year. The note allowed principal draws up to \$1,526,063 at 2.70% interest with a maturity date of June 28, 2019. On June 24, 2019, the note was paid in full. Interest expense for the note was \$40,301.

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Year Portion
Bond payable	\$ 2,975,000	\$ -	\$ (175,000)	\$ 2,800,000	\$ 175,000
Note from direct borrowings payable	44,508	-	(2,393)	42,115	2,465
Total	<u>\$ 3,019,508</u>	<u>\$ -</u>	<u>\$ (177,393)</u>	<u>\$ 2,842,115</u>	<u>\$ 177,465</u>

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the bond payable as of June 30, 2019:

\$3,500,000 Community Bank, N.A. bond payable, with principal payments due in annual installments of \$175,000. Interest at a fixed rate of 2.75% paid semi-annually. The proceeds from the bond were used for school building improvements. The bond matures on December 1, 2034. \$ 2,800,000

The following is a summary of the note from direct borrowings payable as of June 30, 2019:

\$55,468 Vermont Environmental Protection Agency note payable, due in annual principal, interest and administrative fee installments of \$3,728. Interest at a fixed rate of 1.0% and an administrative fee of 2.0% is charged per annum. On March 3, 2014 the note payable was amended, reducing the principal amount due by \$22,660 and \$73,527, to reflect loan forgiveness and an ARRA subsidy, respectively. The proceeds from the note were used to finance a water project. The note matures on January 1, 2033. \$ 42,115

The following is a summary of outstanding bond and note from direct borrowing principal and interest requirements for the following fiscal years ending June 30:

Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 177,465	\$ 76,062	\$ 253,527
2021	177,539	70,977	248,516
2022	177,615	66,089	243,704
2023	177,693	61,198	238,891
2024	177,774	56,449	234,223
2025-2029	890,171	208,128	1,098,299
2030-2034	888,858	85,345	974,203
2035-2039	175,000	2,413	177,413
	<u>\$ 2,842,115</u>	<u>\$ 626,661</u>	<u>\$ 3,468,776</u>

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2019 is as follows:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Year Portion
Accrued compensated absences	\$ 385	\$ 180	\$ -	\$ 565	\$ 28
Net pension liability	95,404	20,180	-	115,584	-
Total	<u>\$ 95,789</u>	<u>\$ 20,360</u>	<u>\$ -</u>	<u>\$ 116,149</u>	<u>\$ 28</u>

Please see Notes 8 and 13 for detailed information on each of the other long-term obligations.

NOTE 8 - ACCRUED COMPENSATED ABSENCES

The District's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2019, the School District's liability for compensated absences is \$565.

NOTE 9 - RESTRICTED FUND BALANCE

At June 30, 2019, the School District had the following restricted fund balance:

Nonmajor capital projects funds (Schedule G)	<u>\$ 292,227</u>
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NOTE 10 - ASSIGNED FUND BALANCE

At June 30, 2019, the School District had the following assigned fund balance:

General fund:	
Reserved for future operations	<u>\$ 65,326</u>

NOTE 11 - EXPENDITURES OVER APPROPRIATIONS

The School District was non-compliant with the legally adopted budget, overspending the entire allowed appropriation of \$3,266,283 by \$102,632 at June 30, 2019.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - FINANCIAL INFORMATION

The detailed budget to actual report can be found on Schedules 1, A and B.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the School District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private Union teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont 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, 2017 (the most recent period available), the retirement system consisted of 22,193 participating members.

The plan was established effective July 1, 1947, and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the Secretary of Education (ex-officio), the State Treasurer (ex-officio), the Commissioner of Financial Regulation (ex-officio), two members and one alternate elected by active members of the System under rules adopted by the Board and one retired member and one alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

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. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

MIDDLESEX SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided

The VSTRS provides retirement and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. There are two levels of contributions and benefits in the System: Group A - for public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A; and Group C - for public school teachers employed within the State of Vermont on or after July 1, 1990. Group C also includes those teachers hired prior to July 1, 1990 and were in Group B on July 1, 1990. When Act 74 became effective on June 30, 2010, Group C was further bifurcated into Groups #1 and #2. Group #1 contains members who were at least 57 years of age or had at least 25 years of service and Group #2 contains members who were less than 57 years of age and had less than 25 years of service.

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 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, 2.0% 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 or 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

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Other post-employment benefits are available to all plan members include the following:

VSTRS	Group A	Group C - Group # 1	Group C - Group # 2
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pay full premium	Members pay full premium	Members pay full premium

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the School District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan which approximates \$170,869 or 15.75% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

VSTRS	Group A	Group C - Group # 1	Group C - Group # 2
Employee Contributions	5.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

Employee contributions totaled \$58,008 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees covered under this plan was \$1,084,884 for the year ended June 30, 2019.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. 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 any 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. Employees of the School District other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year. For the year ended June 30, 2017 (the most recent data available), the retirement system consisted of 13,262 participating members.

The general administration and responsibility for formulating administrative policy and procedures of the Retirement System 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 selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Schools and the Vermont School Boards Association.

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. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance and Management website at:

http://finance.vermont.gov/reports_and_publications/cafr.

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

MIDDLESEX SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

- Groups B & C - general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D - sworn police officers, firefighters and emergency medical personnel

The School District participates in Groups A. 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 service retirement eligibility	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 – normal service Retirement (no reduction)	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 x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

** - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund, and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group as of July 1, 2018 are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.625% of gross salary	5.0% of gross salary	10.125% of gross salary	11.475% of gross salary
Employer Contributions	4.125% of gross salary	5.625% of gross salary	7.375% of gross salary	9.975% of gross salary

Employee contributions are withheld pre-income tax by the School District and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2019 and 2018 totaled \$9,390 and \$8,995, respectively. The School District contributed \$14,756 for the year ended June 30, 2019. The School District's total payroll for the year ended June 30, 2019 for all employees covered under this plan was \$357,738.

Pension Liabilities

VSTRS Plan

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2019. The State's portion of the collective net pension liability that was associated with the School District was as follows:

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	<u>2,280,898</u>
Total	<u>\$ 2,280,898</u>

The State of Vermont's proportionate share of the net pension liability associated with the School District is equal to the collective net pension liability, actuarially measured as of June 30, 2017, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the School District's proportion was 0.15098% which was a decrease of 0.00775% from its proportion measured as of June 30, 2017.

VMERS Plan

At June 30, 2019, the School District reported a liability of \$115,584 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2018 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2017. The School District's proportion of the net pension liabilities were based on a projection of the School District's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2018, the School District's proportion was 0.08220% for VMERS, which was an increase of 0.00345% from its proportion measured as of June 30, 2017 for VMERS.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the School District recognized total pension expense of \$300,144 and revenue of \$300,144 for support provided by the State of Vermont for the VSTRS plan. In the same period, the School District recognized pension expense of \$17,736 for the VMERS plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 10,040	\$ 1,848
Changes of assumptions	-	-	12,799	-
Net difference between projected and actual earnings on pension plan investments	-	-	13,396	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	2,138	1,623
Contributions subsequent to the measurement date	-	-	14,756	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,129</u>	<u>\$ 3,471</u>

\$14,756 reported as deferred outflows of resources related to pensions resulting from 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS	VMERS
Plan year ended June 30:		
2019	\$ -	\$ 21,700
2020	-	7,906
2021	-	1,991
2022	-	3,304
2023	-	-
Thereafter	-	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using the actuarial assumptions outlined below.

Investment Rate of Return: For both plans, 7.50%, net of pension plan investment expenses, including inflation.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Inflation: For both plans, 2.50%.

Salary Increases: For the VSTRS plan, increases ranging from 3.75% to 9.09%. For the VMERS plan, increases are 5.00% per year.

Deaths After Retirement: The VSTRS plan used 98% of the RP-2006 White Collar Employee with generational projection using Scale SSA-2017 for pre-retirement, 98% of the RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017 for healthy retirees, and the RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017 for disabled retirees.

Mortality rates for pre-retirement, healthy retirees and disabled retirees in the VMERS plan for Groups A, B, C and D were based on variations of RP-2006 Tables with generational improvement using Scale SSA-2017 as follows:

Pre-retirement - Groups A, B, and C blended with a 60% Blue Collar Employee and 40% Healthy Employee, and Group D with a Blue Collar Annuitant Table

Healthy Retiree - Groups A, B and C with a 60% Blue Collar Annuitant and 40% Healthy Annuitant, and Group D with a Blue Collar Annuitant Table

Disabled Retiree - All Groups with a RP-2006 Disabled Mortality Table

Inactive Members: Valuation liability for the VSTRS plan equals 250.0% of accumulated contributions and 200% for the VMERS plan.

Future Administrative Expenses: No provisions were made for the VSTRS plan as Systems expenses are paid for by the State. For the VMERS plan, an expense adjustment based on actual expenses for the previous year is reflected in the development of recommended employer contribution levels.

Unknown Data for Participants: For both plans, they are the same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

Percent Married: For both plans, 85% of male members are assumed to be married. 35% of female members for the VSTRS plan and 50% of female members for the VMERS plan are assumed to be married.

Spouse's Age: For both plans, husbands are assumed to be three years older than their wives.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Cost-of-Living Adjustments: Adjustments for both plans are assumed to occur on January 1 following one year of retirement. For the VSTRS plan this occurs at the rate of 2.55% per annum for Group A members and 1.40% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement). The January 1, 2019 COLA is assumed to be 2.60% for Group A and 1.30% for Group C. For the VMERS plan, this occurs at the rate of 1.15% per annum for Group A members and 1.30% per annum for Groups B, C and D members (beginning Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for Group A, B and D members who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2019 COLA is 1.30% for all groups.

Actuarial Cost Method: For both plans is the Entry Age Actuarial Cost Method. Entry age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Accrued Actuarial Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

For the VSTRS plan, the *asset valuation method* used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

A smoothing *asset valuation method* was used for funding purposes in the VMERS plan, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

The *long-term expected rate of return* on both 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) developed for each major asset class. These best estimate ranges were 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.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	18.00%	6.10%
Non-US Equity	16.00%	7.45%
Global Equity	9.00%	6.74%
Fixed Income	26.00%	2.25%
Real Estate	8.00%	5.11%
Private Markets	15.00%	7.60%
Hedge Funds	8.00%	3.86%

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the VSTRS plan and the VMERS plan. 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 which exceeds the actuarially determined contribution rate. 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 68.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50% for both the VSTRS and VMERS plans, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.50%	7.50%	8.50%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.50%	7.50%	8.50%
District's proportionate share of the net pension liability	\$ 195,773	\$ 115,584	\$ 50,368

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the VSTRS and VMERS or their participating employers. VSTRS and VMERS do not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

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

The plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2017 (the most recent period available), the plan consisted of 4,878 retired members or beneficiaries currently receiving benefits and 8,941 active members.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Vermont Statute Title 16 Chapter 55 assigns the authority to VSTRS to establish and amend the benefits provisions of the Plan and to establish maximum obligations of the Plan members to contribute to the Plan. Management of the Plan is vested in the Vermont State Teachers' Retirement System Board of Trustees, which consists of the Secretary of Education (es-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the system under rules adopted by the Board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

All assets of the Plan are held in a single trust and are available to pay OPEB benefits to all members. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

VSTRS retirees and their spouses are eligible for medical, prescription drug and dental benefits on a lifetime basis if the retiree is eligible for pension benefits, as described in the Notes to Financial Statements for Defined Benefit Plan(s).

Contributions

Varying levels of contributions are required from retirees and spouses for medical and prescription drug coverage at the following premium subsidy rates:

	Retiree Subsidy	Spouse Subsidy*
Retired before June 30, 2010	At least ten years of service-80% of premium Less than ten years of service-0% of premium	0% of premium

MIDDLESEX SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	Retiree Subsidy		Spouse Subsidy*	
Retired after June 30, 2010	10 years or more of service at June 30, 2010-80% of premium		Years of service at June 30, 2010-80% of premium:	
	Less than 10 years of service at June 30, 2010:			
	Less than 15 years at retirement	Less than 15 years at retirement	Less than 10 years	25 years at retirement
	15-19.99 years at retirement	15-19.99 years at retirement	10-14.99 years	25 years at retirement
	20-24.99 years at retirement	20-24.99 years at retirement	15-24.99 years	10 additional years from June 30, 2010
	25 years or more at retirement	25 years or more at retirement	25-29.99 years	35 years at retirement
		30 or more years	5 additional years from June 30, 2010	

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

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

OPEB Liabilities

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 75 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net OPEB liability was recorded at June 30, 2018. The State's portion of the collective net OPEB liability that was associated with the School District was as follows:

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

School District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the School District	<u>1,697,327</u>
Total	<u><u>\$ 1,697,327</u></u>

The State of Vermont's proportionate share of the net OPEB liability associated with the School District is equal to the collective net OPEB liability, actuarially measured as of June 30, 2018, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the School District's proportion was 0.17786% which was a decrease of 0.00081% from its proportion measured as of June 30, 2017.

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

For the year ended June 30, 2019, the School District recognized total OPEB expense of \$89,333 and revenue of \$89,333 for support provided by the State of Vermont for the Plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>VSTRS OPEB Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

	<u>VSTRS OPEB Plan</u>
Plan year ended June 30:	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-

Discount Rate

The discount rate is the single rate of return, that when applied to all projected benefit payments, results in an actuarial present value that is the sum of the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return, and the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
VSTRS OPEB Plan:			
Discount rate	2.87%	3.87%	4.87%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Healthcare Trend Rate

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2018 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics. The sensitivity of net OPEB liability to changes in healthcare trend rates are as follows:

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Healthcare Trend Rates	1% Increase
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

Asset Valuation Method

The Asset Valuation Method used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

The long-term expected rate of return on both 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) developed for each major asset class. These best estimate ranges were 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.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.50%
International equity	15.00%	7.75%
Emerging international equity	5.00%	9.25%
Core bonds	60.00%	3.75%
Inflation		2.75%
Total	<u>100.00%</u>	

Assumptions

The actuarial assumptions used to calculate the actuarially determined contribution rates can be found in the Report on the Actuarial Valuation of Post-Retirement Benefits of the Vermont State Teachers' Retirement System Prepared as of June 30, 2016 completed by Buck Consulting. As of June 30, 2018, they are as follows:

Discount Rate	3.87%
Salary Increase Rate	Varies by age
Non-Medicare	7.15% graded to 4.50% over 12 years
Medicare	7.30% graded to 4.50% over 11 years
Retiree Contributions	Equal to health trend
Pre-retirement Mortality	98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017.
Post-retirement Mortality	98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017.

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2018 with the following exceptions:

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for June 30, 2018. For the fiscal year ended June 30, 2018, the discount rate was increased from 3.58% to 3.87%.

OPEB Plan Fiduciary Net Position

The schedule of employer allocations and schedule of OPEB amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VSTRS or their participating employers. VSTRS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

NOTE 15 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, students and guests; as well as natural disasters for which the School District either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District.

The School District is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker compensation, multi-line intermunicipal school program and unemployment compensation program, and the Vermont Education Health Initiative (VEHI) for medical benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont School Districts and is owned by the participating Districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, VEHI has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - RISK MANAGEMENT (CONTINUED)

Multi-Line Intermunicipal School Program provides coverage for property; inland marine and boiler and machinery; crime; commercial general liability; automobile/garagekeepers; and educators legal liability. Annual contributions are based upon appropriate rates applicable to each member; such rates are set based on recommendations of a qualified actuary, plus a proportionate share of all operational and administrative cost including excess reinsurance premiums incurred by the trust. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the program will be terminated with each member assessed their proportionate share of the deficit.

NOTE 16 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the School District's financial position.

The School District participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the School District's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 17 - RELATED ORGANIZATION

The School District has an ongoing financial responsibility to Washington Central School District as defined in GASB 14, paragraph 71. Through Washington Central School District's assessment process, the School District's assessment can be increased to cover a share of any prior year deficits and decreased to share in any prior year surpluses. Separate financial statements on Washington Central School District are available from Washington Central School District.

NOTE 18 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the School District's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 - SUBSEQUENT EVENT

All assets and liabilities of the Berlin School District, the Calais School District, the East Montpelier School District, the Middlesex School District, the Worcester School District and the Union High School District No. 32 were transferred to the new Washington Central Unified Union School District on July 1, 2019. All business transactions of these individual member schools ceased as of that date.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pensions
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

MIDDLESEX SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 142,700	\$ 142,700	\$ 142,700	\$ -
Resources (Inflows):				
Intergovernmental:				
State/Town support	3,086,159	3,086,159	3,077,129	(9,030)
Other	134,065	134,065	141,525	7,460
Interest income	44,000	44,000	55,227	11,227
Miscellaneous	2,059	2,059	17,660	15,601
Amounts Available for Appropriation	<u>3,408,983</u>	<u>3,408,983</u>	<u>3,434,241</u>	<u>25,258</u>
Charges to Appropriations (Outflows):				
Direct services	1,812,147	1,812,147	1,790,442	21,705
Support services:				
Student services	145,440	145,440	146,058	(618)
Instructional staff services	90,066	90,066	98,331	(8,265)
General administrative services	22,754	22,754	23,652	(898)
Area administrative services	418,806	418,806	398,567	20,239
Fiscal services	44,000	44,000	40,301	3,699
Operations and maintenance	215,508	215,508	190,552	24,956
Transportation	110,421	110,421	110,963	(542)
Debt service:				
Principal	177,393	177,393	177,393	-
Interest	80,748	80,748	80,735	13
Transfers to other funds	149,000	149,000	311,921	(162,921)
Total Charges to Appropriations	<u>3,266,283</u>	<u>3,266,283</u>	<u>3,368,915</u>	<u>(102,632)</u>
Budgetary Fund Balance, June 30	<u>\$ 142,700</u>	<u>\$ 142,700</u>	<u>\$ 65,326</u>	<u>\$ (77,374)</u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015
<u>VSTRS:</u>					
Proportion of the net pension liability	0.15%	0.16%	0.15%	0.15%	0.15%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	2,280,898	2,352,968	1,195,386	1,812,460	1,454,267
Total	<u>\$ 2,280,898</u>	<u>\$ 2,352,968</u>	<u>\$ 1,195,386</u>	<u>\$ 1,812,460</u>	<u>\$ 1,454,267</u>
Covered-employee payroll	\$ 1,020,693	\$ 1,048,873	\$ 987,082	\$ 851,934	\$ 860,110
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	54.81%	53.98%	55.31%	58.22%	64.02%
<u>VMERS:</u>					
Proportion of the net pension liability	0.08%	0.08%	0.08%	0.08%	0.08%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability associated with the District	115,584	95,404	106,734	64,102	7,544
Total	<u>\$ 115,584</u>	<u>\$ 95,404</u>	<u>\$ 106,734</u>	<u>\$ 64,102</u>	<u>\$ 7,544</u>
Covered-employee payroll	\$ 359,776	\$ 321,490	\$ 315,000	\$ 291,000	\$ 266,550
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	32.13%	29.68%	33.88%	22.03%	2.83%
Plan fiduciary net position as a percentage of the total pension liability	82.60%	83.64%	80.95%	87.42%	98.32%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015
<u>VSTRS:</u>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,084,884	\$ 1,020,693	\$ 1,048,873	\$ 987,082	\$ 851,934
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
<u>VMERS:</u>					
Contractually required contribution	\$ 14,756	\$ 14,393	\$ 12,860	\$ 12,605	\$ 11,623
Contributions in relation to the contractually required contribution	(14,756)	(14,393)	(12,860)	(12,605)	(11,623)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 357,738	\$ 359,776	\$ 321,490	\$ 315,000	\$ 291,000
Contributions as a percentage of covered-employee payroll	4.12%	4.00%	4.00%	4.00%	3.99%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	2019	2018
<u>VSTRS OPEB Plan:</u>		
Proportion of the net OPEB liability	0.18%	0.18%
School District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the School District	1,697,327	1,665,701
Total	<u>\$ 1,697,327</u>	<u>\$ 1,665,701</u>
Covered-employee payroll	\$ 1,020,693	\$ 1,048,873
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.76%	1.52%

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - OPEB
 LAST 10 FISCAL YEARS*
 LAST 10 FISCAL YEARS*

	2019	2018
<u>VSTRS OPEB Plan:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 1,084,884	\$ 1,020,693
Contributions as a percentage of covered- employee payroll	0.00%	0.00%

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

Changes of Assumptions

VSTRS Pension Plan:

The valuation liability for inactive members as reported by the System was lowered from 332.5% of accumulated contributions to 250.0% of accumulated contributions.

VSTRS OPEB Plan:

The discount rate increased from 3.58% to 3.87% for the VSTRS OPEB liability.

The percentage of non-DC Plan current retirees assumed to have life insurance coverage was increased from 65% to 75%.

Future male retirees were assumed to be two years older than their spouses, decreased from three years. Future female retirees were assumed to be one year younger than their spouses, decreased from three years.

The percentage of future retirees assumed to have a spouse electing coverage was increased from 60% to 70% for male retirees and from 50% to 60% for female retirees.

The claims cost development methodology was modified for non-Medicare participants.

The per capita valuation-year claims and retiree contribution rates were updated.

The assumed health trend rates were modified.

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

MIDDLESEX SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
Education spending grant	\$ 3,086,159	\$ 3,086,159	\$ 3,077,129	\$ (9,030)
Special education reimbursement	132,224	132,224	139,332	7,108
E-rate	1,841	1,841	1,260	(581)
Other	-	-	933	933
Interest income	44,000	44,000	55,227	11,227
Miscellaneous:				
Other receipts	2,059	2,059	17,660	15,601
Amounts Available for Appropriation	<u>\$ 3,266,283</u>	<u>\$ 3,266,283</u>	<u>\$ 3,291,541</u>	<u>\$ 25,258</u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Direct services -				
Instructional services	\$ 1,220,288	\$ 1,220,288	\$ 1,181,241	\$ 39,047
Preschool program	145,666	145,666	160,026	(14,360)
Special education	236,115	236,115	243,713	(7,598)
SU assessments	192,485	192,485	193,958	(1,473)
English language learner	17,593	17,593	11,504	6,089
Total Direct services	<u>1,812,147</u>	<u>1,812,147</u>	<u>1,790,442</u>	<u>21,705</u>
Support services -				
Students -				
Guidance services	58,104	58,104	58,293	(189)
Health services	87,336	87,336	87,765	(429)
Instructional staff -				
Library services	53,868	53,868	62,084	(8,216)
Technology services	36,198	36,198	36,247	(49)
Total Support services	<u>235,506</u>	<u>235,506</u>	<u>244,389</u>	<u>(8,883)</u>
General administration -				
Board of Education	<u>22,754</u>	<u>22,754</u>	<u>23,652</u>	<u>(898)</u>
Area Administration - Office of the principal	<u>418,806</u>	<u>418,806</u>	<u>398,567</u>	<u>20,239</u>
Fiscal services	<u>44,000</u>	<u>44,000</u>	<u>40,301</u>	<u>3,699</u>
Operations and maintenance	<u>215,508</u>	<u>215,508</u>	<u>190,552</u>	<u>24,956</u>
Transportation	<u>110,421</u>	<u>110,421</u>	<u>110,963</u>	<u>(542)</u>
Debt service -				
Principal	177,393	177,393	177,393	-
Interest	80,748	80,748	80,735	13
Total Debt service	<u>258,141</u>	<u>258,141</u>	<u>258,128</u>	<u>13</u>
Transfers to other funds	<u>149,000</u>	<u>149,000</u>	<u>311,921</u>	<u>(162,921)</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 3,266,283</u></u>	<u><u>\$ 3,266,283</u></u>	<u><u>\$ 3,368,915</u></u>	<u><u>\$ (102,632)</u></u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Due from other funds	\$ -	\$ 292,227	\$ 292,227
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 292,227</u>	<u>\$ 292,227</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	292,227	292,227
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>292,227</u>	<u>292,227</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 292,227</u>	<u>\$ 292,227</u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 11,305	\$ -	\$ 11,305
Other	-	2,466	2,466
TOTAL REVENUES	<u>11,305</u>	<u>2,466</u>	<u>13,771</u>
EXPENDITURES			
Capital outlay	-	148,852	148,852
Other	11,305	-	11,305
TOTAL EXPENDITURES	<u>11,305</u>	<u>148,852</u>	<u>160,157</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(146,386)</u>	<u>(146,386)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	292,921	292,921
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>292,921</u>	<u>292,921</u>
NET CHANGE IN FUND BALANCES	-	146,535	146,535
FUND BALANCES - JULY 1	<u>-</u>	<u>145,692</u>	<u>145,692</u>
FUND BALANCES - JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ 292,227</u></u>	<u><u>\$ 292,227</u></u>

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

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MIDDLESEX SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	EPSDT	Artist in Residency Grant	Total
ASSETS			
Due from other funds	\$ -	\$ -	\$ -
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	EPSDT	Artist in Residency Grant	Total
REVENUES			
Intergovernmental	\$ 3,550	\$ 7,755	\$ 11,305
TOTAL REVENUES	<u>3,550</u>	<u>7,755</u>	<u>11,305</u>
EXPENDITURES			
Other	3,550	7,755	11,305
TOTAL EXPENDITURES	<u>3,550</u>	<u>7,755</u>	<u>11,305</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES - JULY 1	-	-	-
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

DRAFT

MIDDLESEX SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2019

	Technology	Building Maintenance	Total
ASSETS			
Due from other funds	\$ 23,667	\$ 268,560	\$ 292,227
TOTAL ASSETS	<u>\$ 23,667</u>	<u>\$ 268,560</u>	<u>\$ 292,227</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	23,667	268,560	292,227
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>23,667</u>	<u>268,560</u>	<u>292,227</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 23,667</u>	<u>\$ 268,560</u>	<u>\$ 292,227</u>

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Technology	Building Maintenance	Total
REVENUES			
Other	\$ -	\$ 2,466	\$ 2,466
TOTAL REVENUES	<u>-</u>	<u>2,466</u>	<u>2,466</u>
EXPENDITURES			
Capital outlay	39,276	109,576	148,852
TOTAL EXPENDITURES	<u>39,276</u>	<u>109,576</u>	<u>148,852</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(39,276)</u>	<u>(107,110)</u>	<u>(146,386)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	40,000	252,921	292,921
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>40,000</u>	<u>252,921</u>	<u>292,921</u>
NET CHANGE IN FUND BALANCES	724	145,811	146,535
FUND BALANCES - JULY 1	<u>22,943</u>	<u>122,749</u>	<u>145,692</u>
FUND BALANCES - JUNE 30	<u>\$ 23,667</u>	<u>\$ 268,560</u>	<u>\$ 292,227</u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

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MIDDLESEX SCHOOL DISTRICT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Direct Services	\$ -	\$ 3,717,703	\$ 257,198	\$ -	\$ 3,974,901
S.S. - Students	-	53,470	-	-	53,470
S.S. - Staff	-	272,474	-	-	272,474
S.S. - Area Administration	-	240,953	-	-	240,953
Operations and Maintenance	-	288,404	5,148	220,542	514,094
Food Service	-	45,650	111,616	-	157,266
Total General Capital Assets	-	4,618,654	373,962	220,542	5,213,158
Less: Accumulated Depreciation	-	(959,024)	(158,760)	(38,590)	(1,156,374)
Net General Capital Assets	\$ -	\$ 3,659,630	\$ 215,202	\$ 181,952	\$ 4,056,784

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2019

	General Capital Assets 7/1/18	Additions	Deletions	General Capital Assets 6/30/19
Direct Services	\$ 3,925,494	\$ 51,663	\$ (2,256)	\$ 3,974,901
S.S. - Students	53,470	-	-	53,470
S.S. - Staff	272,474	-	-	272,474
S.S. - Area Administration	240,953	-	-	240,953
Operations and Maintenance	426,007	88,087	-	514,094
Food Service	153,242	4,642	(618)	157,266
Total General Capital Assets	5,071,640	144,392	(2,874)	5,213,158
Less: Accumulated Depreciation	(1,029,804)	(128,056)	1,486	(1,156,374)
Net General Capital Assets	<u>\$ 4,041,836</u>	<u>\$ 16,336</u>	<u>\$ (1,388)</u>	<u>\$ 4,056,784</u>

See accompanying independent auditors' report and notes to financial statements.



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

Board of Directors
Middlesex School District
Montpelier, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Middlesex School District as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Middlesex School District's basic financial statements, and have issued our report thereon dated November 27, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Buxton, Maine
Vermont Registration No. 092.0000697
November 27, 2019

Audited Financial Statements
and Other Financial Information

Union High School District 32

June 30, 2019



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UNION HIGH SCHOOL DISTRICT 32

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JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Union High School District 32
Montpelier, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Union High School District 32 as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Union High School District 32's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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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, business-type activities, each major fund and the aggregate remaining fund information of Union High School District 32 as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 10 and 57 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Union High School District 32's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019, on our consideration of the Union High School District 32's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Union High School District 32's internal control over financial reporting and compliance.

Buxton, Maine
Vermont Registration No. 092.0000697
November 19, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

(UNAUDITED)

The following management's discussion and analysis of the Union High School District 32's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

The School District's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, pension and OPEB information and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the School District's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regard to the School District's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have separate columns for the two different types of School District activities. The types of activities presented for the School District are:

- *Governmental activities* – The activities in this section are mostly supported by intergovernmental revenues (federal and state grants), support from the town and charges for services. Most of the School District's basic services are reported in governmental activities, which include direct services, support services, fiscal services, operations and maintenance, transportation and program expenses.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. The activity for the School District includes the food service fund.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the School District can be classified into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds: Most of the basic services provided by the School District are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the School District's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the School District.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues,

expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The School District presents three columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's major funds are the general fund and the capital projects fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the School District legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The School District maintains one proprietary fund, the food service fund. This fund is used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

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 the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Changes in Net Position - Fiduciary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions - Pension, a Schedule of Proportionate Share of the Net OPEB Liability, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regard to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the School District's governmental and business-type activities. The School District's total net position for governmental activities increased by \$722,626 from \$12,944,664 to \$13,667,290. For business-type activities, the School District's total net position decreased by \$10,166 from \$150,919 to \$140,753.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a balance of \$718,764 at the end of the fiscal year. For business-type activities, the balance increased to a balance of \$0.

Table 1
Union High School District 32
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Assets:				
Current Assets	\$ 1,716,486	\$ 1,702,298	\$ 8,375	\$ 2,161
Noncurrent Assets	13,120,687	13,141,385	140,753	152,456
Total Assets	<u>\$ 14,837,173</u>	<u>\$ 14,843,683</u>	<u>\$ 149,128</u>	<u>\$ 154,617</u>
Liabilities:				
Current Liabilities	\$ 752,074	\$ 890,458	\$ -	\$ -
Noncurrent Liabilities	358,412	961,587	-	-
Total Liabilities	<u>\$ 1,110,486</u>	<u>\$ 1,852,045</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred Inflows of Resources:				
Deferred Revenue	\$ 59,397	\$ 46,974	\$ 8,375	\$ 3,698
Total Deferred Inflows of Resources	<u>\$ 59,397</u>	<u>\$ 46,974</u>	<u>\$ 8,375</u>	<u>\$ 3,698</u>
Net Position:				
Net Investment in Capital Assets	\$ 12,205,687	\$ 11,614,602	\$ 140,753	\$ 152,456
Restricted	742,839	175,918	-	-
Unrestricted	718,764	1,154,144	-	(1,537)
Total Net Position	<u>\$ 13,667,290</u>	<u>\$ 12,944,664</u>	<u>\$ 140,753</u>	<u>\$ 150,919</u>

Revenues and Expenses

Revenues for the School District's governmental activities increased by 6.16%, while total expenses increased by 5.44%. The increase in revenues was due to increases in all revenue categories except for charges for services. The increase in expenses was mainly due to a significant increase in direct services and on-behalf payments.

Revenues for the School District's business-type activities decreased by 3.25%, while total expenses increased by 12.65%.

Table 2
Union High School District 32
Changes in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 18,292	\$ 1,070,793	\$ 304,163	\$ 288,159
Operating grants and contributions	2,578,777	2,161,789	88,032	101,822
<i>General Revenues:</i>				
Grants and contributions not restricted to specific programs	14,304,474	12,723,199	-	-
Miscellaneous	402,359	344,424	11,572	27,329
Total Revenues	17,303,902	16,300,205	403,767	417,310
Expenses				
Direct services	8,660,603	8,128,123	-	-
Support services:			-	-
Student services	828,868	780,242	-	-
Instructional staff services	582,161	636,217	-	-
General administrative services	1,101,768	927,011	-	-
Area administrative services	962,348	912,574	-	-
Fiscal services	131,084	128,756	-	-
Operations and maintenance	1,401,301	1,599,942	-	-
Transportation	583,606	609,480	-	-
On-behalf payments	2,141,502	1,767,966	-	-
Program expenses	78,506	69,792	513,481	455,810
Interest on long-term debt	9,981	(12,714)	-	-
Capital outlay	-	83,717	-	-
Total Expenses	16,481,728	15,631,106	513,481	455,810
Transfers	(99,548)	(31,057)	99,548	31,057
Change in Net Position	722,626	638,042	(10,166)	(7,443)
Net Position - July 1	12,944,664	12,306,622	150,919	158,362
Net Position - June 30	<u>\$ 13,667,290</u>	<u>\$ 12,944,664</u>	<u>\$ 140,753</u>	<u>\$ 150,919</u>

Financial Analysis of the School District's Fund Statements

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

Table 3
Union High School District 32
Fund Balances - Governmental Funds
June 30,

	<u>2019</u>	<u>2018</u>
Major Funds:		
General Fund:		
Nonspendable	\$ -	\$ 79
Assigned	769,724	1,200,652
Total General Fund	<u>\$ 769,724</u>	<u>\$ 1,200,731</u>
Capital Projects Fund:		
Restricted	\$ 717,038	\$ 151,040
Total Capital Projects Fund	<u>\$ 717,038</u>	<u>\$ 151,040</u>
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 25,801	\$ 24,878
Total Nonmajor Funds	<u>\$ 25,801</u>	<u>\$ 24,878</u>

The general fund total fund balance decreased by \$431,007 from the prior fiscal year primarily due to transfers to other funds. The capital projects fund total fund balance increased by \$565,998 from the prior year primarily due to transfers in from the general fund. The nonmajor funds total fund balance increased by \$923 due to revenues exceeding expenditures and transfers to other funds.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues exceeded budgeted revenues by \$229,611 primarily due to additional tuition from other school districts and miscellaneous income.

The general fund actual expenditures exceeded budget by \$660,618, primarily due to additional transfers to the Capital Fund.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2019, the net book value of capital assets recorded by the School District decreased by \$32,401. This decrease was due to current year capital additions of \$648,685, less net disposals of \$8,526 and current year depreciation expense of \$672,560.

Table 4
Union High School District 32
Capital Assets (Net of Depreciation)
June 30,

	<u>2019</u>	<u>2018</u>
Construction in progress	\$ 128,690	\$ -
Buildings, building improvements and land improvements	12,426,697	12,589,486
Furniture and equipment	649,164	636,606
Vehicles	56,889	67,749
Total	<u>\$ 13,261,440</u>	<u>\$ 13,293,841</u>

Debt

At June 30, 2019, the School District had \$915,000 in bonds payable and a note from direct borrowings versus \$1,526,783 last year. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The 2019 - 2020 budget could be severely impacted by the reduction of funding from the State.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School District at 1130 Gallison Hill Road, Montpelier, Vermont 05602.

STATEMENT A

UNION HIGH SCHOOL DISTRICT 32

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,692,621	\$ 240	\$ 1,692,861
Accounts receivable (net of allowance for uncollectibles)	-	12,567	12,567
Due from other governments	1,000	6,383	7,383
Inventory	-	12,050	12,050
Internal balances	22,865	(22,865)	-
Total current assets	<u>1,716,486</u>	<u>8,375</u>	<u>1,724,861</u>
Noncurrent assets:			
Capital assets:			
Buildings, building improvements and other assets, net of accumulated depreciation	12,991,997	140,753	13,132,750
Total noncurrent assets	<u>13,120,687</u>	<u>140,753</u>	<u>13,261,440</u>
TOTAL ASSETS	<u>\$ 14,837,173</u>	<u>\$ 149,128</u>	<u>\$ 14,986,301</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 18,583	\$ -	\$ 18,583
Due to other governments	125,943	-	125,943
Current portion of long-term obligations	607,548	-	607,548
Total current liabilities	<u>752,074</u>	<u>-</u>	<u>752,074</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	310,000	-	310,000
Accrued compensated absences	48,412	-	48,412
Total noncurrent liabilities	<u>358,412</u>	<u>-</u>	<u>358,412</u>
TOTAL LIABILITIES	<u>1,110,486</u>	<u>-</u>	<u>1,110,486</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	59,397	8,375	67,772
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>59,397</u>	<u>8,375</u>	<u>67,772</u>
NET POSITION			
Net investment in capital assets	12,205,687	140,753	12,346,440
Restricted	742,839	-	742,839
Unrestricted	718,764	-	718,764
TOTAL NET POSITION	<u>13,667,290</u>	<u>140,753</u>	<u>13,808,043</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 14,837,173</u>	<u>\$ 149,128</u>	<u>\$ 14,986,301</u>

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
Governmental activities:							
Direct services	\$ 8,660,603	\$ 18,292	\$ 365,831	\$ -	\$ (8,276,480)	\$ -	\$ (8,276,480)
Support services:							
Student services	828,868	-	-	-	(828,868)	-	(828,868)
Instructional staff services	582,161	-	-	-	(582,161)	-	(582,161)
General administrative services	1,101,768	-	-	-	(1,101,768)	-	(1,101,768)
Area administrative services	962,348	-	-	-	(962,348)	-	(962,348)
Fiscal services	131,084	-	-	-	(131,084)	-	(131,084)
Operations and maintenance	1,401,301	-	-	-	(1,401,301)	-	(1,401,301)
Transportation	583,606	-	-	-	(583,606)	-	(583,606)
Program expenses	78,506	-	71,444	-	(7,062)	-	(7,062)
On-behalf payments	2,141,502	-	2,141,502	-	-	-	-
Interest on long-term debt	9,981	-	-	-	(9,981)	-	(9,981)
Capital outlay	-	-	-	-	-	-	-
Total governmental activities	<u>16,481,728</u>	<u>18,292</u>	<u>2,578,777</u>	<u>-</u>	<u>(13,884,659)</u>	<u>-</u>	<u>(13,884,659)</u>
Business-type activities:							
Food service	513,481	304,163	88,032	-	-	(121,286)	(121,286)
Total business-type activities	<u>513,481</u>	<u>304,163</u>	<u>88,032</u>	<u>-</u>	<u>-</u>	<u>(121,286)</u>	<u>(121,286)</u>
Total government	<u>\$ 16,995,209</u>	<u>\$ 322,455</u>	<u>\$ 2,666,809</u>	<u>\$ -</u>	<u>(13,884,659)</u>	<u>(121,286)</u>	<u>(14,005,945)</u>

STATEMENT B (CONTINUED)
UNION HIGH SCHOOL DISTRICT 32

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(13,884,659)	(121,286)	(14,005,945)
General revenues:			
Grants and contributions not restricted to specific programs	14,304,474	-	14,304,474
Miscellaneous	402,359	11,572	413,931
Transfers	(99,548)	99,548	-
Total general revenues and transfers	14,607,285	111,120	14,718,405
Change in net position	722,626	(10,166)	712,460
NET POSITION - JULY 1	12,944,664	150,919	13,095,583
NET POSITION - JUNE 30	\$ 13,667,290	\$ 140,753	\$ 13,808,043

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,692,621	\$ -	\$ -	\$ 1,692,621
Due from other governments	1,000	-	-	1,000
Due from other funds	22,865	717,038	52,004	791,907
TOTAL ASSETS	<u>\$ 1,716,486</u>	<u>\$ 717,038</u>	<u>\$ 52,004</u>	<u>\$ 2,485,528</u>
LIABILITIES				
Accounts payable	\$ 18,583	\$ -	\$ -	\$ 18,583
Due to other governments	125,943	-	-	125,943
Due to other funds	769,042	-	-	769,042
TOTAL LIABILITIES	<u>913,568</u>	<u>-</u>	<u>-</u>	<u>913,568</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	33,194	-	26,203	59,397
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>33,194</u>	<u>-</u>	<u>26,203</u>	<u>59,397</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	717,038	25,801	742,839
Committed	-	-	-	-
Assigned	769,724	-	-	769,724
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>769,724</u>	<u>717,038</u>	<u>25,801</u>	<u>1,512,563</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,716,486</u>	<u>\$ 717,038</u>	<u>\$ 52,004</u>	<u>\$ 2,485,528</u>

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

	Total Governmental Funds
	<u> </u>
Total Fund Balances	\$ 1,512,563
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	13,120,687
Long-term liabilities shown below are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(915,000)
Accrued compensated absences	<u>(50,960)</u>
Net position of governmental activities	<u><u>\$ 13,667,290</u></u>

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental revenues	\$ 15,419,270	\$ -	\$ 71,444	\$ 15,490,714
Tuition	18,292	-	-	18,292
Interest income	164,801	7,990	923	173,714
Miscellaneous revenues	167,156	11,427	50,062	228,645
TOTAL REVENUES	<u>15,769,519</u>	<u>19,417</u>	<u>122,429</u>	<u>15,911,365</u>
EXPENDITURES				
Current:				
Direct services	8,240,023	-	-	8,240,023
Support services:				
Student services	816,955	-	-	816,955
Instructional staff services	568,780	-	-	568,780
General administrative services	1,082,383	-	-	1,082,383
Area administrative services	955,423	-	-	955,423
Fiscal services	131,084	-	-	131,084
Operations and maintenance	1,371,635	-	-	1,371,635
Transportation	576,749	-	-	576,749
On-behalf payments	748,965	-	-	748,965
Program expenses	-	-	78,506	78,506
Debt service:				
Principal	605,000	-	-	605,000
Interest	9,981	-	-	9,981
Capital outlay	-	490,419	-	490,419
TOTAL EXPENDITURES	<u>15,106,978</u>	<u>490,419</u>	<u>78,506</u>	<u>15,675,903</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>662,541</u>	<u>(471,002)</u>	<u>43,923</u>	<u>235,462</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	43,000	1,037,000	-	1,080,000
Transfers (out)	(1,136,548)	-	(43,000)	(1,179,548)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,093,548)</u>	<u>1,037,000</u>	<u>(43,000)</u>	<u>(99,548)</u>
NET CHANGE IN FUND BALANCES	(431,007)	565,998	923	135,914
FUND BALANCES - JULY 1	<u>1,200,731</u>	<u>151,040</u>	<u>24,878</u>	<u>1,376,649</u>
FUND BALANCES - JUNE 30	<u>\$ 769,724</u>	<u>\$ 717,038</u>	<u>\$ 25,801</u>	<u>\$ 1,512,563</u>

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 135,914</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets: Depreciation expense	<u>(659,404)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	<u>611,783</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds: Accrued compensated absences	<u>(4,373)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 722,626</u></u>

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities
	Enterprise Fund
	Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 240
Accounts receivable (net of allowance for uncollectibles)	12,567
Due from other governments	6,383
Inventory	12,050
Total current assets	<u>31,240</u>
Noncurrent assets:	
Capital assets:	
Buildings	143,751
Building improvements	207,489
Furniture and equipment	193,187
Less: accumulated depreciation	(403,674)
Total noncurrent assets	<u>140,753</u>
TOTAL ASSETS	<u><u>\$ 171,993</u></u>
LIABILITIES	
Current liabilities:	
Due to other funds	\$ 22,865
Total current liabilities	<u>22,865</u>
TOTAL LIABILITIES	<u>22,865</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	<u>8,375</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>8,375</u>
NET POSITION	
Net investment in capital assets	140,753
Restricted	-
Unrestricted	-
TOTAL NET POSITION	<u><u>140,753</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 171,993</u></u>

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities
	<u>Enterprise Fund</u>
	<u>Food Service</u>
OPERATING REVENUES	
Intergovernmental	\$ 88,032
Charges for services	304,163
Miscellaneous	11,572
TOTAL OPERATING REVENUES	<u>403,767</u>
OPERATING EXPENSES	
Salaries	204,747
Benefits	111,975
Repairs and maintenance	4,217
Supplies and food	179,189
Depreciation	13,156
Equipment	197
Other	-
TOTAL OPERATING EXPENSES	<u>513,481</u>
OPERATING INCOME (LOSS)	<u>(109,714)</u>
NONOPERATING REVENUES (EXPENSES)	
Equity transfer from members	68,491
Transfers in	31,057
Transfers (out)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>99,548</u>
CHANGES IN NET POSITION	(10,166)
NET POSITION - JULY 1	<u>150,919</u>
NET POSITION - JUNE 30	<u><u>\$ 140,753</u></u>

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities
	Enterprise Fund
	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 319,421
Intergovernmental receipts	86,326
Internal activity - receipts (payments) from/to other funds	(11,291)
Payments to employees	(316,722)
Payments to suppliers	(175,829)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(98,095)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers in (out)	99,548
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>99,548</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,453
CASH AND CASH EQUIVALENTS - JULY 1	<u>240</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ 1,693</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (109,714)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	13,156
Changes in operating assets, liabilities and deferred inflows of resources:	
(Increase) decrease in due from other governments	(6,383)
(Increase) decrease in due from accounts receivable	3,686
(Increase) decrease in inventory	7,774
(Decrease) increase in deferred revenue	4,677
(Decrease) increase in due to other funds	(11,291)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (98,095)</u>

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019

	Agency Funds	Private-Purpose Trust Funds
	Student Activities	Total
ASSETS		
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ 1,000
Due from other governments	85,293	40,650
TOTAL ASSETS	<u>\$ 85,293</u>	<u>\$ 41,650</u>
LIABILITIES		
Due to other governments	\$ -	\$ 1,000
Deposits held for others	85,293	-
TOTAL LIABILITIES	<u>\$ 85,293</u>	<u>\$ -</u>
NET POSITION		
Restricted - held in trust		\$ 40,650
TOTAL NET POSITION		<u>\$ 40,650</u>

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Private-Purpose Trust Funds Total
ADDITIONS	
Investment earnings:	
Income earned	\$ 3,554
Total additions	3,554
DEDUCTIONS	
Administrative expenses	4,800
Total deductions	4,800
CHANGE IN NET POSITION	(1,246)
NET POSITION - JULY 1	41,896
NET POSITION - JUNE 30	\$ 40,650

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Union High School District 32 was incorporated under the laws in the State of Vermont. The School District operates under the Board of Directors-superintendent form of government and provides the following services: direct services, support services, fiscal services, operations and maintenance, transportation and program expenses.

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The School District's combined financial statements include all accounts and all operations of the School District. We have determined that the School District has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School District's food service fund is categorized as a business-type activity. All other activities of the School District are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The School District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions and business-type activities (instruction, administration, etc.) except for fiduciary activities. The functions are also supported by general government revenues (certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The School District does not allocate indirect costs. All costs are charged directly to the corresponding departments.

The government-wide focus is more on the sustainability of the School District as an entity and the change in the School District's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the School District are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the School District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the School District:

Major Funds:

- a. The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Funds:

- c. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the School District:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the School District's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency and private-purpose). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria

UNION HIGH SCHOOL DISTRICT 32
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The School District's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Vermont to the Vermont State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues per budgetary basis	\$ 15,063,554
Add: On-behalf payments	748,965
Total GAAP basis	<u>\$ 15,812,519</u>
Expenditures per budgetary basis	\$ 15,494,561
Add: On-behalf basis	748,965
Total GAAP basis	<u>\$ 16,243,526</u>

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. The annual school budget is the planning management tool, which delineates the School District's educational priorities and programs and forms the basis for voter review and approval of the budget according to applicable State of Vermont education finance laws.
2. The Board budget process includes input from school district administration and staff, educational priorities for the next school year, along with public hearings, which include the Board of Directors and general public.
3. The budget document itself is based upon the most current funding information available along with the projection of current revenues and expenditures for the next year. At the conclusion of the budget process, a final budget is approved by the Board of Directors.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the School District's policy to value investments at fair value. None of the School District's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The School District Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Union High School District 32 has no formal investment policy but instead follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$146,893 for the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximate market, using the first-in, first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). The food service fund inventory consists of food service supplies and food on hand at the end of the year.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years

Long-term Obligations

The accounting treatment of long-term obligations depend on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term obligations consist of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) Plan and additions to/deductions from the VSTRS Plans' fiduciary net position have been determined on the same basis as they are reported by the VSTRS Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) and additions to/deductions from the VSTRS OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by VSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the School District. The inhabitants of the School District through School District meetings are the highest level of decision-making authority of the School District. Commitments may be established, modified, or rescinded only through a School District meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Directors.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently has no deferred outflows of resources.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, deferred revenues, which is reported in both the statements of net position and governmental funds balance sheet. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

UNION HIGH SCHOOL DISTRICT 32
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided, operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The School District does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the School District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

The School District's investment policies, which follow state statutes, authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all School District funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the School District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The School District does not have a policy covering custodial credit risk.

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2019, the School District's cash balance of \$1,692,861 was comprised of bank deposits of \$1,980,702. Of these bank deposits, \$250,000 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining balance of \$1,730,702 was collateralized with securities held by the financial institution in the School District's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 10,000
Repurchase agreement	1,970,702
	<u>\$ 1,980,702</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the School District does not have a policy for custodial credit risk for investments.

At June 30, 2019, the School District had no investments.

Credit risk - Statutes for the State of Vermont authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The School District does not have an investment policy on credit risk. Generally, the School District invests excess funds in savings accounts and various insured certificates of deposit.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 22,865	\$ 769,042
Capital Project Funds	717,038	
Nonmajor Special Revenue Funds	52,004	-
Enterprise Funds	-	22,865
	<u>\$ 791,907</u>	<u>\$ 791,907</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Disposals	Balance, 6/30/19
<u>Governmental activities:</u>				
Non-depreciated assets:				
Construction in progress	\$ -	\$ 128,690	\$ -	\$ 128,690
	<u>-</u>	<u>128,690</u>	<u>-</u>	<u>128,690</u>
Depreciated assets:				
Land improvements	\$ 1,288,031	\$ 30,109	\$ -	\$ 1,318,140
Buildings	10,028,399	-	-	10,028,399
Building improvements	16,351,263	283,541	-	16,634,804
Vehicles	208,051	7,732	-	215,783
Furniture and equipment	1,337,930	197,160	(48,953)	1,486,137
	<u>29,213,674</u>	<u>518,542</u>	<u>(48,953)</u>	<u>29,683,263</u>
Less: accumulated depreciation	<u>(16,072,289)</u>	<u>(659,404)</u>	<u>40,427</u>	<u>(16,691,266)</u>
	<u>13,141,385</u>	<u>(140,862)</u>	<u>(8,526)</u>	<u>12,991,997</u>
Net governmental capital assets	<u>\$ 13,141,385</u>	<u>\$ (12,172)</u>	<u>\$ (8,526)</u>	<u>\$ 13,120,687</u>

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance, 7/1/18	Additions	Disposals	Balance, 6/30/19
<u>Business-type activities:</u>				
Depreciated assets:				
Buildings	\$ 143,751	\$ -	\$ -	\$ 143,751
Building improvements	207,489	-	-	207,489
Furniture and equipment	191,734	1,453	-	193,187
	542,974	1,453	-	544,427
Less: accumulated depreciation	(390,518)	(13,156)	-	(403,674)
Net business-type capital assets	<u>\$ 152,456</u>	<u>\$ (11,703)</u>	<u>\$ -</u>	<u>\$ 140,753</u>
<u>Current year depreciation:</u>				
Direct services				\$ 420,582
S.S. - students				11,913
S.S. - staff				13,381
S.S. - general administration				15,508
S.S. - area administration				6,925
Other services				3,877
Operations and maintenance				180,361
Transportation				6,857
Total governmental activities depreciation				659,404
Food service				13,156
Total depreciation expense				<u>\$ 672,560</u>

NOTE 5 - SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2019, was as follows:

	Balance, 7/1/18	Additions	Reductions	Balance, 6/30/19
Tax/revenue anticipation note	<u>\$ -</u>	<u>\$ 4,963,757</u>	<u>\$ (4,963,757)</u>	<u>\$ -</u>

On July 2, 2018, the School District issued a tax/revenue anticipation note through Union Bank in anticipation of revenues to meet its operating obligations during the 2019 fiscal year. The note allowed principal draws up to \$4,963,757 at 2.70% interest per annum with a maturity date of June 30, 2019. On June 26, 2019, the note was paid in full. Interest expense for the note was \$131,084.

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Year Portion
Bonds payable	\$ 1,520,000	\$ -	\$ (605,000)	\$ 915,000	\$ 605,000
Note from direct borrowings	6,783	-	(6,783)	-	-
Total	<u>\$ 1,526,783</u>	<u>\$ -</u>	<u>\$ (611,783)</u>	<u>\$ 915,000</u>	<u>\$ 605,000</u>

The following is a summary of the bonds payable as of June 30, 2019:

\$4,950,000, Vermont Municipal Bond Bank Refunding Bond 2009 Series 2, due in principal installments of \$450,000 through November of 2019. Variable interest rate ranging from 4.875% to 5.415% payable semi-annually through November of 2019, with savings allocations ranging from \$15,940 to \$110,045 rebated through November of 2018. The proceeds from the bond were used for school building improvements.	\$ 450,000
\$1,860,000, Vermont Municipal Bond Bank Refunding Bond 2010 Series 4, due in principal installments of \$155,000 through December of 2021. Fixed interest rate of 4.683% payable semi-annually through December of 2021, with savings allocations ranging from \$11,783 to \$47,810 rebated through November of 2018. The proceeds from the bond were used for school building improvements.	465,000
Total bonds payable	<u>\$ 915,000</u>

The following is a summary of outstanding bonds principal and interest requirements for the following fiscal years ending June 30:

	Bonds Payable		
Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 605,000	\$ (7,343)	\$ 597,657
2021	155,000	245	155,245
2022	155,000	4,015	159,015
	<u>\$ 915,000</u>	<u>\$ (3,083)</u>	<u>\$ 911,917</u>

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in the other long-term obligations for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Year Portion
Accrued compensated absences	\$ 46,587	\$ 4,373	\$ -	\$ 50,960	\$ 2,548

The District's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2019, the School District's liability for compensated absences is \$50,960.

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2019, the School District had the following restricted fund balances:

Capital projects funds	\$ 717,038
Nonmajor special revenue funds (Schedule E)	25,801
	<u>\$ 742,839</u>

NOTE 9 - ASSIGNED FUND BALANCE

At June 30, 2019, the School District had the following assigned fund balance:

General fund:	
Reserved for future operations	<u>\$ 769,724</u>

NOTE 10 - EXPENDITURES OVER APPROPRIATIONS

The School District was noncompliant with the legally adopted budget, overspending the entire allowed appropriation of \$14,833,943 by \$660,618 at June 30, 2019.

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private District teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont 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, 2017 (the most recent period available), the retirement system consisted of 22,193 participating members.

The plan was established effective July 1, 1947 and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the Secretary of Education (ex-officio), the State Treasurer (ex-officio), the Commissioner of Financial Regulation (ex-officio), two members and one alternate elected by active members of the System under rules adopted by the Board; and one retired member and one alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

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. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided

The VSTRS provides retirement and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. There are two levels of contributions and benefits in the System: Group A - for public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A; and Group C - for public school teachers employed within the State of Vermont on or after July 1, 1990. Group C also includes those teachers hired prior to July 1, 1990 and were in Group B on July 1, 1990. When Act 74 became effective on June 30, 2010, Group C was further bifurcated into Groups #1 and #2. Group #1 contains members who were at least 57 years of age or had at least 25 years of service and Group #2 contains members who were less than 57 years of age and had less than 25 years of service.

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 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, 2.0% 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 or age 65

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
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

Other post-employment benefits are available to all plan members include the following:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pay full premium	Members pay full premium	Members pay full premium

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the District's employees included in the teacher's retirement plan which approximates \$748,965 or 15.75% of total payroll for employees covered under the plan. Employee contribution rates by plan group follow:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Employee Contributions	5.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Employee contributions totaled \$271,947 during the year and were paid by the District to the State of Vermont. The District has no other liability under the plan. The District's total payroll for all employees covered under this plan was \$5,034,668 for the year ended June 30, 2019.

Pension Liabilities

VSTRS Plan

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2019. The State's portion of the collective net pension liability that was associated with the District was as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		<u>10,626,552</u>
Total	\$	<u><u>10,626,552</u></u>

The State of Vermont's proportionate share of the net pension liability associated with the District is equal to the collective net pension liability, actuarially measured as of June 30, 2018, multiplied by the District's proportionate share percentage. The District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the District's proportion was 0.70341653% which was a decrease of 0.0188194% from its proportion measured as of June 30, 2017.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the District recognized pension expense of \$1,090,451 and revenue of \$1,090,451 for support provided by the State of Vermont for the VSTRS plan. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	VSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	\$ -	\$ -

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS
Plan year ended June 30:	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using the actuarial assumptions outlined below.

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation

Inflation: 2.50%

UNION HIGH SCHOOL DISTRICT 32
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Salary Increases: Ranging from 3.75% to 9.09%

Deaths After Retirement: The VSTRS plan used 98% of the RP-2006 White Collar Employee with generational projection using Scale SSA-2017 for pre-retirement, 98% of the RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017 for healthy retirees, and the RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017 for disabled retirees.

Inactive Members: Valuation liability for the VSTRS plan equals 250.0% of accumulated contributions.

Future Administrative Expenses: No provisions were made, expenses of the System are paid by the State.

Unknown Data for Participants: For the VSTRS plan, it is the same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

Percent Married: 85% of male members and 35% of female members are assumed to be married.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments: Adjustments for the VSTRS plan are assumed to occur on January 1 following one year of retirement. For the VSTRS plan this occurs at the rate of 2.55% per annum for Group A members and 1.40% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement). The January 1, 2019 COLA is assumed to be 2.60% for Group A and 1.30% for Group C.

Actuarial Cost Method: Uses the Entry Age Actuarial Cost Method. Entry age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Accrued Actuarial Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

For the VSTRS plan, the *asset valuation method* used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The *long-term expected rate of return* on the VSTRS 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) developed for each major asset class. These best estimate ranges were 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.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	18.00%	6.10%
Non-US Equity	16.00%	7.45%
Global Equity	9.00%	6.74%
Fixed Income	26.00%	2.25%
Real Estate	8.00%	5.11%
Private Markets	15.00%	7.60%
Hedge Funds	8.00%	3.86%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the VSTRS plan. 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 68.

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50% for the VSTRS, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	Decrease	Rate	Increase
<u>VSTRS:</u>			
Discount rate	6.50%	7.50%	8.50%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the VSTRS or their participating employers. VSTRS VMERS does not issue stand-alone financial reports, but instead is included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

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

The plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2017 (the most recent period available), the plan consisted of 4,878 retired members or beneficiaries currently receiving benefits and 8,941 active members.

Vermont Statute Title 16 Chapter 55 assigns the authority to VSTRS to establish and amend the benefits provisions of the Plan and to establish maximum obligations of the Plan members to contribute to the Plan. Management of the Plan is vested in the Vermont State Teachers' Retirement System Board of Trustees, which consists of the Secretary of Education (es-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the system under rules adopted by the Board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

All assets of the Plan are held in a single trust and are available to pay OPEB benefits to all members. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

VSTRS retirees and their spouses are eligible for medical, prescription drug and dental benefits on a lifetime basis if the retiree is eligible for pension benefits, as described in the Notes to Financial Statements for Defined Benefit Plan(s).

Contributions

Varying levels of contributions are required from retirees and spouses for medical and prescription drug coverage at the following premium subsidy rates:

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	Retiree Subsidy		Spouse Subsidy*	
Retired before June 30, 2010	At least ten years of service- 80% of premium Less than ten years of service- 0% of premium		0% of premium	
Retired after June 30, 2010	10 years or more of service at June 30, 2010-80% of premium		Years of service at June 30, 2010-80% of premium:	
	Less than 10 years of service at June 30, 2010:			
	Less than 15 years at retirement	Less than 15 years at retirement	Less than 10 years	25 years at retirement
	15-19.99 years at retirement	15-19.99 years at retirement	10-14.99 years	25 years at retirement
	20-24.99 years at retirement	20-24.99 years at retirement	15-24.99 years	10 additional years from June 30, 2010
	25 years or more at retirement	25 years or more at retirement	25-29.99 years	35 years at retirement
			30 or more years	5 additional years from June 30, 2010

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

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

OPEB Liabilities

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 75 and the State is treated as a nonemployer to VSTRS. Since

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

the School District does not contribute directly to VSTRS, no net OPEB liability was recorded at June 30, 2019. The State's portion of the collective net OPEB liability that was associated with the School District was as follows:

School District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the School District	<u>6,739,675</u>
Total	<u><u>\$ 6,739,675</u></u>

The State of Vermont's proportionate share of the net OPEB liability associated with the School District is equal to the collective net OPEB liability, actuarially measured as of June 30, 2018, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the School District's proportion was 0.70625% which was a decrease of 0.03149% from its proportion measured as of June 30, 2017.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the School District recognized total OPEB expense of \$302,086 and revenue of \$302,086 for support provided by the State of Vermont for the Plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	VSTRS OPEB Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	\$ -	\$ -

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

	VSTRS OPEB Plan
Plan year ended June 30:	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-

Discount Rate

The discount rate is the single rate of return, that when applied to all projected benefit payments, results in an actuarial present value that is the sum of the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return and the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The sensitivity of net OPEB liability to changes in discount rate are as follows:

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
VSTRS OPEB Plan:			
Discount rate	2.87%	3.87%	4.87%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Healthcare Trend Rate

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2019 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers and CPI statistics published by the Bureau of Labor Statistics. The sensitivity of net OPEB liability to changes in healthcare trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Asset Valuation Method

The Asset Valuation Method used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

The long-term expected rate of return on both 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) developed for each major asset class. These best estimate ranges were 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.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.50%
International equity	15.00%	7.75%
Emerging international equity	5.00%	9.25%
Core bonds	60.00%	3.75%
Inflation		2.75%
Total	<u>100.00%</u>	

Assumptions

The actuarial assumptions used to calculate the actuarially determined contribution rates can be found in the Report on the Actuarial Valuation of Post Retirement Benefits of the Vermont State Teachers' Retirement System Prepared as of June 30, 2016 completed by Buck Consulting. As of June 30, 2018, they are as follows:

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount Rate	3.87%
Salary Increase Rate	Varies by age
Non-Medicare	7.15% graded to 4.50% over 12 years
Medicare	7.30% graded to 4.50% over 11 years
Retiree Contributions	Equal to health trend
Pre-retirement Mortality	98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017
Post-retirement Mortality	98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2019 with the following exceptions:

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for June 30, 2018. For the fiscal year ended June 30, 2018, the discount rate was increased from 3.58% to 3.87%.

OPEB Plan Fiduciary Net Position

The schedule of employer allocations and schedule of OPEB amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VSTRS or their participating employers. VSTRS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 13 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, students and guests; as well as natural disasters for which the School District either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District.

The School District is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker compensation, multi-line intermunicipal school program and unemployment compensation program and the Vermont Education Health Initiative (VEHI) for medical benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont School Districts and is owned by the participating Districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, VEHI has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

Multi-Line Intermunicipal School Program provides coverage for property; inland marine and boiler and machinery; crime; commercial general liability; automobile/garagekeepers; and educators legal liability. Annual contributions are based upon appropriate rates applicable to each member; such rates are set based on recommendations of a qualified actuary, plus a proportionate share of all operational and administrative cost including excess reinsurance premiums incurred by the trust. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the program will be terminated with each member assessed their proportionate share of the deficit.

NOTE 14 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the School District's financial position.

UNION HIGH SCHOOL DISTRICT 32

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 14 - CONTINGENCIES (CONTINUED)

The School District participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the School District's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 15 - RELATED ORGANIZATION

The School District has an ongoing financial responsibility to Washington Central Supervisory Union as defined in GASB 14, paragraph 71. Through Washington Central Supervisory Union's assessment process, the School District's assessment can be increased to cover a share of any prior year deficits and decreased to share in any prior year surpluses. Separate financial statements on Washington Central Supervisory Union are available from Washington Central Supervisory Union.

NOTE 16 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the School District's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 17 - SUBSEQUENT EVENT

All assets and liabilities of the Union High School District 32 were transferred to the new Washington Central Unified Union School District which is made of the Town School Districts of Berlin, Calais, East Montpelier, Middlesex and Worcester on July 1, 2019. All business transactions of Union High School District 32 ceased as of that date. Therefore, this is the final audit of the Union High School District 32.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pension
- Schedule of Proportionate Share of the Net OPEB Liability
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

UNION HIGH SCHOOL DISTRICT 32

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 1,200,731	\$ 1,200,731	\$ 1,200,731	\$ -
Resources (Inflows):				
Intergovernmental:				
State/Town support	13,013,190	13,013,190	12,976,074	(37,116)
Other	1,537,030	1,537,030	1,694,231	157,201
Charges for services	18,298	18,298	18,292	(6)
Interest income	140,000	140,000	164,801	24,801
Miscellaneous	125,425	125,425	167,156	41,731
Transfers from other funds	-	-	43,000	43,000
Amounts Available for Appropriation	<u>16,034,674</u>	<u>16,034,674</u>	<u>16,264,285</u>	<u>229,611</u>
Charges to Appropriations (Outflows):				
Direct services	8,241,278	8,241,278	8,240,023	1,255
Support services:				
Student services	788,523	788,523	816,955	(28,432)
Instructional staff services	579,362	579,362	568,780	10,582
General administrative services	1,084,909	1,084,909	1,082,383	2,526
Area administrative services	925,592	925,592	955,423	(29,831)
Fiscal services	132,280	132,280	131,084	1,196
Operations and maintenance	1,429,592	1,429,592	1,371,635	57,957
Transportation	563,782	563,782	576,749	(12,967)
Debt service:				
Principal	605,000	605,000	605,000	-
Interest	15,568	15,568	9,981	5,587
Transfers to other funds	468,057	468,057	1,136,548	(668,491)
Total Charges to Appropriations	<u>14,833,943</u>	<u>14,833,943</u>	<u>15,494,561</u>	<u>(660,618)</u>
Budgetary Fund Balance, June 30	<u>\$ 1,200,731</u>	<u>\$ 1,200,731</u>	<u>\$ 769,724</u>	<u>\$ (431,007)</u>

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015	2014
<u>VSTRS:</u>						
Proportion of the net pension liability	0.70%	0.72%	0.72%	0.73%	0.82%	0.80%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	10,626,552	10,708,265	9,406,637	8,700,057	7,902,870	\$ 8,132,149
Total	<u>\$ 10,626,552</u>	<u>\$ 10,708,265</u>	<u>\$ 9,406,637</u>	<u>\$ 8,700,057</u>	<u>\$ 7,902,870</u>	<u>\$ 8,132,149</u>
Covered-employee payroll	\$ 4,755,336	\$ 4,773,380	\$ 4,653,295	\$ 4,089,401	\$ 4,533,567	\$ 4,674,063
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	54.81%	55.31%	55.31%	58.22%	64.02%	60.59%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015	2014
<u>VSTRS:</u>						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,034,668	\$ 4,755,336	\$ 4,773,380	\$ 4,653,295	\$ 4,089,401	\$ 4,533,567
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	2019	2018
<u>VSTRS OPEB Plan:</u>		
Proportion of the net OPEB liability	0.71%	0.74%
School District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the School District	6,739,675	6,836,105
Total	<u>\$ 6,739,675</u>	<u>\$ 6,836,105</u>
Covered-employee payroll	\$ 4,755,336	\$ 4,773,380
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.76%	1.52%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	2019	2018
<u>VSTRS OPEB Plan:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 5,034,668	\$ 4,755,336
Contributions as a percentage of covered-employee payroll	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

UNION HIGH SCHOOL DISTRICT 32

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

Changes of Assumptions

VSTRS Pension:

The valuation liability for inactive members as reported by the System was lowered from 332.5% of accumulated contributions to 250.0% of accumulated contributions.

VSTRS OPEB:

The discount rate increased from 3.58% to 3.87% for the VSTRS OPEB liability.

The percentage of non-DC Plan current retirees assumed to have life insurance coverage was increased from 65% to 75%.

Future male retirees were assumed to be two years older than their spouses, decreased from three years. Future female retirees were assumed to be one year younger than their spouses, decreased from three years.

The percentage of future retirees assumed to have a spouse electing coverage was increased from 60% to 70% for male retirees and from 50% to 60% for female retirees.

The claims cost development methodology was modified for non-Medicare participants.

The per capita valuation-year claims and retiree contribution rates were updated.

The assumed health trend rates were modified.

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Schedule of Net Position - Private-Purpose Trust Funds
- Combining Schedule of Changes in Net Position - Private-Purpose Trust Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

UNION HIGH SCHOOL DISTRICT 32

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
Education spending grant	\$ 13,013,190	\$ 13,013,190	\$ 12,976,074	\$ (37,116)
Tech center	232,508	232,508	236,448	3,940
Driver education reimbursement	5,000	5,000	7,447	2,447
High school completion reimbursement	2,500	2,500	2,000	(500)
E-rate	21,346	21,346	18,360	(2,986)
Special education	379,074	379,074	358,384	(20,690)
Tuition	896,602	896,602	1,071,592	174,990
Charges for services	18,298	18,298	18,292	(6)
Interest income	140,000	140,000	164,801	24,801
Miscellaneous:				
Other receipts	125,425	125,425	167,156	41,731
Transfers in	-	-	43,000	43,000
Amounts Available for Appropriation	<u>\$ 14,833,943</u>	<u>\$ 14,833,943</u>	<u>\$ 15,063,554</u>	<u>\$ 229,611</u>

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Direct services -				
Instructional services	\$ 6,047,547	\$ 6,047,547	\$ 6,118,289	\$ (70,742)
Special education	676,917	676,917	600,055	76,862
SU assessments	834,563	834,563	834,563	-
Athletics	548,758	548,758	544,174	4,584
Co-curricular	133,493	133,493	134,232	(739)
English language learner	-	-	8,710	(8,710)
Total Direct services	<u>8,241,278</u>	<u>8,241,278</u>	<u>8,240,023</u>	<u>1,255</u>
Support services -				
Students -				
Guidance services	651,422	651,422	661,857	(10,435)
Health services	137,101	137,101	155,098	(17,997)
Instructional staff -				
Curriculum services	39,584	39,584	49,222	(9,638)
Library services	243,760	243,760	247,160	(3,400)
Technology services	296,018	296,018	272,398	23,620
Total Support services	<u>1,367,885</u>	<u>1,367,885</u>	<u>1,385,735</u>	<u>(17,850)</u>
General administration -				
Board of education	90,215	90,215	87,689	2,526
Office of the superintendent	994,694	994,694	994,694	-
Total General administration	<u>1,084,909</u>	<u>1,084,909</u>	<u>1,082,383</u>	<u>2,526</u>
Area administration - office of the principal	<u>925,592</u>	<u>925,592</u>	<u>955,423</u>	<u>(29,831)</u>
Fiscal services	<u>132,280</u>	<u>132,280</u>	<u>131,084</u>	<u>1,196</u>
Operations and maintenance	<u>1,429,592</u>	<u>1,429,592</u>	<u>1,371,635</u>	<u>57,957</u>
Transportation	<u>563,782</u>	<u>563,782</u>	<u>576,749</u>	<u>(12,967)</u>
Debt service -				
Principal	605,000	605,000	605,000	-
Interest	15,568	15,568	9,981	5,587
Total Debt service	<u>620,568</u>	<u>620,568</u>	<u>614,981</u>	<u>5,587</u>
Transfers to other funds	<u>468,057</u>	<u>468,057</u>	<u>1,136,548</u>	<u>(668,491)</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 14,833,943</u></u>	<u><u>\$ 14,833,943</u></u>	<u><u>\$ 15,494,561</u></u>	<u><u>\$ (660,618)</u></u>

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS		
Due from other funds	\$ 52,004	\$ 52,004
TOTAL ASSETS	<u>\$ 52,004</u>	<u>\$ 52,004</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue	26,203	26,203
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>26,203</u>	<u>26,203</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	25,801	25,801
Committed	-	-
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>25,801</u>	<u>25,801</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 52,004</u>	<u>\$ 52,004</u>

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>
REVENUES		
Intergovernmental	\$ 71,444	\$ 71,444
Interest income	923	923
Other	50,062	50,062
TOTAL REVENUES	<u>122,429</u>	<u>122,429</u>
EXPENDITURES		
Other	78,506	78,506
TOTAL EXPENDITURES	<u>78,506</u>	<u>78,506</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>43,923</u>	<u>43,923</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers (out)	(43,000)	(43,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(43,000)</u>	<u>(43,000)</u>
NET CHANGE IN FUND BALANCES	923	923
FUND BALANCES - JULY 1	<u>24,878</u>	<u>24,878</u>
FUND BALANCES - JUNE 30	<u><u>\$ 25,801</u></u>	<u><u>\$ 25,801</u></u>

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

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UNION HIGH SCHOOL DISTRICT 32

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	EPSDT	Medicaid	VT Council on the Arts	Alan H Weiss Estate	Rowland Foundation Grant	Other Local Grants	Total
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	26,203	-	-	25,801	-	-	52,004
TOTAL ASSETS	<u>\$ 26,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,004</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue	26,203	-	-	-	-	-	26,203
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>26,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,203</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	25,801	-	-	25,801
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,801</u>	<u>-</u>	<u>-</u>	<u>25,801</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 26,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,004</u>

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	EPSDT	Medicaid	VT Council on the Arts	Alan H Weiss Estate	Rowland Foundation Grant	Other Local Grants	Total
REVENUES							
Intergovernmental	\$ 5,750	\$ 65,477	\$ -	\$ -	\$ -	\$ 217	\$ 71,444
Interest Income	-	-	-	923	-	-	923
Other	-	-	265	-	48,797	1,000	50,062
TOTAL REVENUES	<u>5,750</u>	<u>65,477</u>	<u>265</u>	<u>923</u>	<u>48,797</u>	<u>1,217</u>	<u>122,429</u>
EXPENDITURES							
Other	<u>5,750</u>	<u>65,477</u>	<u>265</u>	<u>-</u>	<u>5,797</u>	<u>1,217</u>	<u>78,506</u>
TOTAL EXPENDITURES	<u>5,750</u>	<u>65,477</u>	<u>265</u>	<u>-</u>	<u>5,797</u>	<u>1,217</u>	<u>78,506</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>923</u>	<u>43,000</u>	<u>-</u>	<u>43,923</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	(43,000)	-	(43,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,000)</u>	<u>-</u>	<u>(43,000)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>923</u>	<u>-</u>	<u>-</u>	<u>923</u>
FUND BALANCES - JULY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,878</u>	<u>-</u>	<u>-</u>	<u>24,878</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,801</u>

See accompanying independent auditors' report and notes to financial statements.

Private-Purpose Trust Funds

Private-purpose trust funds are used to report assets held in a trustee capacity for others and therefore are not available to support the School District's programs.

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UNION HIGH SCHOOL DISTRICT 32

COMBINING SCHEDULE OF NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2019

	Jeffrey Sayers Trust	Alumni Scholarship Fund	Kinzel Trust	Total
ASSETS				
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ 1,000	\$ 1,000
Due from other governments	26,018	14,632	-	40,650
TOTAL ASSETS	\$ 26,018	\$ 14,632	\$ 1,000	\$ 41,650
LIABILITIES				
Due to other governments	\$ -	\$ -	\$ 1,000	\$ 1,000
TOTAL LIABILITIES	\$ -	\$ -	\$ 1,000	\$ 1,000
NET POSITION				
Restricted - held in trust	\$ 26,018	\$ 14,632	\$ -	\$ 40,650
TOTAL NET POSITION	\$ 26,018	\$ 14,632	\$ -	\$ 40,650

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

COMBINING SCHEDULE OF CHANGES IN NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2019

	Jeffrey Sayers Trust	Alumni Scholarship Fund	Kinzel Trust	Total
ADDITIONS				
Interest Income	\$ 995	\$ 559	\$ 2,000	\$ 3,554
TOTAL ADDITIONS	<u>995</u>	<u>559</u>	<u>2,000</u>	<u>3,554</u>
DEDUCTIONS				
Other	1,800	1,000	2,000	4,800
TOTAL DEDUCTIONS	<u>1,800</u>	<u>1,000</u>	<u>2,000</u>	<u>4,800</u>
CHANGE IN NET POSITION	(805)	(441)	-	(1,246)
NET POSITION - JULY 1	<u>26,823</u>	<u>15,073</u>	<u>-</u>	<u>41,896</u>
NET POSITION - JUNE 30	<u>\$ 26,018</u>	<u>\$ 14,632</u>	<u>\$ -</u>	<u>\$ 40,650</u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

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UNION HIGH SCHOOL DISTRICT 32

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Direct services	\$ 74,747	\$ 19,918,056	\$ 1,007,040	\$ -	\$ 20,999,843
S.S. - students	-	634,662	-	-	634,662
S.S. - staff	-	1,020,343	75,120	-	1,095,463
S.S. - general administration	-	775,423	-	-	775,423
S.S. - area administration	-	572,538	5,678	-	578,216
Other services	-	80,813	-	-	80,813
Operations and maintenance	-	4,979,508	544,876	-	5,524,384
Transportation	-	-	69,206	-	69,206
Food service	53,943	351,240	193,187	-	598,370
Total General Capital Assets	128,690	28,332,583	1,895,107	-	30,356,380
Less: Accumulated Depreciation	-	(15,905,886)	(1,189,054)	-	(17,094,940)
Net General Capital Assets	\$ 128,690	\$ 12,426,697	\$ 706,053	\$ -	\$ 13,261,440

See accompanying independent auditors' report and notes to financial statements.

UNION HIGH SCHOOL DISTRICT 32

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2019

	General Capital Assets 7/1/18	Additions	Deletions	General Capital Assets 6/30/19
Direct services	\$ 20,590,365	\$ 420,764	\$ (11,286)	\$ 20,999,843
S.S. - students	634,662	-	-	634,662
S.S. - staff	1,114,918	-	(19,455)	1,095,463
S.S. - general administration	775,423	-	-	775,423
S.S. - area administration	578,216	-	-	578,216
Other services	80,813	-	-	80,813
Operations and maintenance	5,370,071	172,525	(18,212)	5,524,384
Transportation	69,206	-	-	69,206
Food service	542,974	55,396	-	598,370
Total General Capital Assets	29,756,648	648,685	(48,953)	30,356,380
Less: Accumulated Depreciation	(16,462,807)	(672,560)	40,427	(17,094,940)
Net General Capital Assets	<u>\$ 13,293,841</u>	<u>\$ (23,875)</u>	<u>\$ (8,526)</u>	<u>\$ 13,261,440</u>

See accompanying independent auditors' report and notes to financial statements.



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

Board of Directors
Union High School District 32
Montpelier, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Union High School District 32 as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Union High School District 32's basic financial statements and have issued our report thereon dated **November 19, 2019**.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Union High School District 32's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Union High School District 32's internal control. Accordingly, we do not express an opinion on the effectiveness of the Union High School District 32's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Union High School District 32's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Buxton, Maine
Vermont Registration No. 092.0000697
November 19, 2019

Audited Financial Statements
and Other Financial Information

Worcester School District

June 30, 2019



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WORCESTER SCHOOL DISTRICT

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JUNE 30, 2019

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Proven Expertise & Integrity

INDEPENDENT AUDITORS' REPORT

Board of Directors
Worcester School District
Montpelier, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Worcester School District as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Worcester 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.

Auditors' Responsibility

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

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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, business-type activities, each major fund and the aggregate remaining fund information of Worcester School District as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 10 and 56 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Worcester School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated **November 18, 2019**, on our consideration of the Worcester School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Worcester School District's internal control over financial reporting and compliance.

Buxton, Maine
Vermont Registration No. 092.0000697
November 18, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

(UNAUDITED)

The following management's discussion and analysis of the Worcester School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

The School District's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, pension and OPEB information and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the School District's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regard to the School District's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have separate columns for the two different types of School District activities. The types of activities presented for the School District are:

- *Governmental activities* - The activities in this section are mostly supported by intergovernmental revenues (federal and state grants), support from the town and charges for services. Most of the School District's basic services are reported in governmental activities, which include direct services, support services, fiscal services, operations and maintenance, transportation and program expenses.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. The activity for the School District includes the food service fund.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the School District can be classified into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds: Most of the basic services provided by the School District are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the School District's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the School District.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues,

expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The School District presents three columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's major funds are the general fund and the capital projects fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the School District legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The School District maintains one proprietary fund, the food service fund. This fund is used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Worcester School District. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

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 the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Changes in Net Position - Fiduciary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pension, a Schedule of Proportionate Share of the Net OPEB Liability, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regard to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the School District's governmental and business-type activities. The School District's total net position for governmental activities increased by \$79,192 from \$489,120 to \$568,312. For business-type activities, the School District's total net position decreased by \$211 from \$36,395 to \$36,184.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for governmental activities to a balance of \$272,943 at the end of the fiscal year. For business-type activities, the balance increased to a balance of \$25,158.

Table 1
Worcester School District
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Assets:				
Current Assets	\$ 290,194	\$ 301,414	\$ 25,833	\$ 24,967
Noncurrent Assets	289,988	217,931	11,026	12,118
Total Assets	<u>\$ 580,182</u>	<u>\$ 519,345</u>	<u>\$ 36,859</u>	<u>\$ 37,085</u>
Liabilities:				
Current Liabilities	\$ 11,870	\$ 29,628	\$ -	\$ 68
Total Liabilities	<u>\$ 11,870</u>	<u>\$ 29,628</u>	<u>\$ -</u>	<u>\$ 68</u>
Deferred Inflows of Resources:				
Deferred Revenues	\$ -	\$ 597	\$ 675	\$ 622
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 597</u>	<u>\$ 675</u>	<u>\$ 622</u>
Net Position:				
Net Investment in Capital Assets	\$ 289,988	\$ 217,931	\$ 11,026	\$ 12,118
Restricted	5,381	5,295	-	-
Unrestricted	272,943	265,894	25,158	24,277
Total Net Position	<u>\$ 568,312</u>	<u>\$ 489,120</u>	<u>\$ 36,184</u>	<u>\$ 36,395</u>

Revenues and Expenses

Revenues for the School District's governmental activities increased by 1.81%, while total expenses increased by 7.44%. The increase in revenues was primarily due to decreases in operating grants and contributions. The increase in expenses was primarily due to direct services and operations and maintenance.

Revenues for the School District's business-type activities decreased by 8.50% primarily due to operating grants and contributions, while total expenses decreased by 0.77% primarily due to supplies and foods.

Table 2
Worcester School District
Changes in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ -	\$ -	\$ 23,893	\$ 25,892
Operating grants and contributions	341,217	332,868	24,426	29,888
<i>General Revenues:</i>				
Grants and contributions not restricted to specific programs	1,327,801	1,306,840	-	-
Miscellaneous	37,190	36,116	2,718	-
Total Revenues	1,706,208	1,675,824	51,037	55,780
Expenses				
Direct services	667,293	635,729	-	-
Support services:			-	-
Student services	90,505	83,483	-	-
Instructional staff services	69,983	49,553	-	-
General administrative services	111,867	96,203	-	-
Area administrative services	151,922	206,602	-	-
Fiscal services	14,888	14,643	-	-
Operations and maintenance	126,461	62,415	-	-
Transportation	49,424	28,303	-	-
On-behalf payments	240,190	222,659	-	-
Program expenses	101,137	111,612	54,594	55,015
Total Expenses	1,623,670	1,511,202	54,594	55,015
Transfers	(3,346)	(14,696)	3,346	14,696
Change in Net Position	79,192	149,926	(211)	15,461
Net Position - July 1	489,120	339,194	36,395	20,934
Net Position - June 30	<u>\$ 568,312</u>	<u>\$ 489,120</u>	<u>\$ 36,184</u>	<u>\$ 36,395</u>

Financial Analysis of the School District's Fund Statements

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

Table 3
Worcester School District
Fund Balances - Governmental Funds
June 30,

	<u>2019</u>	<u>2018</u>
Major Funds:		
General Fund:		
Assigned	\$ 36,320	\$ 189,797
Total General Fund	<u>\$ 36,320</u>	<u>\$ 189,797</u>
Capital Projects Fund:		
Restricted	\$ 236,623	\$ 76,097
Total Capital Projects Fund	<u>\$ 236,623</u>	<u>\$ 76,097</u>
Nonmajor Funds:		
Permanent Funds:		
Restricted	\$ 5,381	\$ 5,295
Total Nonmajor Funds	<u>\$ 5,381</u>	<u>\$ 5,295</u>

The general fund total fund balance decreased by \$153,477 from the prior fiscal year, primarily due to transfers to other funds. The capital projects fund total fund balance increased by \$160,526 from the prior fiscal year, primarily due to transfers from other funds. The nonmajor funds total fund balance increased by \$86, due to minor increases and decreases in the permanent funds.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues exceeded budgeted amounts by \$4,450, due to miscellaneous income for shared benefits.

The general fund actual expenditures exceeded budgeted amounts by \$157,927, due to all categories exceeding budgeted amounts with the exception of direct services and operations and maintenance.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2019, the net book value of capital assets recorded by the School District increased by \$70,965. This increase was due to additions of \$91,750, less current year depreciation expense of \$20,785.

Table 4
Worcester School District
Capital Assets (Net of Depreciation)
June 30,

	<u>2019</u>	<u>2018</u>
Buildings, building improvements and land improvements	\$ 253,205	\$ 186,000
Furniture and equipment	47,809	44,049
Total	<u>\$ 301,014</u>	<u>\$ 230,049</u>

Debt

Obligations for the School District at June 30, 2019 were \$0.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The 2019 - 2020 budget could be severely impacted by the reduction of funding from the State.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School District at 1130 Gallison Hill Road, Montpelier, Vermont 05602.

STATEMENT A

WORCESTER SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 310,913	\$ -	\$ 310,913
Accounts receivable (net of allowance for uncollectibles)	-	4,212	4,212
Inventory	-	902	902
Internal balances	(20,719)	20,719	-
Total current assets	<u>290,194</u>	<u>25,833</u>	<u>316,027</u>
Noncurrent assets:			
Capital assets:			
Buildings, building improvements and other assets, net of accumulated depreciation	<u>289,988</u>	<u>11,026</u>	<u>301,014</u>
Total noncurrent assets	<u>289,988</u>	<u>11,026</u>	<u>301,014</u>
TOTAL ASSETS	<u><u>\$ 580,182</u></u>	<u><u>\$ 36,859</u></u>	<u><u>\$ 617,041</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 4,879	\$ -	\$ 4,879
Due to other governments	6,991	-	6,991
Total current liabilities	<u>11,870</u>	<u>-</u>	<u>11,870</u>
TOTAL LIABILITIES	<u>11,870</u>	<u>-</u>	<u>11,870</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	-	675	675
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>675</u>	<u>675</u>
NET POSITION			
Net investment in capital assets	289,988	11,026	301,014
Restricted	5,381	-	5,381
Unrestricted	<u>272,943</u>	<u>25,158</u>	<u>298,101</u>
TOTAL NET POSITION	<u>568,312</u>	<u>36,184</u>	<u>604,496</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 580,182</u></u>	<u><u>\$ 36,859</u></u>	<u><u>\$ 617,041</u></u>

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -	
						type Activities	Total
Governmental activities:							
Direct services	\$ 667,293	\$ -	\$ -	\$ -	\$ (667,293)	\$ -	\$ (667,293)
Support services:							
Student services	90,505	-	-	-	(90,505)	-	(90,505)
Instructional staff services	69,983	-	-	-	(69,983)	-	(69,983)
General administrative services	111,867	-	-	-	(111,867)	-	(111,867)
Area administrative services	151,922	-	-	-	(151,922)	-	(151,922)
Fiscal services	14,888	-	-	-	(14,888)	-	(14,888)
Operations and maintenance	126,461	-	-	-	(126,461)	-	(126,461)
Transportation	49,424	-	-	-	(49,424)	-	(49,424)
Program expenses	101,137	-	101,027	-	(110)	-	(110)
Capital outlay	-	-	-	-	-	-	-
On-behalf payments	240,190	-	240,190	-	-	-	-
Total governmental activities	<u>1,623,670</u>	<u>-</u>	<u>341,217</u>	<u>-</u>	<u>(1,282,453)</u>	<u>-</u>	<u>(1,282,453)</u>
Business-type activities:							
Food service	54,594	23,893	24,426	-	-	(6,275)	(6,275)
Total business-type activities	<u>54,594</u>	<u>23,893</u>	<u>24,426</u>	<u>-</u>	<u>-</u>	<u>(6,275)</u>	<u>(6,275)</u>
Total government	<u>\$ 1,678,264</u>	<u>\$ 23,893</u>	<u>\$ 365,643</u>	<u>\$ -</u>	<u>(1,282,453)</u>	<u>(6,275)</u>	<u>(1,288,728)</u>

STATEMENT B (CONTINUED)
WORCESTER SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(1,282,453)	(6,275)	(1,288,728)
General revenues:			
Grants and contributions not restricted to specific programs	1,327,801	-	1,327,801
Miscellaneous	37,190	2,718	39,908
Transfers	(3,346)	3,346	-
Total general revenues and transfers	1,361,645	6,064	1,367,709
Change in net position	79,192	(211)	78,981
NET POSITION - JULY 1	489,120	36,395	525,515
NET POSITION - JUNE 30	\$ 568,312	\$ 36,184	\$ 604,496

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 310,913	\$ -	\$ -	\$ 310,913
Due from other funds	-	236,623	5,381	242,004
TOTAL ASSETS	<u>\$ 310,913</u>	<u>\$ 236,623</u>	<u>\$ 5,381</u>	<u>\$ 552,917</u>
LIABILITIES				
Accounts payable	\$ 4,879	\$ -	\$ -	\$ 4,879
Due to other governments	6,991	-	-	6,991
Due to other funds	262,723	-	-	262,723
TOTAL LIABILITIES	<u>274,593</u>	<u>-</u>	<u>-</u>	<u>274,593</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	236,623	5,381	242,004
Committed	-	-	-	-
Assigned	36,320	-	-	36,320
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>36,320</u>	<u>236,623</u>	<u>5,381</u>	<u>278,324</u>
OF RESOURCES AND FUND BALANCES	<u>\$ 310,913</u>	<u>\$ 236,623</u>	<u>\$ 5,381</u>	<u>\$ 552,917</u>

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

	Total Governmental Funds
	<hr/>
Total Fund Balances	\$ 278,324
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	<hr/>
	289,988
Net position of governmental activities	<hr/> <hr/> \$ 568,312

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental revenues	\$ 1,419,677	\$ -	\$ 101,027	\$ 1,520,704
Interest income	22,463	1,848	196	24,507
Miscellaneous revenues	12,683	-	-	12,683
TOTAL REVENUES	<u>1,454,823</u>	<u>1,848</u>	<u>101,223</u>	<u>1,557,894</u>
EXPENDITURES				
Current:				
Direct services	690,611	-	-	690,611
Support services:				
Student services	90,505	-	-	90,505
Instructional staff services	69,983	-	-	69,983
General administrative services	111,867	-	-	111,867
Area administrative services	151,922	-	-	151,922
Fiscal services	14,888	-	-	14,888
Operations and maintenance	114,553	-	-	114,553
Transportation	49,424	-	-	49,424
On-behalf payments	91,876	-	-	91,876
Program expenses	-	-	101,137	101,137
Capital outlay	-	60,647	-	60,647
TOTAL EXPENDITURES	<u>1,385,629</u>	<u>60,647</u>	<u>101,137</u>	<u>1,547,413</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>69,194</u>	<u>(58,799)</u>	<u>86</u>	<u>10,481</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	219,325	-	219,325
Transfers (out)	(222,671)	-	-	(222,671)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(222,671)</u>	<u>219,325</u>	<u>-</u>	<u>(3,346)</u>
NET CHANGE IN FUND BALANCES	(153,477)	160,526	86	7,135
FUND BALANCES - JULY 1	<u>189,797</u>	<u>76,097</u>	<u>5,295</u>	<u>271,189</u>
FUND BALANCES - JUNE 30	<u>\$ 36,320</u>	<u>\$ 236,623</u>	<u>\$ 5,381</u>	<u>\$ 278,324</u>

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 7,135</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Depreciation expense	<u>(19,693)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 79,192</u></u>

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	Business-type Activities
	Enterprise Fund
	Food Service
ASSETS	
Current assets:	
Accounts receivable (net of allowance for uncollectibles)	\$ 4,212
Inventory	902
Due from other funds	20,719
Total current assets	25,833
Noncurrent assets:	
Capital assets:	
Buildings	26,485
Equipment	34,263
Less: accumulated depreciation	(49,722)
Total noncurrent assets	11,026
TOTAL ASSETS	\$ 36,859
LIABILITIES	
Current liabilities:	
Accounts payable	\$ -
Total current liabilities	-
TOTAL LIABILITIES	-
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	675
TOTAL DEFERRED INFLOWS OF RESOURCES	675
NET POSITION	
Net investment in capital assets	11,026
Unrestricted	25,158
TOTAL NET POSITION	36,184
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 36,859

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities
	<u>Enterprise Fund</u>
	Food Service
	<u>Service</u>
OPERATING REVENUES	
Intergovernmental	\$ 24,426
Charges for services	23,893
Miscellaneous	2,718
TOTAL OPERATING REVENUES	<u>51,037</u>
OPERATING EXPENSES	
Salaries	32,979
Benefits	2,885
Supplies and food	17,638
Depreciation	1,092
TOTAL OPERATING EXPENSES	<u>54,594</u>
OPERATING INCOME (LOSS)	<u>(3,557)</u>
NONOPERATING REVENUES (EXPENSES)	
Transfers in	3,346
Transfers (out)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,346</u>
CHANGES IN NET POSITION	(211)
NET POSITION - JULY 1	<u>36,395</u>
NET POSITION - JUNE 30	<u>\$ 36,184</u>

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities
	Enterprise Fund
	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 26,279
Intergovernmental receipts	24,479
Internal activity - receipts (payments) from/to other funds	(664)
Payments to suppliers	(53,440)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(3,346)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in (out)	3,346
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	3,346
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - JULY 1	-
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (3,557)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,092
Changes in operating assets, liabilities and deferred inflows of resources:	
(Increase) decrease in accounts receivable	(332)
(Increase) decrease in inventory	130
(Increase) decrease in due from other funds	(664)
(Decrease) increase in deferred revenue	53
(Decrease) increase in accounts payable	(68)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (3,346)

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019

	Private-Purpose Trust Fund Clare Templeton Fund	Agency Funds Student Activities
ASSETS		
Due from other governments	\$ 3,126	\$ 3,865
TOTAL ASSETS	<u>\$ 3,126</u>	<u>\$ 3,865</u>
LIABILITIES		
Deposits held for others	\$ -	\$ 3,865
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 3,865</u>
NET POSITION		
Restricted - held in trust	\$ 3,126	
TOTAL NET POSITION	<u>\$ 3,126</u>	

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Private-Purpose Trust Fund Clare Templeton Fund
ADDITIONS	
Investment earnings:	
Income earned	\$ 136
Total additions	<u>136</u>
DEDUCTIONS	
Administrative expenses	<u>680</u>
Total deductions	<u>680</u>
CHANGE IN NET POSITION	(544)
NET POSITION - JULY 1	<u>3,670</u>
NET POSITION - JUNE 30	<u>\$ 3,126</u>

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Worcester School District was incorporated under the laws in the State of Vermont. The School District operates under the Board of Directors-superintendent form of government and provides the following services: direct services, support services, fiscal services, operations and maintenance, transportation and program expenses.

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The School District's combined financial statements include all accounts and all operations of the School District. We have determined that the School District has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School District's food service fund is categorized as a business-type activity. All other activities of the School District are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The School District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions and business-type activities (instruction, administration, etc.), excluding fiduciary activities. The functions are also supported by general government revenues (support from the School District, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants.

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The School District does not allocate indirect costs. All costs are charged directly to the corresponding departments.

The government-wide focus is more on the sustainability of the School District as an entity and the change in the School District's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the School District are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the School District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the School District:

Major Funds:

- a. The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Funds:

- c. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- d. Permanent funds are used to account for assets held by the Worcester School District that are legally restricted unless otherwise specified, only earnings and not principal, may be used for purposes that benefit the School District or its citizenry. These funds have been established for the Music-Bellemeur Fund.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the School District:

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the School District's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (private-purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.)

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The School District's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

WORCESTER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Vermont to the Vermont State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

Revenues per budgetary basis	\$ 1,362,947
Add: On-behalf payments	91,876
Total GAAP basis	<u>\$ 1,454,823</u>
Expenditures per budgetary basis	\$ 1,516,424
Add: On-behalf basis	91,876
Total GAAP basis	<u>\$ 1,608,300</u>

1. The annual school budget is the planning management tool, which delineates the District's educational priorities and programs and forms the basis for voter review and approval of the budget according to applicable State of Vermont education finance laws.
2. The Board budget process includes input from school district administration and staff, educational priorities for the next school year, along with public hearings, which include the Board of Directors and general public.
3. The budget document itself is based upon the most current funding information available along with the projection of current revenues and expenditures for the next year. At the conclusion of the budget process, a final budget is approved by the Board of Directors.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the School District's policy to value investments at fair value. None of the School District's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The School District Treasurer is authorized by State Statutes to invest all excess funds in the following:

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

The Worcester School District has no formal investment policy but instead follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$11,203 for the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximate market, using the first-in, first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). The food service fund inventory consists of school lunch supplies and food on hand at the end of the year.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more for land, \$20,000 or more for buildings and improvements, \$2,500 for furniture and equipment and \$5,000 for vehicles are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. As of June 30, 2019, the School District did not have any long-term obligations.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) Plan and additions to/deductions from the VSTRS Plan's fiduciary net position have been determined on the same basis as they are reported by the VSTRS Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) and additions to/deductions from the VSTRS OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by VSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the School District. The inhabitants of the School District through School District meetings are the highest level of decision-making authority of the School District. Commitments may be established, modified, or rescinded only through a School District meeting vote.

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Directors.

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently has no deferred outflows of resources.

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of this item, deferred revenues, which is reported in both the statements of net position and governmental funds balance sheet. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided, operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The School District does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the School District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

The School District's investment policies, which follow state statutes, authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all School District funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the School District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The School District does not have a policy covering custodial credit risk.

At June 30, 2019, the School District's cash balance of \$310,913 was comprised of bank deposits of \$355,939. Of these bank deposits, \$250,000 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining balance of \$105,939 was collateralized with securities held by the financial institution in the School District's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 10,000
Repurchase agreement	345,939
	<u>\$ 355,939</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the School District does not have a policy for custodial credit risk for investments.

At June 30, 2019, the School District had \$0 in investments and maturities.

Credit risk - Statutes for the State of Vermont authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

statutory limits, financial institutions, mutual funds and repurchase agreements. The School District does not have an investment policy on credit risk. Generally, the School District invests excess funds in savings accounts and various insured certificates of deposit.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General Fund	\$ -	\$ 262,723
Capital Projects Fund	236,623	-
Nonmajor Governmental Funds	5,381	-
Enterprise Funds	20,719	-
	<u>\$ 262,723</u>	<u>\$ 262,723</u>

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Disposals	Balance, 6/30/19
<u>Governmental activities:</u>				
Depreciated assets:				
Buildings	\$ 738,343	\$ -	\$ -	\$ 738,343
Building improvements	324,374	59,524	-	383,898
Infrastructure	8,200	-	-	8,200
Furniture and equipment	46,538	32,226	(448)	78,316
	<u>1,117,455</u>	<u>91,750</u>	<u>(448)</u>	<u>1,208,757</u>
Less: accumulated depreciation	(899,524)	(19,693)	448	(918,769)
Net governmental capital assets	<u><u>\$ 217,931</u></u>	<u><u>\$ 72,057</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 289,988</u></u>
<u>Business-type activities:</u>				
Depreciated assets:				
Buildings	\$ 26,485	\$ -	\$ -	26,485
Furniture and equipment	34,263	-	-	34,263
	<u>60,748</u>	<u>-</u>	<u>-</u>	<u>60,748</u>
Less: accumulated depreciation	(48,630)	(1,092)	-	(49,722)
Net business-type capital assets	<u><u>\$ 12,118</u></u>	<u><u>\$ (1,092)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,026</u></u>
<u>Current year depreciation:</u>				
Direct services				\$ 7,785
Operations and maintenance				11,908
Total governmental activities depreciation				<u>19,693</u>
Food service				1,092
Total depreciation expense				<u><u>\$ 20,785</u></u>

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2019, was as follows:

	Balance, 7/1/18	Additions	Reductions	Balance, 6/30/19
Tax/revenue anticipation note	\$ -	\$ 563,747	\$ (563,747)	\$ -

On July 2, 2018, the Worcester School District issued a tax/revenue anticipation note to meet its operating obligations during the fiscal year. The tax/revenue anticipation note allowed principal draws of up to \$563,747 with interest at 2.70% per annum and a maturity date of June 28, 2019. The note was paid in full and interest expense for the fiscal year was \$14,888.

NOTE 6 - RESTRICTED FUND BALANCES

At June 30, 2019, the School District had the following restricted fund balances:

Capital project fund	\$ 236,623
Nonmajor permanent funds (Schedule G)	5,381
	<u>\$ 242,004</u>

NOTE 7 - ASSIGNED FUND BALANCE

At June 30, 2019, the School District had the following assigned fund balance:

General fund:	
Reserved for future operations	<u>\$ 36,320</u>

NOTE 8 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2019, School District was noncompliant with the legally adopted budget overspending the appropriated amount of \$1,358,497 by \$157,927.

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the School District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private Union teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont 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, 2017 (the most recent period available), the retirement system consisted of 22,193 participating members.

The plan was established effective July 1, 1947 and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the Secretary of Education (ex-officio), the State Treasurer (ex-officio), the Commissioner of Financial Regulation (ex-officio), two members and one alternate elected by active members of the System under rules adopted by the Board; and one retired member and one alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

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. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided

The VSTRS provides retirement and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. There are two levels of contributions and benefits in the System: Group A - for public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A; and Group C - for public school teachers employed within the State of Vermont on or after July 1, 1990. Group C also includes those teachers hired prior to July 1, 1990 and were in Group B on July 1, 1990. When Act 74 became effective on June 30, 2010, Group C was further bifurcated into Groups #1 and #2. Group #1 contains members who were at least 57 years of age or had at least 25 years of service and Group #2 contains members who were less than 57 years of age and had less than 25 years of service.

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 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, 2.0% 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 or age 65

WORCESTER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
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

Other post-employment benefits are available to all plan members include the following:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pay full premium	Members pay full premium	Members pay full premium

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the School District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan which approximates \$91,876 or 15.75% of total payroll for employees covered under the plan. Employee contribution rates by plan group follow:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Employee Contributions	5.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employee contributions totaled \$32,124 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees covered under this plan was \$583,338 for the year ended June 30, 2019.

Pension Liabilities

VSTRS Plan

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2019. The State's portion of the collective net pension liability that was associated with the School District was as follows:

School District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>1,243,441</u>
Total	<u><u>\$ 1,243,441</u></u>

The State of Vermont's proportionate share of the net pension liability associated with the School District is equal to the collective net pension liability, actuarially measured as of June 30, 2018, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the School District's proportion was 0.08230862% which was a decrease of 0.000266% from its proportion measured as of June 30, 2017.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the School District recognized total pension expense of \$96,381 and revenue of \$96,381 for support provided by the State of Vermont for the VSTRS plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	VSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	\$ -	\$ -

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS Plan
Plan year ended June 30:	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using the actuarial assumptions outlined below.

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation

Inflation: 2.50%.

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Salary Increases: Ranging from 3.75% to 9.09%

Deaths After Retirement: The VSTRS plan used 98% of the RP-2006 White Collar Employee with generational projection using Scale SSA-2017 for pre-retirement, 98% of the RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017 for healthy retirees, and the RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017 for disabled retirees.

Inactive Members: Valuation liability for the VSTRS plan equals 250.0% of accumulated contributions.

Future Administrative Expenses: No provisions were made, expenses of the System are paid by the State.

Unknown Data for Participants: For the VSTRS plan, it is the same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

Percent Married: 85% of male members and 35% of female members are assumed to be married.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments: Adjustments for the VSTRS plan are assumed to occur on January 1 following one year of retirement. For the VSTRS plan this occurs at the rate of 2.55% per annum for Group A members and 1.40% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement). The January 1, 2019 COLA is assumed to be 2.60% for Group A and 1.30% for Group C.

Actuarial Cost Method: Uses the Entry Age Actuarial Cost Method. Entry age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Accrued Actuarial Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

For the VSTRS plan, the *asset valuation method* used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

WORCESTER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The *long-term expected rate of return* on the VSTRS 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) developed for each major asset class. These best estimate ranges were 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.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	18.00%	6.10%
Non-US Equity	16.00%	7.45%
Global Equity	9.00%	6.74%
Fixed Income	26.00%	2.25%
Real Estate	8.00%	5.11%
Private Markets	15.00%	7.60%
Hedge Funds	8.00%	3.86%

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the VSTRS plan. 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 which exceeds the actuarially determined contribution rate. 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 68.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50% for the VSTRS plan, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.50%	7.50%	8.50%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VSTRS or their participating employers. VSTRS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

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

The plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2017 (the most recent period available), the plan consisted of 4,878 retired members or beneficiaries currently receiving benefits and 8,941 active members.

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

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

All assets of the Plan are held in a single trust and are available to pay OPEB benefits to all members. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

VSTRS retirees and their spouses are eligible for medical, prescription drug and dental benefits on a lifetime basis if the retiree is eligible for pension benefits, as described in the Notes to Financial Statements for Defined Benefit Plan(s).

Contributions

Varying levels of contributions are required from retirees and spouses for medical and prescription drug coverage at the following premium subsidy rates:

WORCESTER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	Retiree Subsidy		Spouse Subsidy*	
Retired before June 30, 2010	At least ten years of service-80% of premium Less than ten years of service-0% of premium		0% of premium	
Retired after June 30, 2010	10 years or more of service at June 30, 2010-80% of premium		Years of service at June 30, 2010-80% of premium:	
	Less than 10 years of service at June 30, 2010:			
	Less than 15 years at retirement	Less than 15 years at retirement	Less than 10 years	25 years at retirement
	15-19.99 years at retirement	15-19.99 years at retirement	10-14.99 years	25 years at retirement
	20-24.99 years at retirement	20-24.99 years at retirement	15-24.99 years	10 additional years from June 30, 2010
	25 years or more at retirement	25 years or more at retirement	25-29.99 years	35 years at retirement
			30 or more years	5 additional years from June 30, 2010

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

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

OPEB Liabilities

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 75 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net OPEB liability was

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

recorded at June 30, 2019. The State's portion of the collective net OPEB liability that was associated with the School District was as follows:

School District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the School District		<u>-</u>
Total	\$	<u><u>-</u></u>

The State of Vermont's proportionate share of the net OPEB liability associated with the School District is equal to the collective net OPEB liability, actuarially measured as of June 30, 2018, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the School District's proportion was 0.10278% which was a decrease of 0.00026% from its proportion measured as of June 30, 2017.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the School District recognized total OPEB expense of \$51,933 and revenue of \$51,933 for support provided by the State of Vermont for the Plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	VSTRS OPEB Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

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

	VSTRS OPEB Plan
Plan year ended June 30:	
2018	\$ -
2019	-
2020	-
2021	-
2022	-
Thereafter	-

Discount Rate

The discount rate is the single rate of return, that when applied to all projected benefit payments, results in an actuarial present value that is the sum of the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return and the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The sensitivity of net OPEB liability to changes in discount rate are as follows:

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
VSTRS OPEB Plan:			
Discount rate	2.870%	3.870%	4.870%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Healthcare Trend Rate

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2019 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers and CPI statistics published by the Bureau of Labor Statistics. The sensitivity of net OPEB liability to changes in healthcare trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

Asset Valuation Method

The Asset Valuation Method used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

The long-term expected rate of return on both 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) developed for each major asset class. These best estimate ranges were 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.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.50%
International equity	15.00%	7.75%
Emerging international equity	5.00%	9.25%
Core bonds	60.00%	3.75%
Inflation		2.75%
Total	<u>100.00%</u>	

Assumptions

The actuarial assumptions used to calculate the actuarially determined contribution rates can be found in the Report on the Actuarial Valuation of Post Retirement Benefits of the Vermont State Teachers' Retirement System Prepared as of June 30, 2016 completed by Buck Consulting. As of June 30, 2018, they are as follows:

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount Rate	3.87%
Salary Increase Rate	Varies by age
Non-Medicare	7.15% graded to 4.50% over 12 years
Medicare	7.30% graded to 4.50% over 11 years
Retiree Contributions	Equal to health trend
Pre-retirement Mortality	98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017.
Post-retirement Mortality	98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017.

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2019 with the following exceptions:

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for June 30, 2018. For the fiscal year ended June 30, 2018, the discount rate was increased from 3.58% to 3.87%.

OPEB Plan Fiduciary Net Position

The schedule of employer allocations and schedule of OPEB amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VSTRS or their participating employers. VSTRS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, students and guests; as well as natural disasters for which the School District either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District.

The School District is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker compensation, multi-line intermunicipal school program and unemployment compensation program and the Vermont Education Health Initiative (VEHI) for medical benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont School Districts and is owned by the participating Districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, VEHI has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

Multi-Line Intermunicipal School Program provides coverage for property; inland marine and boiler and machinery; crime; commercial general liability; automobile/garagekeepers; and educators legal liability. Annual contributions are based upon appropriate rates applicable to each member; such rates are set based on recommendations of a qualified actuary, plus a proportionate share of all operational and administrative cost including excess reinsurance premiums incurred by the trust. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the program will be terminated with each member assessed their proportionate share of the deficit.

NOTE 12 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the School District's financial position.

WORCESTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - CONTINGENCIES (CONTINUED)

The School District participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the School District's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 13 - RELATED ORGANIZATION

The School District has an ongoing financial responsibility to Washington Central School District as defined in GASB 14, paragraph 71. Through Washington Central School District's assessment process, the School District's assessment can be increased to cover a share of any prior year deficits and decreased to share in any prior year surpluses. Separate financial statements on Washington Central School District are available from Washington Central School District.

NOTE 14 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the School District's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 15 - SUBSEQUENT EVENT

All assets and liabilities of the Worcester School District were transferred to the new Washington Central Unified Union School District which is made of the Town School Districts of Berlin, Calais, East Montpelier, Middlesex and Worcester on July 1, 2019. All business transactions of Worcester School District ceased as of that date. Therefore, this is the final audit of the Worcester School District.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pension
- Schedule of Proportionate Share of the Net OPEB Liability
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

WORCESTER SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 189,797	\$ 189,797	\$ 189,797	\$ -
Resources (Inflows):				
Intergovernmental:				
State/Town support	1,215,766	1,215,766	1,213,063	(2,703)
Other	123,836	123,836	114,738	(9,098)
Interest income	14,615	14,615	22,463	7,848
Miscellaneous	280	280	12,683	12,403
Transfers from other funds	4,000	4,000	-	(4,000)
Amounts Available for Appropriation	<u>1,548,294</u>	<u>1,548,294</u>	<u>1,552,744</u>	<u>4,450</u>
Charges to Appropriations (Outflows):				
Direct services	729,816	729,816	690,611	39,205
Support services:				
Student services	89,029	89,029	90,505	(1,476)
Instructional staff services	66,179	66,179	69,983	(3,804)
General administrative services	107,204	107,204	111,867	(4,663)
Area administrative services	110,203	110,203	151,922	(41,719)
Fiscal services	14,615	14,615	14,888	(273)
Operations and maintenance	119,199	119,199	114,553	4,646
Transportation	48,906	48,906	49,424	(518)
Transfers to other funds	73,346	73,346	222,671	(149,325)
Total Charges to Appropriations	<u>1,358,497</u>	<u>1,358,497</u>	<u>1,516,424</u>	<u>(157,927)</u>
Budgetary Fund Balance, June 30	<u>\$ 189,797</u>	<u>\$ 189,797</u>	<u>\$ 36,320</u>	<u>\$ (153,477)</u>

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015
<u>VSTRS:</u>					
Proportion of the net pension liability	0.08%	0.08%	0.08%	0.09%	0.11%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	1,243,441	1,224,093	1,063,904	1,020,000	\$ 1,042,000
Total	<u>\$ 1,243,441</u>	<u>\$ 1,224,093</u>	<u>\$ 1,063,904</u>	<u>\$ 1,020,000</u>	<u>\$ 1,042,000</u>
Covered-employee payroll	\$ 556,435	\$ 545,659	\$ 526,294	\$ 479,254	\$ 616,246
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	54.81%	53.98%	55.31%	58.22%	64.02%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015
<u>VSTRS:</u>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 583,338	\$ 556,435	\$ 545,659	\$ 526,294	\$ 479,254
Contributions as a percentage of covered- employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>
<u>VSTRS OPEB Plan:</u>		
Proportion of the net OPEB liability	0.10%	0.10%
School District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the School District	978,296	958,199
Total	<u>\$ 978,296</u>	<u>\$ 958,199</u>
Covered-employee payroll	\$ 556,435	\$ 545,659
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.76%	1.52%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	2019	2018
<u>VSTRS OPEB Plan:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 583,338	\$ 556,435
Contributions as a percentage of covered- employee payroll	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Changes of Assumptions

VSTRS Pension:

The valuation liability for inactive members as reported by the System was lowered from 332.5% of accumulated contributions to 250.0% of accumulated contributions.

VSTRS OPEB:

The discount rate increased from 3.58% to 3.87% for the VSTRS OPEB liability.

The percentage of non-DC Plan current retirees assumed to have life insurance coverage was increased from 65% to 75%.

Future male retirees were assumed to be two years older than their spouses, decreased from three years. Future female retirees were assumed to be one year younger than their spouses, decreased from three years.

The percentage of future retirees assumed to have a spouse electing coverage was increased from 60% to 70% for male retirees and from 50% to 60% for female retirees.

The claims cost development methodology was modified for non-Medicare participants.

The per capita valuation-year claims and retiree contribution rates were updated.

The assumed health trend rates were modified.

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

WORCESTER SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
Education spending grant	\$ 1,215,766	\$ 1,215,766	\$ 1,213,063	\$ (2,703)
Small schools grant	85,131	85,131	87,424	2,293
Special education reimbursement	37,205	37,205	26,054	(11,151)
E-rate	1,500	1,500	1,260	(240)
Interest income	14,615	14,615	22,463	7,848
Miscellaneous:				
Other receipts	280	280	12,683	12,403
Transfers from other funds	4,000	4,000	-	(4,000)
Amounts Available for Appropriation	<u>\$ 1,358,497</u>	<u>\$ 1,358,497</u>	<u>\$ 1,362,947</u>	<u>\$ 4,450</u>

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Direct services -				
Instructional services	\$ 526,321	\$ 526,321	\$ 516,379	\$ 9,942
Preschool program	51,951	51,951	44,699	7,252
Special education	66,438	66,438	44,427	22,011
SU assessments	85,106	85,106	85,106	-
Total Direct services	<u>729,816</u>	<u>729,816</u>	<u>690,611</u>	<u>39,205</u>
Support services -				
Students -				
Guidance services	72,181	72,181	73,233	(1,052)
Health services	16,848	16,848	17,272	(424)
Instructional staff -				
Library services	36,879	36,879	34,639	2,240
Technology services	29,300	29,300	35,344	(6,044)
Total Support services	<u>155,208</u>	<u>155,208</u>	<u>160,488</u>	<u>(5,280)</u>
General administration -				
Board of education	9,621	9,621	14,284	(4,663)
Office of the superintendent	97,583	97,583	97,583	-
Total general administration	<u>107,204</u>	<u>107,204</u>	<u>111,867</u>	<u>(4,663)</u>
Area administration - office of the principal	<u>110,203</u>	<u>110,203</u>	<u>151,922</u>	<u>(41,719)</u>
Fiscal services	<u>14,615</u>	<u>14,615</u>	<u>14,888</u>	<u>(273)</u>
Operations and maintenance	<u>119,199</u>	<u>119,199</u>	<u>114,553</u>	<u>4,646</u>
Transportation	<u>48,906</u>	<u>48,906</u>	<u>49,424</u>	<u>(518)</u>
Transfers to other funds	<u>73,346</u>	<u>73,346</u>	<u>222,671</u>	<u>(149,325)</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 1,358,497</u>	<u>\$ 1,358,497</u>	<u>\$ 1,516,424</u>	<u>\$ (157,927)</u>

WORCESTER SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS			
Due from other funds	\$ -	\$ 5,381	\$ 5,381
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 5,381</u>	<u>\$ 5,381</u>
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	5,381	5,381
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>5,381</u>	<u>5,381</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 5,381</u>	<u>\$ 5,381</u>

WORCESTER SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 101,027	\$ -	\$ 101,027
Interest income	-	196	196
TOTAL REVENUES	<u>101,027</u>	<u>196</u>	<u>101,223</u>
EXPENDITURES			
Other	101,027	110	101,137
TOTAL EXPENDITURES	<u>101,027</u>	<u>110</u>	<u>101,137</u>
NET CHANGE IN FUND BALANCES	-	86	86
FUND BALANCES - JULY 1	<u>-</u>	<u>5,295</u>	<u>5,295</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ 5,381</u>	<u>\$ 5,381</u>

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

WORCESTER SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	School Wide Program	EPSDT	VT Rural Local Foods	Fresh Fruit and Veg Grant	REAP Grant	Total
ASSETS						
Due from other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WORCESTER SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	School Wide Program	EPSDT	VT Rural Local Foods	Fresh Fruit and Veg Grant	REAP Grant	Total
REVENUES						
Intergovernmental	\$ 86,822	\$ 2,550	\$ 597	\$ 4,875	\$ 6,183	\$ 101,027
TOTAL REVENUES	<u>86,822</u>	<u>2,550</u>	<u>597</u>	<u>4,875</u>	<u>6,183</u>	<u>101,027</u>
EXPENDITURES						
Other	86,822	2,550	597	4,875	6,183	101,027
TOTAL EXPENDITURES	<u>86,822</u>	<u>2,550</u>	<u>597</u>	<u>4,875</u>	<u>6,183</u>	<u>101,027</u>
NET CHANGE IN FUND BALANCES	-	-	-	-	-	-
FUND BALANCES - JULY 1	-	-	-	-	-	-
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Permanent Funds

Permanent funds are used to account for assets held by the Worcester School District that are legally restricted unless otherwise specified, only earnings and not principal, may be used for purposes that benefit the School District or its citizenry. These funds have been established for the Music-Bellemeur Fund.

WORCESTER SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2019

	Music- Bellemeur Fund	Total
ASSETS		
Due from other funds	\$ 5,381	\$ 5,381
TOTAL ASSETS	<u>\$ 5,381</u>	<u>\$ 5,381</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	5,381	5,381
Committed	-	-
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>5,381</u>	<u>5,381</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,381</u>	<u>\$ 5,381</u>

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Music- Bellemeur Fund	Total
REVENUES		
Interest Income	\$ 196	\$ 196
TOTAL REVENUES	<u>196</u>	<u>196</u>
EXPENDITURES		
Other	110	110
TOTAL EXPENDITURES	<u>110</u>	<u>110</u>
NET CHANGE IN FUND BALANCES	86	86
FUND BALANCES - JULY 1	<u>5,295</u>	<u>5,295</u>
FUND BALANCES - JUNE 30	<u>\$ 5,381</u>	<u>\$ 5,381</u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

WORCESTER SCHOOL DISTRICT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR JUNE 30, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Direct Services	\$ -	\$ 856,566	\$ 49,271	\$ -	\$ 905,837
S.S. - Students	-	10,394	-	-	10,394
S.S. - Staff	-	65,246	7,164	-	72,410
S.S. - Area Administration	-	11,228	10,906	-	22,134
Operations and Maintenance	-	187,007	10,975	-	197,982
Food Service	-	-	60,748	-	60,748
Total General Capital Assets	-	1,130,441	139,064	-	1,269,505
Less: Accumulated Depreciation	-	(877,236)	(91,255)	-	(968,491)
Net General Capital Assets	\$ -	\$ 253,205	\$ 47,809	\$ -	\$ 301,014

See accompanying independent auditors' report and notes to financial statements.

WORCESTER SCHOOL DISTRICT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2019

	General Capital Assets 7/1/18	Additions	Deletions	General Capital Assets 6/30/19
Direct Services	\$ 873,611	\$ 32,226	\$ -	\$ 905,837
S.S. - Students	10,394	-	-	10,394
S.S. - Staff	72,858	-	(448)	72,410
S.S. - Area Administration	22,134	-	-	22,134
Operations and Maintenance	138,458	59,524	-	197,982
Food Service	60,748	-	-	60,748
Total General Capital Assets	1,178,203	91,750	(448)	1,269,505
Less: Accumulated Depreciation	(948,154)	(20,785)	448	(968,491)
Net General Capital Assets	<u>\$ 230,049</u>	<u>\$ 70,965</u>	<u>\$ -</u>	<u>\$ 301,014</u>

See accompanying independent auditors' report and notes to financial statements.



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

Board of Directors
Worcester School District
Montpelier, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Worcester School District as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Worcester School District's basic financial statements and have issued our report thereon dated **November 18, 2019**.

Internal Control Over Financial Reporting

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

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

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www.rhrsmith.com

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

Compliance and Other Matters

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

Purpose of this Report

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

Buxton, Maine
Vermont Registration No. 092.0000697
November 18, 2019

Federal Compliance Audit

Washington Central Supervisory Union

June 30, 2019



Proven Expertise & Integrity

WASHINGTON CENTRAL SUPERVISORY UNION

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JUNE 30, 2019

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Proven Expertise & Integrity

INDEPENDENT AUDITORS' REPORT

Board of Directors
Washington Central Supervisory Union
Montpelier, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Washington Central Supervisory Union as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Washington Central Supervisory Union's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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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, business-type activities, each major fund and the aggregate remaining fund information of Washington Central Supervisory Union as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 10 and 58 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Washington Central Supervisory Union's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the Washington Central Supervisory Union's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Washington Central Supervisory Union's internal control over financial reporting and compliance.

Buxton, Maine
Vermont Registration No. 092.0000697
December 12, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

(UNAUDITED)

The following management's discussion and analysis of the Washington Central Supervisory Union's financial performance provides an overview of the Supervisory Union's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Supervisory Union's financial statements.

Financial Statement Overview

The Supervisory Union's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, pension and OPEB information and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Supervisory Union's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Supervisory Union's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have separate columns for the two different types of Supervisory Union activities. The types of activities presented for the Supervisory Union are:

- *Governmental activities* - The activities in this section are mostly supported by intergovernmental revenues (federal and state grants), support from the towns and charges for services. Most of the Supervisory Union's basic services are reported in governmental activities, which include direct services, support services, fiscal services, operations and maintenance, transportation and program expenses.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. The activity for the Supervisory Union includes the dental plan, section 125 plan, the food service fund and internal service fund.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Supervisory Union, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Supervisory Union can be classified into two categories: governmental funds and proprietary funds.

Governmental funds: Most of the basic services provided by the Supervisory Union are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Supervisory Union's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Supervisory Union.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the

governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Supervisory Union presents three columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Supervisory Union's major funds are the general fund and the community connections fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Supervisory Union legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Supervisory Union maintains three proprietary funds, the dental plan, the section 125 plan and the food service fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial 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 the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows - Proprietary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pensions, a Schedule of Proportionate Share of the Net OPEB Liability, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the Supervisory Union's governmental and business-type activities. The Supervisory Union's total net position for governmental activities increased by \$368,295 from \$731,843 to \$1,100,138. For business-type activities, the Supervisory Union's total net position increased by \$14,629 from \$164,984 to \$179,613.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for governmental activities to a balance of \$1,058,220 at the end of the fiscal year. For business-type activities, the balance increased to \$179,613.

Table 1
Washington Central Supervisory Union
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2019	2018 (Restated)	2019	2018
Assets:				
Current Assets	\$ 1,652,585	\$ 1,515,049	\$ 216,404	\$ 182,185
Noncurrent Assets	41,918	56,859	-	-
Total Assets	<u>\$ 1,694,503</u>	<u>\$ 1,571,908</u>	<u>\$ 216,404</u>	<u>\$ 182,185</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	\$ 192,702	\$ 211,845	\$ -	\$ -
Total Deferred Outflows of Resources	<u>\$ 192,702</u>	<u>\$ 211,845</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Current Liabilities	\$ 2,705	\$ 152,475	\$ 36,791	\$ 17,201
Noncurrent Liabilities	410,829	447,012	-	-
Total Liabilities	<u>\$ 413,534</u>	<u>\$ 599,487</u>	<u>\$ 36,791</u>	<u>\$ 17,201</u>
Deferred Inflows of Resources:				
Deferred Revenues	\$ 362,696	\$ 443,105	\$ -	\$ -
Deferred Inflows Related to Pensions	10,837	9,318	-	-
Total Deferred Inflows of Resources	<u>\$ 373,533</u>	<u>\$ 452,423</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:				
Net Investment in Capital Assets	\$ 41,918	\$ 53,509	\$ -	\$ -
Unrestricted	1,058,220	678,334	179,613	164,984
Total Net Position	<u>\$ 1,100,138</u>	<u>\$ 731,843</u>	<u>\$ 179,613</u>	<u>\$ 164,984</u>

Revenues and Expenses

Revenues for the Supervisory Union's governmental activities increased by 5.51%, while total expenses increased by 5.60%. The increase in revenues were due to increases in grants and contributions not restricted to specific programs and miscellaneous, which were offset by a decrease in charges for services. The increase in expenses was mainly due to an increase in direct services.

Revenues for the Supervisory Union's business-type activities decreased by 4.94%, while total expenses decreased by 8.41%.

Table 2
Washington Central Supervisory Union
Changes in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 778,437	\$ 5,130,141	\$ 265,421	\$ 579,534
Operating grants and contributions	3,162,137	3,552,470	252,322	246,760
<i>General Revenues:</i>				
Grants and contributions not restricted to specific programs	8,823,338	4,637,132	-	-
Miscellaneous	1,314,790	23,682	267,718	-
Total Revenues	14,078,702	13,343,425	785,461	826,294
Expenses				
Direct services	5,176,092	4,718,585	-	-
Support services:				
Instructional staff services	688,124	592,798	-	-
General administrative services	669,633	585,940	-	-
Area administrative services	291,021	314,064	-	-
Fiscal services	513,599	478,077	-	-
Operations and maintenance	13,651	20,865	-	-
Transportation	1,448,308	1,430,004	-	-
On-behalf payments	2,004,643	1,949,459	-	-
Program expenses	2,893,887	2,827,382	770,832	841,653
Interest on long-term debt	11,449	66,320	-	-
Total Expenses	13,710,407	12,983,494	770,832	841,653
Change in Net Position	368,295	359,931	14,629	(15,359)
Net Position - July 1, Restated	731,843	371,912	164,984	180,343
Net Position - June 30	\$ 1,100,138	\$ 731,843	\$ 179,613	\$ 164,984

Financial Analysis of the Supervisory Union's Fund Statements

Governmental funds: The financial reporting focus of the Supervisory Union's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information may be useful in assessing the Supervisory Union's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
Washington Central Supervisory Union
Fund Balances - Governmental Funds
June 30,

	2019	2018
Major Funds:		
General Fund:		
Nonspendable	\$ -	\$ 11,287
Assigned	432,534	293,201
Total General Fund	<u>\$ 432,534</u>	<u>\$ 304,488</u>
Nonmajor Funds:		
Capital Projects Funds:		
Committed	\$ 465,243	\$ 284,438
Total Nonmajor Funds	<u>\$ 465,243</u>	<u>\$ 284,438</u>

The general fund total fund balance increased by \$128,046 from the prior fiscal year primarily as a result of revenues exceeding expenditures and transfers to other funds. The total fund balance for the nonmajor funds increased by \$180,805 from the prior year mainly as a result of transfers from the general fund.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues exceeded budgeted revenues by \$167,167. This was a result of special education reimbursements.

The general fund actual expenditures exceeded budget by \$39,121. This was the result of additional special education expenses.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2019, the net book value of capital assets recorded by the Supervisory Union decreased by \$14,941. This decrease was due to current year depreciation expense.

Table 4
Washington Central Supervisory Union
Capital Assets (Net of Depreciation)
June 30,

	2019	2018
Furniture and equipment	\$ 41,918	\$ 56,859
Total	<u>\$ 41,918</u>	<u>\$ 56,859</u>

Debt

At June 30, 2019, the Supervisory Union had \$0 in a note from direct borrowings payable versus \$3,350 last year. Refer to Note 5 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The 2019 - 2020 budget could be severely impacted by the reduction of funding from the State.

Contacting the Supervisory Union's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Supervisory Union's finances and to show the Supervisory Union's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Supervisory Union at 1130 Gallison Hill Road, Montpelier, Vermont 05602.

WASHINGTON CENTRAL SUPERVISORY UNION

STATEMENT A

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,599,280	\$ 9,900	\$ 1,609,180
Accounts receivable (net of allowance for uncollectibles)	41,898	-	41,898
Due from other governments	186,422	19,489	205,911
Prepaid items	12,000	-	12,000
Internal balances	(187,015)	187,015	-
Total current assets	<u>1,652,585</u>	<u>216,404</u>	<u>1,868,989</u>
Noncurrent assets:			
Capital assets:			
Buildings, building improvements and other assets, net of accumulated depreciation	41,918	-	41,918
Total noncurrent assets	<u>41,918</u>	<u>-</u>	<u>41,918</u>
TOTAL ASSETS	<u>1,694,503</u>	<u>216,404</u>	<u>1,910,907</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	192,702	-	192,702
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>192,702</u>	<u>-</u>	<u>192,702</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,887,205</u>	<u>\$ 216,404</u>	<u>\$ 2,103,609</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,856	\$ 36,791	\$ 38,647
Current portion of long-term obligations	849	-	849
Total current liabilities	<u>2,705</u>	<u>36,791</u>	<u>39,496</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Accrued compensated absences	16,130	-	16,130
Net pension liability	394,699	-	394,699
Total noncurrent liabilities	<u>410,829</u>	<u>-</u>	<u>410,829</u>
TOTAL LIABILITIES	<u>413,534</u>	<u>36,791</u>	<u>450,325</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	362,696	-	362,696
Deferred inflows related to pensions	10,837	-	10,837
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>373,533</u>	<u>-</u>	<u>373,533</u>
NET POSITION			
Net investment in capital assets	41,918	-	41,918
Unrestricted	1,058,220	179,613	1,237,833
TOTAL NET POSITION	<u>1,100,138</u>	<u>179,613</u>	<u>1,279,751</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,887,205</u>	<u>\$ 216,404</u>	<u>\$ 2,103,609</u>

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
Governmental activities:							
Direct services	\$ 5,176,092	\$ -	\$ -	\$ -	\$ (5,176,092)	\$ -	\$ (5,176,092)
Support services:							
Instructional staff services	688,124	-	-	-	(688,124)	-	(688,124)
General administrative services	669,633	-	-	-	(669,633)	-	(669,633)
Area administrative services	291,021	-	-	-	(291,021)	-	(291,021)
Fiscal services	513,599	-	-	-	(513,599)	-	(513,599)
Operations and maintenance	13,651	-	-	-	(13,651)	-	(13,651)
Transportation	1,448,308	-	-	-	(1,448,308)	-	(1,448,308)
Program expenses	2,893,887	778,437	1,157,494	-	(957,956)	-	(957,956)
On-behalf payments	2,004,643	-	2,004,643	-	-	-	-
Capital outlay	11,449	-	-	-	(11,449)	-	(11,449)
Total governmental activities	<u>13,710,407</u>	<u>778,437</u>	<u>3,162,137</u>	<u>-</u>	<u>(9,769,833)</u>	<u>-</u>	<u>(9,769,833)</u>
Business-type activities:							
Dental plan	253,089	-	-	-	-	(253,089)	(253,089)
Food service	517,743	265,421	252,322	-	-	-	-
Total business-type activities	<u>770,832</u>	<u>265,421</u>	<u>252,322</u>	<u>-</u>	<u>-</u>	<u>(253,089)</u>	<u>(253,089)</u>
Total government	<u>\$ 14,481,239</u>	<u>\$ 1,043,858</u>	<u>\$ 3,414,459</u>	<u>\$ -</u>	<u>(9,769,833)</u>	<u>(253,089)</u>	<u>(10,022,922)</u>

STATEMENT B (CONTINUED)
WASHINGTON CENTRAL SUPERVISORY UNION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	<u>(9,769,833)</u>	<u>(253,089)</u>	<u>(10,022,922)</u>
General revenues:			
Grants and contributions not restricted to specific programs	8,823,338	-	8,823,338
Miscellaneous	1,314,790	267,718	1,582,508
Total general revenues	<u>10,138,128</u>	<u>267,718</u>	<u>10,405,846</u>
Change in net position	368,295	14,629	382,924
NET POSITION - JULY 1, RESTATED	<u>731,843</u>	<u>164,984</u>	<u>896,827</u>
NET POSITION - JUNE 30	<u>\$ 1,100,138</u>	<u>\$ 179,613</u>	<u>\$ 1,279,751</u>

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Community Connections Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,235,391	\$ -	\$ -	\$ 1,235,391
Accounts receivable (net of allowance for uncollectibles)	2,558	-	39,340	41,898
Due from other governments	186,422	-	-	186,422
Due from other funds	37,484	84,778	743,161	865,423
TOTAL ASSETS	<u>\$ 1,461,855</u>	<u>\$ 84,778</u>	<u>\$ 782,501</u>	<u>\$ 2,329,134</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 1,856	\$ 1,856
Due to other funds	1,029,321	-	37,484	1,066,805
TOTAL LIABILITIES	<u>1,029,321</u>	<u>-</u>	<u>39,340</u>	<u>1,068,661</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	-	84,778	277,918	362,696
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>84,778</u>	<u>277,918</u>	<u>362,696</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	465,243	465,243
Assigned	432,534	-	-	432,534
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>432,534</u>	<u>-</u>	<u>465,243</u>	<u>897,777</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,461,855</u>	<u>\$ 84,778</u>	<u>\$ 782,501</u>	<u>\$ 2,329,134</u>

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

	Total Governmental Funds
Total Fund Balances	\$ 897,777
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	41,918
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	192,702
Long-term obligations shown below are not due and payable in the current period and therefore are not reported in the funds shown above:	
Accrued compensated absences	(16,979)
Net pension liability	(394,699)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(10,837)
Internal service fund net position is added to governmental activities	390,256
Net position of governmental activities	<u>\$ 1,100,138</u>

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Community Connections Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental revenues	\$ 9,236,784	\$ -	\$ 1,157,494	\$ 10,394,278
Charges for services	-	778,437	-	778,437
Interest income	42,278	-	6,442	48,720
Miscellaneous revenues	216,106	-	6,259	222,365
TOTAL REVENUES	<u>9,495,168</u>	<u>778,437</u>	<u>1,170,195</u>	<u>11,443,800</u>
EXPENDITURES				
Current:				
Direct services	5,199,281	-	-	5,199,281
Support services:				
Instructional staff services	688,124	-	-	688,124
General administrative services	654,692	-	-	654,692
Area administrative services	291,021	-	-	291,021
Fiscal services	513,599	-	-	513,599
Operations and maintenance	13,651	-	-	13,651
Transportation	1,448,308	-	-	1,448,308
On-behalf payments	413,446	-	-	413,446
Program expenses	-	778,437	1,122,941	1,901,378
Capital outlay	-	-	11,449	11,449
TOTAL EXPENDITURES	<u>9,222,122</u>	<u>778,437</u>	<u>1,134,390</u>	<u>11,134,949</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>273,046</u>	<u>-</u>	<u>35,805</u>	<u>308,851</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	508,212	508,212
Transfers (out)	(145,000)	-	(363,212)	(508,212)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(145,000)</u>	<u>-</u>	<u>145,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	128,046	-	180,805	308,851
FUND BALANCES - JULY 1	<u>304,488</u>	<u>-</u>	<u>284,438</u>	<u>588,926</u>
FUND BALANCES - JUNE 30	<u>\$ 432,534</u>	<u>\$ -</u>	<u>\$ 465,243</u>	<u>\$ 897,777</u>

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 308,851</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	-
Capital asset disposals	-
Depreciation expense	<u>(14,941)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>(19,143)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	<u>3,350</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>(1,519)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	86,352
Net pension liability	<u>(45,851)</u>
	<u>40,501</u>
Internal service fund activity is classified as a governmental activity in the Statement of Activities	<u>51,196</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 368,295</u></u>

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2019

	Enterprise Funds				Internal Service Fund
	Dental Plan	Section 125 Plan	Food Service	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 9,900	\$ -	\$ -	\$ 9,900	\$ 363,889
Due from other governments	-	19,489	-	19,489	-
Prepaid items	-	-	-	-	12,000
Due from other funds	169,713	17,302	-	187,015	14,367
Total current assets	<u>179,613</u>	<u>36,791</u>	<u>-</u>	<u>216,404</u>	<u>390,256</u>
TOTAL ASSETS	<u>\$ 179,613</u>	<u>\$ 36,791</u>	<u>\$ -</u>	<u>\$ 216,404</u>	<u>\$ 390,256</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ -	\$ 36,791	\$ -	\$ 36,791	\$ -
Total current liabilities	<u>-</u>	<u>36,791</u>	<u>-</u>	<u>36,791</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>36,791</u>	<u>-</u>	<u>36,791</u>	<u>-</u>
NET POSITION					
Unrestricted	179,613	-	-	179,613	390,256
TOTAL NET POSITION	<u>179,613</u>	<u>-</u>	<u>-</u>	<u>179,613</u>	<u>390,256</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 179,613</u>	<u>\$ 36,791</u>	<u>\$ -</u>	<u>\$ 216,404</u>	<u>\$ 390,256</u>

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Funds				Internal Service Fund
	Dental Plan	Section 125 Plan	Food Service	Total	
OPERATING REVENUES					
Intergovernmental	\$ -	\$ -	\$ 252,322	\$ 252,322	\$ -
Charges for services	-	-	265,421	265,421	-
Miscellaneous	267,337	-	-	267,337	1,040,604
TOTAL OPERATING REVENUES	<u>267,337</u>	<u>-</u>	<u>517,743</u>	<u>785,080</u>	<u>1,040,604</u>
OPERATING EXPENSES					
Professional services	213,435	-	-	213,435	922,738
Supplies and food	1,000	-	517,743	518,743	1,100
Other	38,654	-	-	38,654	68,671
TOTAL OPERATING EXPENSES	<u>253,089</u>	<u>-</u>	<u>517,743</u>	<u>770,832</u>	<u>992,509</u>
OPERATING INCOME (LOSS)	<u>14,248</u>	<u>-</u>	<u>-</u>	<u>14,248</u>	<u>48,095</u>
NONOPERATING REVENUES (EXPENSES)					
Interest Income	381	-	-	381	3,101
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>381</u>	<u>-</u>	<u>-</u>	<u>381</u>	<u>3,101</u>
CHANGES IN NET POSITION	14,629	-	-	14,629	51,196
NET POSITION - JULY 1, RESTATED	<u>164,984</u>	<u>-</u>	<u>-</u>	<u>164,984</u>	<u>339,060</u>
NET POSITION - JUNE 30	<u>\$ 179,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,613</u>	<u>\$ 390,256</u>

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Funds				Internal
	Dental Plan	Section 125 Plan	Food Service	Total	Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 267,337	\$ -	\$ 265,421	\$ 532,758	\$ 1,040,604
Intergovernmental receipts	-	(19,489)	269,523	250,034	7,997
Internal activity - receipts (payments) from/to other funds	(15,092)	(17,302)	-	(32,394)	-
Payments to suppliers	(253,089)	36,791	(534,944)	(751,242)	(1,030,627)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(844)	-	-	(844)	17,974
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	381	-	-	381	3,101
NET CASH PROVIDED BY INVESTING ACTIVITIES	381	-	-	381	3,101
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(463)	-	-	(463)	21,075
CASH AND CASH EQUIVALENTS - JULY 1	10,363	-	-	10,363	342,814
CASH AND CASH EQUIVALENTS - JUNE 30	\$ 9,900	\$ -	\$ -	\$ 9,900	\$ 363,889
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 14,248	\$ -	\$ -	\$ 14,248	\$ 48,095
Changes in operating assets and liabilities:					
(Increase) decrease in due from other governments	-	(19,489)	17,201	(2,288)	7,997
(Increase) decrease in prepaid items	-	-	-	-	(12,000)
(Increase) decrease in due from other funds	(15,092)	(17,302)	-	(32,394)	-
(Decrease) increase in accounts payable	-	36,791	(17,201)	19,590	(26,118)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (844)	\$ -	\$ -	\$ (844)	\$ 17,974

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Washington Central Supervisory Union was incorporated under the laws in the State of Vermont. The Supervisory Union operates under the Board of Directors-superintendent form of government and provides the following services: direct services, support services, fiscal services, operations and maintenance, transportation and program expenses.

The Supervisory Union's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Supervisory Union's combined financial statements include all accounts and all operations of the Supervisory Union. We have determined that the Supervisory Union has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities and the estimated remaining useful life of the associated

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The Supervisory Union's basic financial statements include both government-wide (reporting the Supervisory Union as a whole) and fund financial statements (reporting the Supervisory Union's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Supervisory Union's dental plan, section 125 plan and food service fund are categorized as business-type activities. All other activities of the Supervisory Union are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Supervisory Union's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The Supervisory Union first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Supervisory Union's functions and business-type activities (instruction, administration, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (certain intergovernmental revenues, miscellaneous

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Supervisory Union does not allocate indirect costs. All costs are charged directly to the corresponding departments.

The government-wide focus is more on the sustainability of the Supervisory Union as an entity and the change in the Supervisory Union's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the Supervisory Union are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Supervisory Union:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Supervisory Union:

Major Funds:

- a. The General Fund is the general operating fund of the Supervisory Union. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Community Connections Fund is used to account for the proceeds of that fund's revenue sources that are legally restricted to expenditures for the same purpose.

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Funds:

- c. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- d. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Supervisory Union:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.
- b. Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Supervisory Union on a cost-reimbursement basis. Because the principal users of the internal services are the Supervisory Union's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The Supervisory Union's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Vermont to the Vermont State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues per budgetary basis	\$ 9,081,722
Add: On-behalf payments	413,446
Total GAAP basis	<u>\$ 9,495,168</u>
Expenditures per budgetary basis	\$ 8,953,676
Add: On-behalf basis	413,446
Total GAAP basis	<u>\$ 9,367,122</u>

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. The annual school budget is the planning management tool, which delineates the Union's educational priorities and programs and forms the basis for voter review and approval of the budget according to applicable State of Vermont education finance laws.
2. The Board budget process includes input from Supervisory Union administration and staff, educational priorities for the next school year, along with public hearings, which include the Board of Directors and general public.
3. The budget document itself is based upon the most current funding information available along with the projection of current revenues and expenditures for the next year. At the conclusion of the budget process, a final budget is approved by the Board of Directors.

Deposits and Investments

The Supervisory Union's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Supervisory Union's policy to value investments at fair value. None of the Supervisory Union's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The Supervisory Union Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Washington Central Supervisory Union has no formal investment policy but instead follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$247,809 for the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated useful lives are as follows:

Buildings	20 - 50 years
Machinery, furniture and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term obligations consist of accrued compensated absences and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) and the Vermont Municipal Employees' Retirement System (VMERS) Plans and additions to/deductions from the VSTRS and VMERS Plans' fiduciary net position have been determined on the same basis as they are reported by the VSTRS and VMERS Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) Plan and additions to/deductions from the VSTRS Plan's fiduciary net position have been determined on the same basis as they are reported by the VSTRS

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Supervisory Union or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Supervisory Union is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Supervisory Union. The inhabitants of the Supervisory Union through Supervisory Union meetings are the highest level of decision-making authority of the Supervisory Union. Commitments may be established, modified, or rescinded only through a Supervisory Union meeting vote.

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Directors.

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Supervisory Union currently has one type of this item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred revenues are reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to pensions qualifies for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided, operating or capital grants and contributions, including special assessments).

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Supervisory Union does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Supervisory Union's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

The Supervisory Union's investment policies, which follow state statutes, authorize the Supervisory Union to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Supervisory Union funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Supervisory Union will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Supervisory Union does not have a policy covering custodial credit risk.

At June 30, 2019, the Supervisory Union's cash balance of \$1,609,180 was comprised of bank deposits of \$2,084,206. Of these bank deposits, \$114,990 was fully insured by federal depository insurance and consequently was not exposed to custodial

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

credit risk. The remaining balance of \$1,969,216 was collateralized with securities held by the financial institution in the Supervisory Union's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 114,990
Repurchase agreement	1,969,216
	<u>\$ 2,084,206</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Supervisory Union will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Supervisory Union does not have a policy for custodial credit risk for investments.

At June 30, 2019, the Supervisory Union had no investments.

Credit risk - Statutes for the State of Vermont authorize the Supervisory Union to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Supervisory Union does not have an investment policy on credit risk. Generally, the Supervisory Union invests excess funds in savings accounts and various insured certificates of deposit.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Supervisory Union does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 37,484	\$ 1,029,321
Community connections fund	84,778	-
Enterprise funds	187,015	-
Internal service fund	14,367	-
Nonmajor special revenue funds	277,918	37,484
Nonmajor capital projects funds	465,243	-
	<u>\$ 1,066,805</u>	<u>\$ 1,066,805</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Disposals	Balance 6/30/19
<u>Governmental activities:</u>				
Depreciated assets:				
Furniture and equipment	\$ 215,863	\$ -	\$ -	\$ 215,863
	215,863	-	-	215,863
Less: accumulated depreciation	(159,004)	(14,941)	-	(173,945)
Net governmental capital assets	<u>\$ 56,859</u>	<u>\$ (14,941)</u>	<u>\$ -</u>	<u>\$ 41,918</u>
<u>Current year depreciation:</u>				
S.S. - general admin				\$ 14,941
Total depreciation expense				<u>\$ 14,941</u>

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Year Portion
Note from direct borrowings payable	\$ 3,350	\$ -	\$ (3,350)	\$ -	\$ -

NOTE 6 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2019 is as follows:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Year Portion
Accrued compensated absences	\$ 103,331	\$ -	\$ (86,352)	\$ 16,979	\$ 849
Net pension liability	348,848	124,570	(78,719)	394,699	-
Total	\$ 452,179	\$ 124,570	\$ (165,071)	\$ 411,678	\$ 849

Please see Notes 7 and 13 for detailed information on each of the other long-term obligations.

NOTE 7 - ACCRUED COMPENSATED ABSENCES

The Supervisory Union's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2019, the Supervisory Union's liability for compensated absences is \$16,979.

NOTE 8 - OPERATING LEASES

A summary of the outstanding operating leases payable is as follows:

The Supervisory Union leases a postage meter from MailFinance, a Neopost USA Company, under a lease agreement dated December 22, 2015. The lease term is for 60 months ending in December of 2020. Monthly payments are \$127.

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 8 - OPERATING LEASES (CONTINUED)

Washington Central Supervisory Union leases a 2007 Chevrolet Uplander passenger van from Berlin Automotive T1, LLC, which was subsequently assigned to Toyota Motor Credit Corporation, under a lease agreement dated December 21, 2017. The lease term is for 36 months ending in December of 2020. Monthly payments are \$371 with \$3,451 due at lease signing.

Future minimum lease payments at June 30, 2019, are as follows:

Year Ending June 30:	
2020	\$ 2,284
2021	7,058
Total lease payments	<u>\$ 9,342</u>

NOTE 9 - COMMITTED FUND BALANCE

At June 30, 2019, the Supervisory Union had the following committed fund balance:

Nonmajor capital projects funds (Schedule G)	<u>\$ 465,243</u>
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NOTE 10 - ASSIGNED FUND BALANCE

At June 30, 2019, the Supervisory Union had the following assigned fund balance:

General fund:	
Reserved for future operations	<u>\$ 432,534</u>

NOTE 11 - FINANCIAL INFORMATION

The detailed budget to actual report can be found on Schedules 1, A and B.

NOTE 12 - EXPENDITURES OVER APPROPRIATIONS

The Supervisory Union was non-compliant with the legally adopted budget, overspending the entire allowed appropriation of \$8,914,555 by \$39,121 at June 30, 2019.

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the Supervisory Union participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private Union teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont 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, 2017 (the most recent period available), the retirement system consisted of 22,193 participating members.

The plan was established effective July 1, 1947, and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the Secretary of Education (ex-officio), the State Treasurer (ex-officio), the Commissioner of Financial Regulation (ex-officio), two members and one alternate elected by active members of the System under rules adopted by the Board and one retired member and one alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

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. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided

The VSTRS provides retirement and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. There are two levels of contributions and benefits in the System: Group A - for public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A; and Group C - for public school teachers employed within the State of Vermont on or after July 1, 1990. Group C also includes those teachers hired prior to July 1, 1990 and were in Group B on July 1, 1990. When Act 74 became effective on June 30, 2010, Group C was further bifurcated into Groups #1 and #2. Group #1 contains members who were at least 57 years of age or had at least 25 years of service and Group #2 contained members who were less than 57 years of age and had less than 25 years of service.

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 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, 2.0% 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 or 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

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Other post-employment benefits are available to all plan members include the following:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pay full premium	Members pay full premium	Members pay full premium

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the Supervisory Union but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the Supervisory Union has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the Supervisory Union's employees included in the teacher's retirement plan which approximates \$413,446 or 15.75% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Employee Contributions	5.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

Employee contributions totaled \$136,911 during the year and were paid by the Supervisory Union to the State of Vermont. The Supervisory Union has no other liability under the plan. The Supervisory Union's total payroll for all employees covered under this plan was \$2,625,054 for the year ended June 30, 2019. Beginning in 2016, Supervisory Unions that pay for teachers with federal dollars are required to include

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

costs of pensions in the federal grant, lowering the liability for the State. Federally funded pension costs reimbursed to the State by the Supervisory Union for the fiscal year ending June 30, 2019 were \$74,593. The Supervisory Union's total payroll for all federally funded employees covered under this plan was \$473,607 for the year ended June 30, 2019.

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. It is designed for Supervisory Unions 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 any 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. Employees of the Supervisory Union other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year. For the year ended June 30, 2017 (the most recent data available), the retirement system consisted of 13,262 participating members.

The general administration and responsibility for formulating administrative policy and procedures of the Retirement System 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 selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Schools and the Vermont School Boards Association.

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. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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
- Groups B & C - general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D - sworn police officers, firefighters and emergency medical personnel

The Supervisory Union participates in Group B. 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 service retirement eligibility	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 – normal service Retirement (no reduction)	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 x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

** - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund, and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group as of July 1, 2018 are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.625% of gross salary	5.0% of gross salary	10.125% of gross salary	11.475% of gross salary
Employer Contributions	4.125% of gross salary	5.625% of gross salary	7.375% of gross salary	9.975% of gross salary

Employee contributions are withheld pre-income tax by the Supervisory Union and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2019 totaled \$53,078. The Supervisory Union contributed \$59,712 for the year ended June 30, 2019. The Supervisory Union's total payroll for the year ended June 30, 2019 for all employees covered under this plan was \$1,061,554.

Pension Liabilities

VSTRS Plan

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the Supervisory Union does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2019. The State's portion of the collective net pension liability that was associated with the Supervisory Union was as follows:

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Union's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Union		<u>5,308,497</u>
Total	\$	<u><u>5,308,497</u></u>

The State of Vermont's proportionate share of the net pension liability associated with the Supervisory Union is equal to the collective net pension liability, actuarially measured as of June 30, 2017, multiplied by the Supervisory Union's proportionate share percentage. The Supervisory Union's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the Supervisory Union's proportion was 0.35139% which was a decrease of 0.01328% from its proportion measured as of June 30, 2017.

VMERS Plan

At June 30, 2019, the Supervisory Union reported a liability of \$394,699 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2018 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2017. The Supervisory Union's proportion of the net pension liabilities were based on a projection of the Supervisory Union's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2018, the Supervisory Union's proportion was 0.28060% for VMERS, which was a decrease of 0.007334% from its proportion measured as of June 30, 2017 for VMERS.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the Supervisory Union recognized total pension expense of \$1,389,949 and revenue of \$1,389,949 for support provided by the State of Vermont for the VSTRS plan. In the same period, the Supervisory Union recognized pension expense of \$66,513 for the VMERS plan. At June 30, 2019, the Supervisory Union reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 34,284	\$ 6,311
Changes of assumptions	-	-	43,708	-
Net difference between projected and actual earnings on pension plan investments	-	-	45,744	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	9,254	4,526
Contributions subsequent to the measurement date	-	-	59,712	-
Total	\$ -	\$ -	\$ 192,702	\$ 10,837

\$59,712 reported as deferred outflows of resources related to pensions resulting from Supervisory Union contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS	VMERS
Plan year ended June 30:		
2019	\$ -	\$ 81,276
2020	-	26,360
2021	-	6,158
2022	-	8,360
2023	-	-
Thereafter	-	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using the actuarial assumptions outlined below.

Investment Rate of Return: For both plans, 7.50%, net of pension plan investment expenses, including inflation.

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Inflation: For both plans, 2.50%.

Salary Increases: For the VSTRS plan, increases ranging from 3.75% to 9.09%. For the VMERS plan, increases are 5.00% per year.

Deaths After Retirement: The VSTRS plan used 98% of the RP-2006 White Collar Employee with generational projection using Scale SSA-2017 for pre-retirement, 98% of the RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017 for healthy retirees, and the RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017 for disabled retirees.

Mortality rates for pre-retirement, healthy retirees and disabled retirees in the VMERS plan for Groups A, B, C and D were based on variations of RP-2006 Tables with generational improvement using Scale SSA-2017 as follows:

Pre-retirement - Groups A, B, and C blended with a 60% Blue Collar Employee and 40% Healthy Employee, and Group D with a Blue Collar Annuitant Table

Healthy Retiree - Groups A, B and C with a 60% Blue Collar Annuitant and 40% Healthy Annuitant, and Group D with a Blue Collar Annuitant Table

Disabled Retiree - All Groups with a RP-2006 Disabled Mortality Table

Inactive Members: Valuation liability for the VSTRS plan equals 250.0% of accumulated contributions and 200% for the VMERS plan.

Future Administrative Expenses: No provisions were made for the VSTRS plan as Systems expenses are paid for by the State. For the VMERS plan, an expense adjustment based on actual expenses for the previous year is reflected in the development of recommended employer contribution levels.

Unknown Data for Participants: For both plans, they are the same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

Percent Married: For both plans, 85% of male members are assumed to be married. 35% of female members for the VSTRS plan and 50% of female members for the VMERS plan are assumed to be married.

Spouse's Age: For both plans, husbands are assumed to be three years older than their wives.

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Cost-of-Living Adjustments: Adjustments for both plans are assumed to occur on January 1 following one year of retirement. For the VSTRS plan this occurs at the rate of 2.55% per annum for Group A members and 1.40% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement). The January 1, 2019 COLA is assumed to be 2.60% for Group A and 1.30% for Group C. For the VMERS plan, this occurs at the rate of 1.15% per annum for Group A members and 1.30% per annum for Groups B, C and D members (beginning Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for Group A, B and D members who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2019 COLA is 1.30% for all groups.

Actuarial Cost Method: For both plans is the Entry Age Actuarial Cost Method. Entry age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Accrued Actuarial Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

For the VSTRS plan, the *asset valuation method* used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

A smoothing *asset valuation method* was used for funding purposes in the VMERS plan, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

The *long-term expected rate of return* on both 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) developed for each major asset class. These best estimate ranges were 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.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	18.00%	6.10%
Non-US Equity	16.00%	7.45%
Global Equity	9.00%	6.74%
Fixed Income	26.00%	2.25%
Real Estate	8.00%	5.11%
Private Markets	15.00%	7.60%
Hedge Funds	8.00%	3.86%

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the VSTRS plan and the VMERS plan. 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 which exceeds the actuarially determined contribution rate. 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 68.

Sensitivity of the Supervisory Union's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Supervisory Union's proportionate share of the net pension liability calculated using the discount rate of 7.50% for both the VSTRS and VMERS plans, as well as what the Supervisory Union's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.50%	7.50%	8.50%
Union's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.50%	7.50%	8.50%
Union's proportionate share of the net pension liability	\$ 668,532	\$ 394,699	\$ 171,998

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the VSTRS and VMERS or their participating employers. VSTRS and VMERS do not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

NOTE 14 - DEFINED CONTRIBUTION PLAN

Plan Description

The Supervisory Union offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 403(b). At June 30, 2019, there were four plan members. The plan is administered by TD Wealth Management.

Funding Policy

Plan provisions and contribution requirements are established and may be amended by the Board of Directors. Under the 403 Plan, the Supervisory Union is required to contribute 6.0% of a participant's earnings for the plan year, with no required match from the participant, one time per year, after the end of the fiscal year and no later than September 30 of the next year. For the year ended June 30, 2019, the Supervisory Union contribution to this plan was \$59,372.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Supervisory Union contributions and earnings on Supervisory Union contributions after completion of 12 months of creditable service with the Supervisory Union. Non-vested Supervisory Union contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. There were no forfeitures of non-vested contributions for the year ended June 30, 2019.

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

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

The plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2017 (the most recent period available), the plan consisted of 4,878 retired members or beneficiaries currently receiving benefits and 8,941 active members.

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. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

VSTRS retirees and their spouses are eligible for medical, prescription drug and dental benefits on a lifetime basis if the retiree is eligible for pension benefits, as described in the Notes to Financial Statements for Defined Benefit Plan(s).

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Contributions

Varying levels of contributions are required from retirees and spouses for medical and prescription drug coverage at the following premium subsidy rates:

	Retiree Subsidy		Spouse Subsidy*	
Retired before June 30, 2010	At least ten years of service-80% of premium Less than ten years of service-0% of premium		0% of premium	
Retired after June 30, 2010	10 years or more of service at June 30, 2010-80% of premium		Years of service at June 30, 2010-80% of premium:	
	Less than 10 years of service at June 30, 2010:			
	Less than 15 years at retirement	Less than 15 years at retirement	Less than 10 years	25 years at retirement
	15-19.99 years at retirement	15-19.99 years at retirement	10-14.99 years	25 years at retirement
	20-24.99 years at retirement	20-24.99 years at retirement	15-24.99 years	10 additional years from June 30, 2010
	25 years or more at retirement	25 years or more at retirement	25-29.99 years	35 years at retirement
			30 or more years	5 additional years from June 30, 2010

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

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

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

OPEB Liabilities

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 75 and the State is treated as a nonemployer to VSTRS. Since the Supervisory Union does not contribute directly to VSTRS, no net OPEB liability was recorded at June 30, 2019. The State's portion of the collective net OPEB liability that was associated with the Supervisory Union was as follows:

Supervisory Union's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Supervisory Union	<u>3,268,268</u>
Total	<u><u>\$ 3,268,268</u></u>

The State of Vermont's proportionate share of the net OPEB liability associated with the Supervisory Union is equal to the collective net OPEB liability, actuarially measured as of June 30, 2018, multiplied by the Supervisory Union's proportionate share percentage. The Supervisory Union's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the Supervisory Union's proportion was 0334248% which was an increase of 0.01167% from its proportion measured as of June 30, 2017.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Supervisory Union recognized total OPEB expense of \$201,248 and revenue of \$201,248 for support provided by the State of Vermont for the Plan. At June 30, 2019, the Supervisory Union reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	VSTRS OPEB Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

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

	VSTRS OPEB Plan
Plan year ended June 30:	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-

Discount Rate

The discount rate is the single rate of return, that when applied to all projected benefit payments, results in an actuarial present value that is the sum of the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return, and the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The sensitivity of net OPEB liability to changes in discount rate are as follows:

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
VSTRS OPEB Plan:			
Discount rate	2.87%	3.87%	4.87%
Supervisory Union's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Healthcare Trend Rate

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2019 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics. The sensitivity of net OPEB liability to changes in healthcare trend rates are as follows:

	<u>1% Decrease</u>	<u>Healthcare Trend Rates</u>	<u>1% Increase</u>
Supervisory Union's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Asset Valuation Method

The Asset Valuation Method used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

The long-term expected rate of return on both 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) developed for each major asset class. These best estimate ranges were 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.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.50%
International equity	15.00%	7.75%
Emerging international equity	5.00%	9.25%
Core bonds	60.00%	3.75%
Inflation		2.75%
Total	<u>100.00%</u>	

Assumptions

The actuarial assumptions used to calculate the actuarially determined contribution rates can be found in the Report on the Actuarial Valuation of Post-Retirement Benefits of the Vermont State Teachers' Retirement System Prepared as of June 30, 2016 completed by Buck Consulting. As of June 30, 2018, they are as follows:

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount Rate	3.87%
Salary Increase Rate	Varies by age
Non-Medicare	7.15% graded to 4.50% over 12 years
Medicare	7.30% graded to 4.50% over 11 years
Retiree Contributions	Equal to health trend
Pre-retirement Mortality	98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017
Post-retirement Mortality	98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2018 with the following exceptions:

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for June 30, 2018. For the fiscal year ended June 30, 2018, the discount rate was increased from 3.58% to 3.87%.

OPEB Plan Fiduciary Net Position

The schedule of employer allocations and schedule of OPEB amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VSTRS or their participating employers. VSTRS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 16 - RISK MANAGEMENT

The Supervisory Union is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, students and guests; as well as natural disasters for which the Supervisory Union either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Supervisory Union.

The Supervisory Union is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker compensation, multi-line intermunicipal school program and unemployment compensation program, and the Vermont Education Health Initiative (VEHI) for medical benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont Supervisory Unions and is owned by the participating Supervisory Unions. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, VEHI has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

Multi-Line Intermunicipal School Program provides coverage for property; inland marine and boiler and machinery; crime; commercial general liability; automobile/garagekeepers; and educators legal liability. Annual contributions are based upon appropriate rates applicable to each member; such rates are set based on recommendations of a qualified actuary, plus a proportionate share of all operational and administrative cost including excess reinsurance premiums incurred by the trust. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the program will be terminated with each member assessed their proportionate share of the deficit.

NOTE 17 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 17 - CONTINGENCIES (CONTINUED)

settlement amounts, if any, will not have a material adverse effect on the Supervisory Union's financial position.

The Supervisory Union participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Supervisory Union's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 18 - RELATED ORGANIZATION

Washington Central Supervisory Union provides services to the following Supervisory Unions: Berlin Supervisory Union, Calais Supervisory Union, East Montpelier Supervisory Union, Middlesex Supervisory Union, Worcester Supervisory Union, and Union 32 Supervisory Union. Each District has an ongoing financial responsibility to the Supervisory Union as defined in GASB 14, paragraph 71.

NOTE 19 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Supervisory Union's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 20 - SUBSEQUENT EVENT

All assets and liabilities of the Berlin School District, the Calais School District, the East Montpelier School District, the Middlesex School District, the Worcester School District and the Union High School District No. 32 were transferred to the new Washington Central Unified Union School District on July 1, 2019. All business transactions of these individual member schools ceased as of that date.

NOTE 21 - RESTATEMENT

The beginning net position of the governmental activities has been restated as of July 1, 2018. The net position was restated to correct the due from other funds amount in the internal services fund. The beginning net position was restated by \$8,202.

The resulting restatement decreased the governmental activities net position from \$740,045 to \$731,843 and the internal service fund's net position from \$347,262 to \$339,060.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pensions
- Schedule of Proportionate Share of the Net OPEB Liability
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

WASHINGTON CENTRAL SUPERVISORY UNION

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 304,488	\$ 304,488	\$ 304,488	\$ -
Resources (Inflows):				
Intergovernmental:				
State revenues	4,137,280	4,137,280	4,151,373	14,093
Assessments	4,671,965	4,671,965	4,671,965	-
Interest income	7,600	7,600	42,278	34,678
Miscellaneous	97,710	97,710	216,106	118,396
Amounts Available for Appropriation	<u>9,219,043</u>	<u>9,219,043</u>	<u>9,386,210</u>	<u>167,167</u>
Charges to Appropriations (Outflows):				
Direct services	5,254,486	5,254,486	5,199,281	55,205
Support services:				
Instructional staff services	690,000	690,000	688,124	1,876
General administrative services	536,354	536,354	654,692	(118,338)
Area administrative services	321,369	321,369	291,021	30,348
Fiscal services	465,256	465,256	513,599	(48,343)
Operations and maintenance	24,760	24,760	13,651	11,109
Transportation	1,477,330	1,477,330	1,448,308	29,022
Transfers to other funds	145,000	145,000	145,000	-
Total Charges to Appropriations	<u>8,914,555</u>	<u>8,914,555</u>	<u>8,953,676</u>	<u>(39,121)</u>
Budgetary Fund Balance, June 30	<u>\$ 304,488</u>	<u>\$ 304,488</u>	<u>\$ 432,534</u>	<u>\$ 128,046</u>

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015
<u>VSTRS:</u>					
Proportion of the net pension liability	0.35%	0.36%	0.34%	0.10%	0.10%
Union's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Union	5,308,497	5,405,868	4,467,734	1,243,814	950,908
Total	<u>\$ 5,308,497</u>	<u>\$ 5,405,868</u>	<u>\$ 4,467,734</u>	<u>\$ 1,243,814</u>	<u>\$ 950,908</u>
Covered-employee payroll	\$ 2,375,543	\$ 2,409,752	\$ 2,210,108	\$ 584,646	\$ 562,404
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	54.81%	53.98%	55.31%	58.22%	64.02%
<u>VMERS:</u>					
Proportion of the net pension liability	0.28%	0.29%	0.28%	0.25%	0.20%
Proportionate share of the net pension liability	\$ 394,699	\$ 348,848	\$ 365,870	\$ 189,852	\$ 18,020
Covered-employee payroll	\$ 893,532	\$ 854,947	\$ 786,000	\$ 640,000	\$ 451,364
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	44.17%	40.80%	46.55%	29.66%	3.99%
Plan fiduciary net position as a percentage of the total pension liability	82.60%	83.64%	80.95%	87.42%	98.32%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015
<u>VSTRS:</u>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,625,054	\$ 2,375,543	\$ 2,409,752	\$ 2,210,108	\$ 584,646
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
<u>VMERS:</u>					
Contractually required contribution	\$ 59,712	\$ 58,057	\$ 47,022	\$ 43,208	\$ 34,423
Contributions in relation to the contractually required contribution	(59,712)	(58,057)	(47,022)	(43,208)	(34,423)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,061,554	\$ 893,532	\$ 854,947	\$ 786,000	\$ 640,000
Contributions as a percentage of covered-employee payroll	5.62%	6.50%	5.50%	5.50%	5.38%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>VSTRS OPEB Plan:</u>			
Proportion of the net OPEB liability	0.34%	0.33%	0.31%
Supervisory Union's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Supervisory Union	3,268,268	3,084,071	-
Total	<u>\$ 3,268,268</u>	<u>\$ 3,084,071</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,375,543	\$ 2,409,752	\$ 2,210,108
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.76%	1.52%	0.00%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>VSTRS OPEB Plan:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,625,054	\$ 2,375,543	\$ 2,409,752
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

Changes of Assumptions

VSTRS Pension Plan:

For the VSTRS Plan, the valuation liability for inactive members as reported by the System was lowered from 332.5% of accumulated contributions to 250.0% of accumulated contributions.

VSTRS OPEB Plan:

The discount rate increased from 3.58% to 3.87% for the VSTRS OPEB liability.

The percentage of non-DC Plan current retirees assumed to have life insurance coverage was increased from 65% to 75%.

Future male retirees were assumed to be two years older than their spouses, decreased from three years. Future female retirees were assumed to be one year younger than their spouses, decreased from three years.

The percentage of future retirees assumed to have a spouse electing coverage was increased from 60% to 70% for male retirees and from 50% to 60% for female retirees.

The claims cost development methodology was modified for non-Medicare participants.

The per capita valuation-year claims and retiree contribution rates were updated.

The assumed health trend rates were modified.

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

WASHINGTON CENTRAL SUPERVISORY UNION

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
State revenue:				
Special education mainstream block grant	\$ 529,095	\$ 529,095	\$ 548,237	\$ 19,142
Special education reimbursement	1,677,612	1,677,612	1,578,029	(99,583)
Extraordinary reimbursement	289,396	289,396	559,069	269,673
State placed reimbursements	1,105,100	1,105,100	828,093	(277,007)
Early essential education	98,712	98,712	113,674	14,962
Transportation reimbursement	437,365	437,365	524,271	86,906
Assessments:				
Supervisory Union	1,996,455	1,996,455	1,996,455	-
Special education	1,708,046	1,708,046	1,708,046	-
Transportation services	967,464	967,464	967,464	-
Interest income	7,600	7,600	42,278	34,678
Miscellaneous:				
Special education	35,000	35,000	28,525	(6,475)
Other receipts	62,710	62,710	187,581	124,871
Amounts Available for Appropriation	<u>\$ 8,914,555</u>	<u>\$ 8,914,555</u>	<u>\$ 9,081,722</u>	<u>\$ 167,167</u>

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Direct services:				
Instructional services	<u>\$ 5,254,486</u>	<u>\$ 5,254,486</u>	<u>\$ 5,199,281</u>	<u>\$ 55,205</u>
Support services:				
Instructional staff services	<u>690,000</u>	<u>690,000</u>	<u>688,124</u>	<u>1,876</u>
General administration:				
Board of education	18,276	18,276	63,421	(45,145)
Office of the superintendent	<u>518,078</u>	<u>518,078</u>	<u>591,271</u>	<u>(73,193)</u>
Total general administration	<u>536,354</u>	<u>536,354</u>	<u>654,692</u>	<u>(118,338)</u>
Area administration:				
Special area administrative services	321,369	321,369	291,021	30,348
Fiscal services	<u>465,256</u>	<u>465,256</u>	<u>513,599</u>	<u>(48,343)</u>
Total area administration	<u>786,625</u>	<u>786,625</u>	<u>804,620</u>	<u>(17,995)</u>
Operations and maintenance	<u>24,760</u>	<u>24,760</u>	<u>13,651</u>	<u>11,109</u>
Transportation	<u>1,477,330</u>	<u>1,477,330</u>	<u>1,448,308</u>	<u>29,022</u>
Transfer to other funds	<u>145,000</u>	<u>145,000</u>	<u>145,000</u>	<u>-</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 8,914,555</u>	<u>\$ 8,914,555</u>	<u>\$ 8,953,676</u>	<u>\$ (39,121)</u>

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Accounts receivable (net of allowance for uncollectibles)	\$ 39,340	\$ -	\$ 39,340
Due from other funds	277,918	465,243	743,161
TOTAL ASSETS	<u>\$ 317,258</u>	<u>\$ 465,243</u>	<u>\$ 782,501</u>
LIABILITIES			
Accounts payable	\$ 1,856	\$ -	\$ 1,856
Due to other funds	37,484	-	37,484
TOTAL LIABILITIES	<u>39,340</u>	<u>-</u>	<u>39,340</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	277,918	-	277,918
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>277,918</u>	<u>-</u>	<u>277,918</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	465,243	465,243
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>465,243</u>	<u>465,243</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 317,258</u>	<u>\$ 465,243</u>	<u>\$ 782,501</u>

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 1,116,682	\$ 40,812	\$ 1,157,494
Interest income	-	6,442	6,442
Other	6,259	-	6,259
TOTAL REVENUES	<u>1,122,941</u>	<u>47,254</u>	<u>1,170,195</u>
EXPENDITURES			
Capital outlay	-	11,449	11,449
Other	1,122,941	-	1,122,941
TOTAL EXPENDITURES	<u>1,122,941</u>	<u>11,449</u>	<u>1,134,390</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>35,805</u>	<u>35,805</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	363,212	145,000	508,212
Transfers (out)	<u>(363,212)</u>	<u>-</u>	<u>(363,212)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>145,000</u>	<u>145,000</u>
NET CHANGE IN FUND BALANCES	-	180,805	180,805
FUND BALANCES - JULY 1	<u>-</u>	<u>284,438</u>	<u>284,438</u>
FUND BALANCES - JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ 465,243</u></u>	<u><u>\$ 465,243</u></u>

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

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WASHINGTON CENTRAL SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	<u>Title IV</u>	<u>Act 230 Grant</u>	<u>IDEA-B Formula Grant</u>	<u>IDEA-B Preschool</u>
ASSETS				
Accounts receivable (net of allowance for uncollectibles)	\$ 10,439	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-
TOTAL ASSETS	<u>\$ 10,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	10,439	-	-	-
TOTAL LIABILITIES	<u>10,439</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 10,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE E (CONTINUED)
WASHINGTON CENTRAL SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	Title I	Schoolwide Program and Admin	Snack Grants	Medicaid Reimb IEP
ASSETS				
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ 3,288	\$ -
Due from other funds	-	-	-	263,444
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,288</u></u>	<u><u>\$ 263,444</u></u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	3,288	-
TOTAL LIABILITIES	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>3,288</u></u>	<u><u>-</u></u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	-	-	-	263,444
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>263,444</u></u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,288</u></u>	<u><u>\$ 263,444</u></u>

SCHEDULE E (CONTINUED)
WASHINGTON CENTRAL SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	EPSDT Revenues	Local Standard Board Grant	Title IIA	VEHI	Total
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ 583	\$ 25,030	\$ -	\$ 39,340
Due from other funds	14,474	-	-	-	277,918
TOTAL ASSETS	<u>\$ 14,474</u>	<u>\$ 583</u>	<u>\$ 25,030</u>	<u>\$ -</u>	<u>\$ 317,258</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 1,856	\$ -	\$ 1,856
Due to other funds	-	583	23,174	-	37,484
TOTAL LIABILITIES	<u>-</u>	<u>583</u>	<u>25,030</u>	<u>-</u>	<u>39,340</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	14,474	-	-	-	277,918
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>277,918</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 14,474</u>	<u>\$ 583</u>	<u>\$ 25,030</u>	<u>\$ -</u>	<u>\$ 317,258</u>

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Title IV	Act 230 Grant	IDEA-B Formula Grant	IDEA-B Preschool
REVENUES				
Intergovernmental	\$ 17,375	\$ 3,054	\$ 413,777	\$ 5,352
Other	-	-	-	-
TOTAL REVENUES	<u>17,375</u>	<u>3,054</u>	<u>413,777</u>	<u>5,352</u>
EXPENDITURES				
Other	<u>11,248</u>	<u>3,054</u>	<u>413,777</u>	<u>5,352</u>
TOTAL EXPENDITURES	<u>11,248</u>	<u>3,054</u>	<u>413,777</u>	<u>5,352</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,127</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	<u>(6,127)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,127)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES - JULY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE F (CONTINUED)
WASHINGTON CENTRAL SUPERVISORY UNION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Title I</u>	<u>Schoolwide Program and Admin</u>	<u>Snack Grants</u>	<u>Medicaid Reimb IEP</u>
REVENUES				
Intergovernmental	\$ 353,806	\$ -	\$ 14,224	\$ 156,381
Other	-	-	-	-
TOTAL REVENUES	<u>353,806</u>	<u>-</u>	<u>14,224</u>	<u>156,381</u>
EXPENDITURES				
Other	<u>11,173</u>	<u>363,212</u>	<u>14,224</u>	<u>156,381</u>
TOTAL EXPENDITURES	<u>11,173</u>	<u>363,212</u>	<u>14,224</u>	<u>156,381</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>342,633</u>	<u>(363,212)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	363,212	-	-
Transfers (out)	<u>(342,633)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(342,633)</u>	<u>363,212</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES - JULY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE F (CONTINUED)
WASHINGTON CENTRAL SUPERVISORY UNION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	EPSDT Revenues	Local Standard Board Grant	Title IIA	VEHI	Total
REVENUES					
Intergovernmental	\$ 24,950	\$ -	\$ 127,763	\$ -	\$ 1,116,682
Other	-	583	-	5,676	6,259
TOTAL REVENUES	<u>24,950</u>	<u>583</u>	<u>127,763</u>	<u>5,676</u>	<u>1,122,941</u>
EXPENDITURES					
Other	<u>24,950</u>	<u>583</u>	<u>113,311</u>	<u>5,676</u>	<u>1,122,941</u>
TOTAL EXPENDITURES	<u>24,950</u>	<u>583</u>	<u>113,311</u>	<u>5,676</u>	<u>1,122,941</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>14,452</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	363,212
Transfers (out)	-	-	(14,452)	-	(363,212)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(14,452)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	-	-
FUND BALANCES - JULY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

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WASHINGTON CENTRAL SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2019

	Office Equipment and Technology	Building Capital	Total
ASSETS			
Due from other funds	\$ 366,273	\$ 98,970	\$ 465,243
TOTAL ASSETS	<u>\$ 366,273</u>	<u>\$ 98,970</u>	<u>\$ 465,243</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	366,273	98,970	465,243
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>366,273</u>	<u>98,970</u>	<u>465,243</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 366,273</u>	<u>\$ 98,970</u>	<u>\$ 465,243</u>

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Office Equipment and Technology	Building Capital	Total
REVENUES			
Intergovernmental	\$ 40,812	\$ -	\$ 40,812
Interest income	4,965	1,477	6,442
TOTAL REVENUES	<u>45,777</u>	<u>1,477</u>	<u>47,254</u>
EXPENDITURES			
Capital outlay	<u>10,489</u>	<u>960</u>	<u>11,449</u>
TOTAL EXPENDITURES	<u>10,489</u>	<u>960</u>	<u>11,449</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>35,288</u>	<u>517</u>	<u>35,805</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	125,000	20,000	145,000
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>125,000</u>	<u>20,000</u>	<u>145,000</u>
NET CHANGE IN FUND BALANCES	160,288	20,517	180,805
FUND BALANCES - JULY 1	<u>205,985</u>	<u>78,453</u>	<u>284,438</u>
FUND BALANCES - JUNE 30	<u>\$ 366,273</u>	<u>\$ 98,970</u>	<u>\$ 465,243</u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

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WASHINGTON CENTRAL SUPERVISORY UNION

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Direct Services	\$ -	\$ -	\$ 17,697	\$ -	\$ 17,697
S.S. - Staff	-	-	17,684	-	17,684
S.S. - General Admin	-	-	180,482	-	180,482
Total General Capital Assets	-	-	215,863	-	215,863
Less: Accumulated Depreciation	-	-	(173,945)	-	(173,945)
Net General Capital Assets	\$ -	\$ -	\$ 41,918	\$ -	\$ 41,918

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2019

	General Capital Assets 7/1/18	Additions	Deletions	General Capital Assets 6/30/19
Direct Services	\$ 17,697	\$ -	\$ -	\$ 17,697
S.S. - Staff	17,684	-	-	17,684
S.S. - General Admin	180,482	-	-	180,482
Total General Capital Assets	215,863	-	-	215,863
Less: Accumulated Depreciation	(159,004)	(14,941)	-	(173,945)
Net General Capital Assets	<u>\$ 56,859</u>	<u>\$ (14,941)</u>	<u>\$ -</u>	<u>\$ 41,918</u>

See accompanying independent auditors' report and notes to financial statements.

WASHINGTON CENTRAL SUPERVISORY UNION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture Passed through State of Vermont - Department of Education and Cultural Services:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	4452S0321900	\$ 56,266	\$ -
National School Lunch Program	10.555	4450S0321900	181,631	-
School Lunch Program - USDA Food	10.555	4456S0321900	35,736	35,736
Summer Food Service	10.559	4455S0321900	12,503	-
Subtotal Child Nutrition Cluster			<u>286,136</u>	<u>35,736</u>
Fresh Fruits and Vegetables	10.582	4449S0321900	<u>14,224</u>	<u>14,224</u>
Total U.S. Department of Agriculture			<u>300,360</u>	<u>49,960</u>
U.S. Department of Education Passed through State of Vermont - Department of Education and Cultural Services:				
Title IA - Educationally Deprived	84.010	4250S0321901	<u>353,806</u>	<u>342,634</u>
Special Education Cluster (IDEA):				
IDEA-B Flow Through	84.027	4226S0321901	413,777	-
IDEA-B Part B Section 619	84.173	4228S0321801	5,352	-
Subtotal Special Education Cluster (IDEA)			<u>419,129</u>	<u>-</u>
Title IIA - Supporting Effective Instruction	84.367	4651S0321901	<u>127,763</u>	<u>14,452</u>
Student Support and Academic Enrichment	84.424	4570S0321901	<u>17,375</u>	<u>6,127</u>
Total U.S. Department of Education			<u>918,073</u>	<u>363,213</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,218,433</u>	<u>\$ 413,173</u>

WASHINGTON CENTRAL SUPERVISORY UNION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Washington Central Supervisory Union under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Washington Central Supervisory Union, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Washington Central Supervisory Union.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The U.S. Department of Education (USED) has delegated to the State of Vermont Agency of Education the authority to issue indirect cost rates to all Local Education Agencies (LEAs) based on a plan approved by the USED. Therefore, the Washington Central Supervisory Union does not use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

3. Noncash Awards

The Washington Central Supervisory Union reports U.S. Department of Agriculture (USDA) Foods consumed on the Schedule at the fair value [or entitlement value]. The State of Vermont allocated USDA Foods to the respective program(s) that benefitted from the use of those USDA Foods.

4. Expenditures to Subrecipients

CFDA Number	Berlin School District	Calais School District	Doty Memorial School	East Montpelier School District	Rumney Memorial School	Union 32 School District	Total
10.555	\$ 5,335	\$ 2,771	\$ 2,694	\$ 4,605	\$ 4,743	\$ 15,588	\$ 35,736
10.582	9,349	-	4,875	-	-	-	14,224
84.010	203,633	53,000	86,000	-	-	-	342,634
84.367	13,398	232	822	-	-	-	14,452
84.424	6,127	-	-	-	-	-	6,127
	<u>\$ 237,842</u>	<u>\$ 56,003</u>	<u>\$ 94,391</u>	<u>\$ 4,605</u>	<u>\$ 4,743</u>	<u>\$ 15,588</u>	<u>\$ 413,173</u>



Proven Expertise & Integrity

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

Board of Directors
Washington Central Supervisory Union
Montpelier, Vermont

We have audited, in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Washington Central Supervisory Union as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise Washington Central Supervisory Union's basic financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Buxton, Maine
Vermont Registration No. 092.0000697
December 12, 2019



Proven Expertise & Integrity

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Washington Central Supervisory Union
Montpelier, Vermont

Report on Compliance for Each Major Federal Program

We have audited Washington Central Supervisory Union's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Washington Central Supervisory Union's major federal programs for the year ended June 30, 2019. Washington Central Supervisory Union's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Washington Central Supervisory Union's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington Central Supervisory Union's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Washington Central Supervisory Union's compliance.

Opinion on Each Major Federal Program

In our opinion, Washington Central Supervisory Union complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Washington Central Supervisory Union is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Washington Central Supervisory Union's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington Central Supervisory Union's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

Buxton, Maine
Vermont Registration No. 092.0000697
December 12, 2019

DRAFT

WASHINGTON CENTRAL SUPERVISORY UNION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ no
- Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None

Additional handouts at
the board meeting....

**WASHINGTON CENTRAL UNIFIED UNION SCHOOL DISTRICT
WARNING**

The legal voters of the Washington Central Unified Union School District, a municipal corporation consisting of the Towns of Berlin, Calais, East Montpelier, Middlesex, and Worcester, Vermont, are hereby notified and warned to meet in their respective towns at the polling places hereinafter named on Tuesday, March 3, 2020, to vote by Australian ballot on Articles 1 through 9 as outlined below. The polls will open beginning at 10:00 AM in Berlin; 7:00 AM in Calais; 7:00 AM in East Montpelier; 7:00 AM in Middlesex; and 10:00 AM in Worcester. The polls will close in all towns at 7:00 PM.

ARTICLE 1. To elect a Clerk for a term of one (1) year.

ARTICLE 2. To elect a Treasurer for a term of one (1) year.

ARTICLE 3. To elect a Moderator for a term of one (1) year.

ARTICLE 4. To elect the following School Directors:

Berlin	One (1) School Director	Two (2) Year Term
	One (1) School Director	Three (3) Year Term
Calais	One (1) School Director	One (1) Year Term
	One (1) School Director	Three (3) Year Term
East Montpelier	One (1) School Director	Three (3) Year Term
Middlesex	One (1) School Director	Two (2) Year Term
	One (1) School Director	Three (3) Year Term
Worcester	One (1) School Director	One (1) Year Term
	One (1) School Director	Three (3) Year Term

ARTICLE 5. To fix the annual compensation of the Union School District officers.

Clerk	\$500.00
Treasurer	\$6,600.00
Directors	\$1000.00 each

ARTICLE 6. Shall the voters of the Washington Central Unified Union School District approve the school board to expend \$35,430,502 which is the amount the school board has determined to be necessary for the ensuing fiscal year? It is estimated that this proposed budget, if approved, will result in education spending of \$19,518 per equalized pupil. This projected spending per equalized pupil is 4.61% higher than spending for the current year.

ARTICLE 7. Shall the School District authorize the Board of School Directors of Washington Central Unified Union School District to hold any audited fund balance as of June 30, 2020 in a reserve fund to be expended under the control and direction of the Board of School Directors for the purpose of operating the school?

ARTICLE 8. Shall the School District authorize the Board of School Directors to borrow money in anticipation of the receipt of revenues for the 2020-2021 school year?

ARTICLE 9. Shall the School District authorize a capital improvement/replacement reserve fund, pursuant to the provisions of 24 V.S.A. §2804 for the purpose of the funding necessary for capital improvements and replacement projects?

Polling Places and Times:

Berlin Elementary School in Berlin Corners – 10:00 AM - 7:00 PM

Calais Elementary School in Calais – 7:00 AM - 7:00 PM

East Montpelier Elementary School in East Montpelier – 7:00 AM – 7:00 PM

Rumney Memorial School in Middlesex – 7:00 AM – 7:00 PM

Doty Memorial School in Worcester – 10:00 AM – 7:00 PM

A public hearing will take place at U-32, Room 128/131 at 6:30 PM on March 2, 2020 to provide information on the articles to be voted by Australian Ballot at the municipalities' respective Town Meetings on Tuesday, March 3, 2020.

Upon closing of the polls, the ballots shall be transported and delivered to the Berlin Elementary School in the Town of Berlin and comingled and counted by members of the Boards of Civil Authority of several towns under the supervision of the Clerk of the Washington Central Unified Union School District.

The legal voters of Washington Central Unified Union School District are further notified that voter qualification, registration, and absentee voting relative to said annual meeting shall be as provided in Sections 553 and 706(u) of Title 16, and Chapters 43, 51 and 55 of Title 17, Vermont Statutes Annotated.

Mary Ormsby, Clerk

SCHOOL DIRECTORS

C. Scott Thompson, Chair (Calais)

George Gross (Berlin)

Flor Diaz Smith, Vice-Chair (East Montpelier)

Dorothy Naylor (Calais)

Jonas Eno-Van Fleet, Clerk (Worcester)

Jaiel Pulskamp (Worcester)

Vera Frazier (Berlin)

Malinda (Lindy) Johnson (East Montpelier)

Marylynne Strachan (Middlesex)

Chris McVeigh (Middlesex)

WCUUSD Budget FY2020-2021 CHANGE SUMMARY
Budget Draft 3-January 15, 2020

	ADJUSTED BUDGET 2020	DRAFT 3 INCREASE (DECREASE)	BUDGET % CHANGE	BUDGET 2021
<u>SALARIES AND BENEFITS</u>				
<u>Negotiated Items</u>				
Salary Estimate		\$762,766	2.25%	
Benefits Related to Salary Estimate		\$75,105	0.22%	
Health Insurance @ 12.9% Increase with current coverage		\$340,910	1.01%	
Miscellaneous Benefit Changes		\$4,144	0.01%	
SUBTOTAL NEGOTIATED ITEMS		\$1,182,925	3.49%	
<u>Other Staffing Changes</u>				
Staffing Changes Fy19-20		\$160,646	0.47%	
Special Education Programs-Staffing Changes		\$181,198	0.54%	*See Revenues Below
Academic Programs-Staffing Changes		\$314,530	0.93%	
SUBTOTAL OTHER STAFFING CHANGES		\$656,374	1.94%	
TOTAL SALARY & BENEFITS	\$23,107,377	\$1,839,299	5.43%	\$24,946,676
<u>NONSALARY ITEMS</u>				
Auditor Savings Due to Merger		-\$12,985	-0.04%	
Interest Expense		-\$40,000	-0.12%	*See Revenues Below
Technology Services-Fiscal Software		-\$100,000	-0.30%	
School-wide Expenses, Books, Supplies, Equipment, Prek Services		\$143,865	0.42%	
Fund Transfer Food Program		\$39,712	0.12%	
Transportation Services		\$43,535	0.13%	
Technical Education Tuition(Using latest information)		\$25,837	0.08%	
Special Education Programs-Tuition & Prof Svcs		\$27,253	0.08%	*See Revenues Below
TOTAL NONSALARY-w/o OTHER ITEMS	\$8,408,763	\$127,217	0.38%	\$8,535,980
SUBTOTAL BASE BUDGET INCREASE	\$31,516,140	\$1,966,516	5.81%	\$33,482,656
<u>OTHER ITEMS</u>				
Debt Service-Bond Payment	\$1,702,107	-\$460,783	-1.36%	\$1,241,324
Capital Fund -Transfer-Doty Change	\$636,522	\$70,000	0.21%	\$706,522
TOTAL OTHER ITEMS	\$2,338,629	-\$390,783	-1.15%	\$1,947,846
Combined Total WCUUSD Expenses	\$33,854,769	\$1,575,733	4.65%	\$35,430,502
<u>Revenues that Offset Expense Increases(Decreases):</u>				
Tuition Income-Level Budget @53 Students -Per Announced Tuition Formula		\$151,944	0.45%	
Interest Income		-\$40,000	-0.12%	*See Expenses Above
Miscellaneous Income		-\$15,800	-0.05%	
Special Education Reimbursements		\$312,675	0.92%	*See Expenses Above
Transportation Aid		\$133,174	0.39%	
Use of Fund Balance for Retirement		-\$12,720	-0.04%	
Subtotal Revenues		\$529,273	1.56%	
Net Impact on Taxes		\$1,046,460	3.09%	

BUDGET 2020-2021 VS BUDGET 2019-2020

ADJUSTED

%

Budget21/
Budget 20**DESCRIPTION**

BUDGET 2020 BUDGET 2021 Increase(Decrease)

REVENUES

TUITION-SCHOOL DISTRICTS & INDIVIDUALS	\$942,347	\$1,094,291	\$151,944
INVESTMENT EARNINGS INTEREST	\$323,755	\$283,755	-\$40,000
MISCELLANEOUS INCOME-OTHER	\$330,917	\$315,118	-\$15,800
EDUC. SPENDING REVENUES	\$27,091,430	\$28,137,890	\$1,046,460
MISC STATE REIMBURSEMENTS	\$639,490	\$772,663	\$133,173
SPED EXPENDITURE REIMBURSEMENT	\$4,514,110	\$4,826,785	\$312,675

SUBTOTAL REVENUES**\$33,842,049 \$35,430,502 \$1,588,453****FUND BALANCE****\$12,720 \$0 -\$12,720****TOTAL REVENUES****\$33,854,769 \$35,430,502 \$1,575,733****4.65%****EXPENSES****INSTRUCTIONAL SERVICES**

SALARIES	\$8,179,768	\$8,540,110	\$360,341
MISCELLANEOUS BENEFITS	\$2,319,070	\$2,629,714	\$310,644
TUITION REIMBURSEMENT	\$197,042	\$197,042	\$0
PROFESSIONAL EDUCATION SVC	\$66,263	\$73,263	\$7,000
TUITION TO OTHER SCHOOL DISTRICTS	\$480,831	\$506,268	\$25,437
TRAVEL	\$14,700	\$15,100	\$400
GENERAL SUPPLIES	\$269,402	\$276,105	\$6,703
BOOKS AND PERIODICALS	\$80,793	\$83,593	\$2,800
EQUIPMENT	\$39,000	\$64,000	\$25,000
DUES AND FEES	\$700	\$700	\$0

TOTAL INSTRUCTIONAL SERVICES**\$11,647,570 \$12,385,895 \$738,325****6.34%****PRESCHOOL PROGRAM**

SALARIES	\$362,438	\$366,368	\$3,930
MISCELLANEOUS BENEFITS	\$89,755	\$100,318	\$10,563
TUITION REIMBURSEMENT	\$4,331	\$4,331	\$0
PROFESSIONAL EDUCATION SVC	\$32,927	\$112,927	\$80,000
TUITION TO PRIVATE SCHOOLS	\$148,325	\$148,325	\$0
GENERAL SUPPLIES	\$6,715	\$7,915	\$1,200

TOTAL PRESCHOOL PROGRAM**\$644,491 \$740,184 \$95,693****14.85%****GUIDANCE SERVICES**

SALARIES	\$740,565	\$773,088	\$32,523
MISCELLANEOUS BENEFITS	\$245,340	\$270,590	\$25,250
TUITION REIMBURSEMENT	\$3,575	\$3,575	\$0
GENERAL SUPPLIES	\$34,176	\$34,200	\$24
BOOKS AND PERIODICALS	\$2,260	\$2,260	\$0

TOTAL GUIDANCE SERVICES**\$1,025,916 \$1,083,713 \$57,797****5.63%****HEALTH SERVICES**

SALARIES	\$349,907	\$340,061	-\$9,846
MISCELLANEOUS BENEFITS	\$117,205	\$139,871	\$22,666
TUITION REIMBURSEMENT	\$2,300	\$2,300	\$0
TECHNICAL SERVICES	\$550	\$550	\$0
GENERAL SUPPLIES	\$6,235	\$6,535	\$300
BOOKS AND PERIODICALS	\$933	\$933	\$0

TOTAL HEALTH SERVICES**\$477,130 \$490,250 \$13,120****2.75%****LIBRARY SERVICES**

SALARIES	\$346,731	\$350,669	\$3,938
MISCELLANEOUS BENEFITS	\$110,446	\$116,849	\$6,403
TUITION REIMBURSEMENT	\$5,400	\$5,400	\$0
GENERAL SUPPLIES	\$19,401	\$19,901	\$500
BOOKS AND PERIODICALS	\$50,258	\$50,658	\$400

TOTAL LIBRARY SERVICES**\$532,236 \$543,477 \$11,241****2.11%****CURRICULUM SERVICES**

PROGRAM COSTS	\$253,501	\$349,369	\$95,868
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TOTAL CURRICULUM SERVICES**\$253,501 \$349,369 \$95,868****37.82%**

BUDGET 2020-2021 VS BUDGET 2019-2020

ADJUSTED

%

Budget21/
Budget 20

DESCRIPTION

BUDGET 2020 BUDGET 2021 Increase(Decrease)

INSTRUCTIONAL -RELATED TECHNOLOGY SVCS

SALARIES	\$486,125	\$518,692	\$32,567
MISCELLANEOUS BENEFITS	\$95,839	\$104,089	\$8,250
TUITION REIMBURSEMENT	\$8,600	\$8,600	\$0
TECHNOLOGY RELATED R&M	\$32,516	\$32,516	\$0
RENTALS AND LEASES-COPIER	\$50,700	\$50,700	\$0
COMMUNICATIONS	\$113,400	\$136,400	\$23,000
SUPPLIES-TECHN RELATED	\$32,300	\$36,300	\$4,000
SUPPLIES-TECHN RELATED-SOFTWARE	\$234,324	\$234,324	\$0
EQUIPMENT/FINANCIAL SOFTWARE	\$424,250	\$324,250	-\$100,000
TOTAL INSTR REL-TECHNOLOGY SVCS	\$1,478,054	\$1,445,871	-\$32,183

-2.18%

BOARD OF EDUCATION SVCS.

SALARIES	\$21,888	\$27,964	\$6,076
MISCELLANEOUS BENEFITS	\$2,243	\$2,624	\$381
OFFICIAL SVC TAX COLLECT.	\$14,300	\$0	-\$14,300
LEGAL SERVICES	\$25,850	\$25,850	\$0
INSURANCE	\$99,832	\$99,832	\$0
ADVERTISING	\$12,700	\$10,200	-\$2,500
GENERAL SUPPLIES	\$11,095	\$17,700	\$6,605
DUES AND FEES	\$23,765	\$23,765	\$0
TOTAL BOARD OF EDUCATION SVCS.	\$211,673	\$207,935	-\$3,738

-1.77%

SUPERINTENDENT SERVICES

PROGRAM COSTS	\$528,273	\$554,670	\$26,397
TOTAL SUPERINTENDENT SERVICES	\$528,273	\$554,670	\$26,397

5.00%

OFFICE OF THE PRINCIPAL

SALARIES	\$1,394,199	\$1,417,005	\$22,806
MISCELLANEOUS BENEFITS	\$432,560	\$492,590	\$60,030
TUITION REIMBURSEMENT	\$21,200	\$21,200	\$0
PURCHASED PROF & TECHNICAL SERVICES	\$12,550	\$17,625	\$5,075
COMMUNICATIONS-POSTAGE	\$17,960	\$17,960	\$0
TRAVEL	\$4,600	\$5,100	\$500
GENERAL SUPPLIES	\$41,410	\$43,410	\$2,000
DUES AND FEES	\$7,386	\$7,475	\$89
TOTAL OFFICE OF THE PRINCIPAL	\$1,931,865	\$2,022,365	\$90,500

4.68%

FISCAL SERVICES

INTEREST ON SHORT-TERM DEBT	\$302,925	\$262,925	-\$40,000
PROGRAM COSTS	\$541,583	\$539,298	-\$2,285
TOTAL FISCAL SERVICES	\$844,508	\$802,223	-\$42,285

-5.01%

OPERATION AND MAINT.PLANT

SALARIES	\$1,179,139	\$1,216,820	\$37,681
MISCELLANEOUS BENEFITS	\$384,146	\$414,615	\$30,469
UTILITY SERVICES	\$42,350	\$42,100	-\$250
CLEANING SERVICES	\$87,355	\$87,355	\$0
REPAIR AND MAINTENANCE SERVICES &PROP	\$176,743	\$189,892	\$13,149
TRAVEL/GAS &BOTTLED GAS	\$10,640	\$10,640	\$0
SHARED SERVICES	\$10,000	\$0	-\$10,000
GENERAL SUPPLIES	\$140,294	\$129,294	-\$11,000
ELECTRICITY	\$311,220	\$299,710	-\$11,510
OIL	\$111,440	\$94,950	-\$16,490
OTHER ENERGY-WOOD CHIPS / WOOD PELLETS	\$121,129	\$166,129	\$45,000
EQUIPMENT	\$20,600	\$20,600	\$0
TOTAL OPER. AND MAINT.PLANT	\$2,595,056	\$2,672,105	\$77,049

2.97%

STUDENT TRANSPORTATION SV

STUDENT TRANSPORTATION SV	\$1,451,183	\$1,494,718	\$43,535
TOTAL STUDENT TRANSPORTATION SV	\$1,451,183	\$1,494,718	\$43,535

3.00%

BUDGET 2020-2021 VS BUDGET 2019-2020

ADJUSTED

%

Budget21/
Budget 20DESCRIPTION

BUDGET 2020 BUDGET 2021 Increase(Decrease)

STUDENT TRANS-OTHER

STUDENT TRANS-FIELD TRIPS	\$41,805	\$44,805	\$3,000	
TOTAL STUDENT TRANS-OTHER	\$41,805	\$44,805	\$3,000	7.18%

DEBT SERVICE

REDEMPTION OF PRINCIPAL	\$1,374,466	\$926,910	-\$447,556	
INTEREST LONG TERM DEBT	\$327,641	\$314,414	-\$13,227	
TOTAL DEBT SERVICE	\$1,702,107	\$1,241,324	-\$460,783	-27.07%

FUND TRANSFER OUT

FUND TRANSFER-CAPITAL	\$636,522	\$706,522	\$70,000	
FUND TRANSFER-FOOD SERVICE	\$109,403	\$149,115	\$39,712	
FUND TRANSFER-COMMUNITY CONNECTIONS	\$0	\$40,000	\$40,000	
TOTAL TRANSFER TO OTHER FUNDS	\$745,925	\$895,637	\$149,712	20.07%

SUPPORT PROGRAMS-SP ED

SALARIES	\$856,489	\$1,081,228	\$224,739	
MISCELLANEOUS BENEFITS	\$420,857	\$592,323	\$171,466	
PROGRAM COSTS	\$5,649,032	\$5,924,465	\$275,433	
TOTAL SUPPORT PROGRAMS	\$6,926,378	\$7,598,016	\$671,638	9.70%

ENGLISH LANGUAGE LEARNER

PROGRAM COSTS	\$51,121	\$83,408	\$32,287	
TOTAL ENGLISH LANGUAGE LEARNER	\$51,121	\$83,408	\$32,287	63.16%

CO-CURRICULAR ACTIVITIES

MISCELLANEOUS EXPENSES	\$765,978	\$774,537	\$8,559	
TOTAL COCURRICULAR ACTIVITIES	\$765,978	\$774,537	\$8,559	1.12%

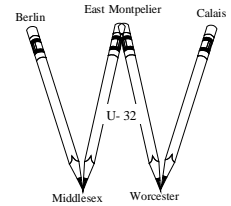
TOTAL EXPENSES	\$33,854,769	\$35,430,502	\$1,575,733	4.65%
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Washington Central Unified Union School District

WCUUSD exists to nurture and inspire in all students the passion, creativity and power to contribute to their local and global communities.

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Debra Taylor
Interim Superintendent



TO: WCUUSD School Board
FROM: Debra Taylor, Interim Superintendent
Lori T. Bibeau, WCUUSD Business Administrator
RE: Capital Projects and Budgeting FY 20-21
DATE: January 3, 2020

In reviewing the latest Capital Project plan, direction is needed for budgeting and planning purposes. Here is a summary of the information regarding WCUUSD Capital Funds:

- The original balances dated July 1, 2019 were restricted by building.
- The current interest income through November 30, 2019 amounts to \$23,206. It is difficult to project the interest for this fiscal year until the Request for Proposal process is complete.
- Future budget allocations, by building, are at the discretion of the WCUUSD Board.
- This fall, Black River Design was hired to develop a WCUUSD preliminary project list. It was included in the December 4, 2019 Board packet.
- Prior to the merger, some projects were identified by the local boards. If they have not yet been completed, they will be included on this list.
- The WCUUSD Finance Committee is recommending hiring a Facilities Director to oversee the Capital Fund and Capital Projects.

The current estimated totals for FY 20-21 are:

School	Fund Bal.	Spending	Shortfall-FY20-21	Carryover FY 21-22
Berlin	\$459,271	\$450,000	\$0	\$ 9,271
Calais	\$140,454	\$350,000	\$209,546	\$0
East Montpelier	\$914,769	\$0	\$0	\$914,769
Middlesex	\$132,590	\$270,000	\$137,410	\$0
Worcester	\$235,714	\$324,000	\$ 88,286	\$0
U32	\$429,921	\$TBD	\$0	\$429,921
Cent. Office	\$117,370	\$0	\$0	\$117,370
Budget FY20-21			Allocation per above	
District Wide	\$706,522	\$110,000	(\$435,242)	\$ 161,280
Grand Total	\$3,136,611	\$1,504,000	\$0	\$1,632,611

The Capital Plans are as follows:

Projects committed by prior boards-RFP/work in process

- Rumney-Acoustic Project
- Doty-Building Envelope-Siding/Windows
- U-32-complete Track project

Other FY 20-21 Projects/items from Black River Design plan with input from Principals

- Berlin-Repaving, fencing, masonry repair
- Calais-Cafeteria roof repair, security entrance and barrier
- East Montpelier- None
- Middlesex-Roof Repair, Sidewalk replacement
- Worcester-Security Entrance/Barrier and Roof Repair
- U-32-To be determined
- Central Office-None
- District-wide-Hire a Facilities Director

Here is the board direction that is needed:

- Approval for a formula for budget allocations for FY 20-21.
- Permission to solicit requests for proposals in February/March to ensure plans are in place for the summer work.
- Award Capital bids in February/March(after Town Meeting)