

VERNON TOWN SCHOOL DISTRICT

**Financial Statements
and
Independent Auditors' Report**

As of and for the Year Ended
June 30, 2019

VERNON TOWN SCHOOL DISTRICT

Table of Contents

As of and for the Year Ended June 30, 2019

	<u>PAGE(S)</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 8
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Combined Balance Sheet – All Fund Types – Fund Base	11
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	12
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund Types – Fund Base	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position – Proprietary Fund	15
Statement of Revenues, Expenditures and Changes in Net Position – Proprietary Fund	16
Statement of Cash Flows – Proprietary Fund	17
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
Notes to the Financial Statements	20 – 44
SUPPLEMENTARY SCHEDULES	
Schedule 1 – Budgetary Comparison Schedule – General Fund	45
Schedule 2 – State Contributions to Teachers' Pension	46
Schedule 3 – District Contributions to Vermont Municipal Employees' Retirement System	47
Schedule 4 – Proportionate Share of the Net Pension Liability	48
Schedule 5 – Multi-Year Schedule of Contributions	49
COMPLIANCE	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50 – 51



TYLER, SIMMS & ST. SAUVEUR, CPAs, P.C.
Certified Public Accountants & Business Consultants

Independent Auditors' Report

To the School Board
of Vernon Town School District

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 Vernon Town School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe 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 Vernon Town 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 and budgetary comparison information on pages 3 to 8 and 45 be presented to supplement the basic financial statements. Also included as required supplementary information is the schedule of state contributions to teachers' pension, District contributions to Vermont Municipal Employees' Retirement System, proportionate share of the net pension liability and multi-year schedule of contributions presented on pages 46-49. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2020, on our consideration of the Vernon Town School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 the 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 Vernon Town School District's internal control over financial reporting and compliance.



Lebanon, New Hampshire
February 19, 2020

Registration No. 92-545

VERNON TOWN SCHOOL DISTRICT

Management's Discussion and Analysis

As of June 30, 2019

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) section of the Vernon Town School District's (the District) financial statements provides a narrative overview and analysis of the District's financial performance during the year ended June 30, 2019. The MD&A focuses on the current year's activities, resulting changes and currently known facts. It should be read in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- District-wide net position decreased from \$3,357,134 (as restated) to \$3,159,829.
- District-wide assets and deferred outflow of resources totaled \$3,584,870 and District-wide liabilities and deferred inflow of resources totaled \$425,041.
- The District-wide revenues were \$5,706,754, which was a \$1,535,925 increase over last year.
- The District-wide expenditures were \$5,904,059, which resulted in a negative balance of operations for FY2019 in the amount of \$197,305.
- Custodial Funds totaling \$8,000 are held in the District's accounts for various student activities and projects. These funds are raised by students and exclusively expended for student activities.
- The Private Purpose Trust Funds represent funds being held in trust for scholarships which totaled \$271,745.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 9 and 10) provide information about the activities of the District as a whole and present a long-term view of the District's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

Overview of the Financial Statements

The MD&A will serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) District-wide financial statements, (2) fund information statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements – The District-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business using the accrual basis of accounting.

VERNON TOWN SCHOOL DISTRICT

Management's Discussion and Analysis

As of June 30, 2019

The Statement of Net Position presents information on all of the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the net position of the District changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the District-wide financial statements distinguish functions of the District that are principally supported by taxes and inter-governmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include programs and services such as instruction, support services and building operation and maintenance.

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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on the Major Funds, rather than fund types.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as those spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-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 fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the District cannot use these funds to finance its operations.

The District uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statements can be found on pages 18-19 of this report.

VERNON TOWN SCHOOL DISTRICT

Management's Discussion and Analysis

As of June 30, 2019

Notes to the Financial Statements – The notes provide additional information that is essential for a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found on pages 20-44 of this report.

District-wide Financial Analysis

The District's net asset position was \$3,159,829 at June 30, 2019. The largest portion of the District's net asset position, \$1,999,360, reflects its investment in capital assets (land, building, furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The analyses in Table 1 and Table 2 focus on the summary of net position and summary of changes in net position for the District's governmental activities.

**Table 1: District-wide Balance Sheet
June 30, 2019**

	District Wide		Increase (Decrease)
	2019	Restated 2018	
Current assets	\$ 1,551,843	\$ 1,561,118	\$ (9,275)
Capital assets	1,999,360	2,104,154	(104,794)
Deferred outflow of resources	<u>33,667</u>	<u>30,267</u>	<u>3,400</u>
Total assets and deferred outflow of resources	<u>\$ 3,584,870</u>	<u>\$ 3,695,539</u>	<u>\$ (110,669)</u>
Current liabilities	\$ 272,609	\$ 199,750	\$ 72,859
Noncurrent liabilities	145,756	129,857	15,899
Deferred inflow of resources	<u>6,676</u>	<u>8,798</u>	<u>(2,122)</u>
Total liabilities and deferred inflow of resources	<u>\$ 425,041</u>	<u>\$ 338,405</u>	<u>\$ 86,636</u>
Net position			
Invested in capital assets net of related debt	\$ 1,999,360	\$ 2,102,487	\$ (103,127)
Restricted	616,548	615,418	1,130
Unrestricted	<u>543,921</u>	<u>639,229</u>	<u>(95,308)</u>
Total net position	<u>\$ 3,159,829</u>	<u>\$ 3,357,134</u>	<u>\$ (197,305)</u>

VERNON TOWN SCHOOL DISTRICT
Management's Discussion and Analysis
As of June 30, 2019

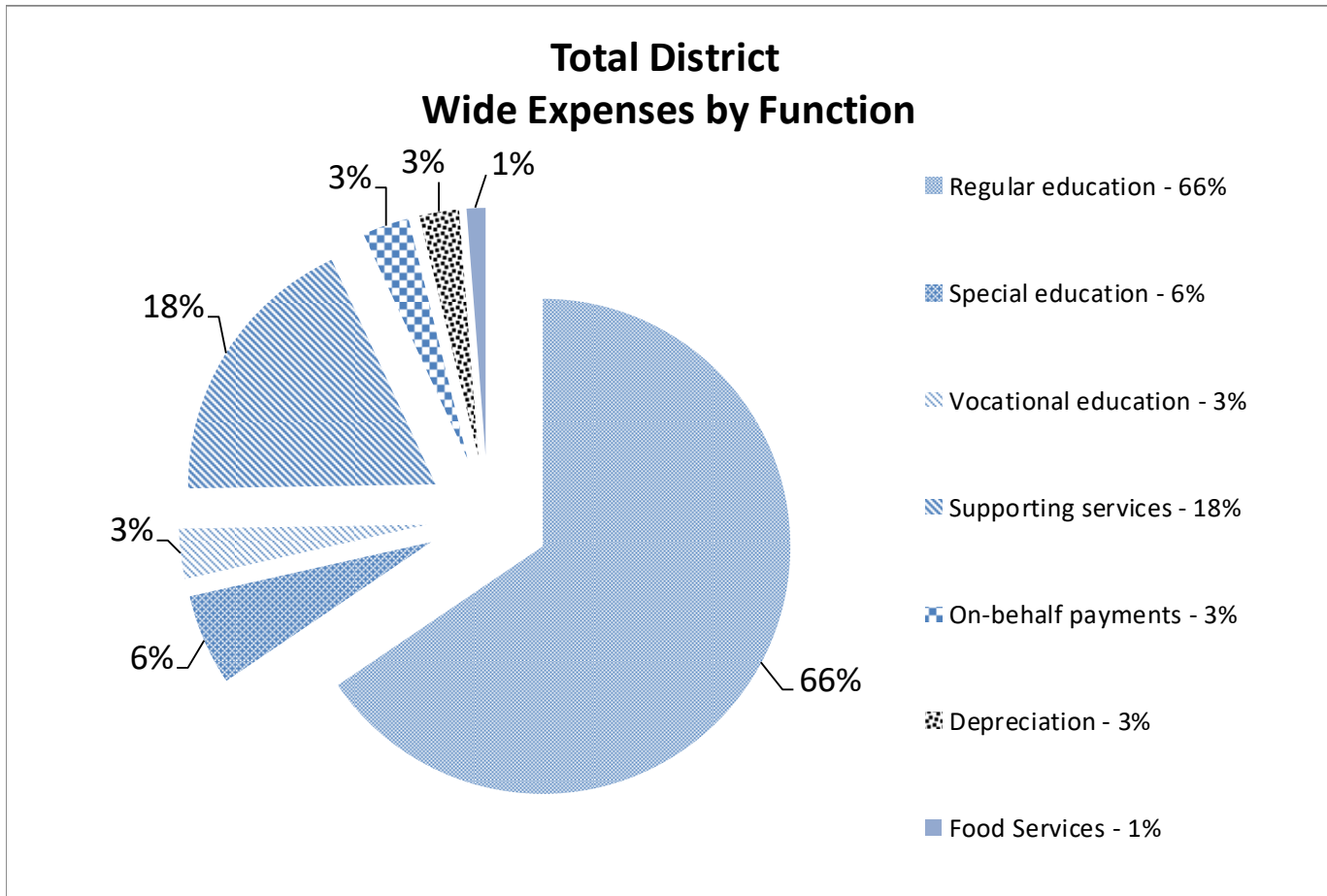
The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2 takes the information from that statement and rearranges it slightly so the reader can see the total revenues for the year compared to fiscal year 2018.

Table 2: District-wide Statement of Activities
June 30, 2019

	District Wide		Increase (Decrease)
	2019	Restated 2018	
Program revenues			
Rental income	\$ 221,270	\$ 221,622	\$ (352)
Charges for services	17,531	-	17,531
Operating grants and contributions	168,008	97,158	70,850
General revenues			
Education spending grant	5,115,159	3,639,376	1,475,783
Investment earnings	3,074	1,370	1,704
Miscellaneous revenues	1,001	69,901	(68,900)
On-behalf payments	180,711	141,402	39,309
Total revenues and transfers	<u>5,706,754</u>	<u>4,170,829</u>	<u>1,535,925</u>
Expenses			
Regular education	3,868,372	2,044,930	1,823,442
Special education	351,147	56,187	294,960
Vocational programs	193,421	-	193,421
Supporting services	1,083,668	1,389,062	(305,394)
Depreciation	153,730	145,735	7,995
On-behalf payments	180,711	141,402	39,309
Food service expense	73,010	43,450	29,560
Total expenses	<u>5,904,059</u>	<u>3,820,766</u>	<u>2,083,293</u>
Increase (decrease) in net assets	(197,305)	350,063	(547,368)
Net position, July 1	3,357,134	2,935,178	421,956
Prior period adjustment	<u>-</u>	<u>71,893</u>	<u>(71,893)</u>
Net position, June 30	<u>\$ 3,159,829</u>	<u>\$ 3,357,134</u>	<u>\$ (197,305)</u>

VERNON TOWN SCHOOL DISTRICT
Management's Discussion and Analysis
 As of June 30, 2019

The chart below represents total expenditures from Governmental Funds classified by function:



Fund Financial Analysis

Governmental Fund Types – Fund balances in the Governmental Fund types decreased from \$1,351,054 to \$1,279,234, a decrease of \$71,820.

Governmental Fund revenues were \$5,689,223, which was an increase of \$1,518,397 from the prior year.

Governmental Fund expenditures were \$5,761,043, which was an increase of \$2,050,096 from the prior year.

Capital Assets

As required under Governmental Accounting Standards Board (GASB) 34, the District is reporting its capital assets as part of the financial statements. The District has researched and documented the historical costs of the various assets owned by the District and applied appropriate charges against the cost to record depreciation. Assets with a cost of \$5,000 or more are capitalized and depreciated.

VERNON TOWN SCHOOL DISTRICT
Management's Discussion and Analysis
As of June 30, 2019

Following is a summary of the District's capital assets as of June 30, 2019:

	Governmental Activities			
	Ending Balance June 30, 2018	Additions	Retirements and Transfers	Ending Balance June 30, 2019
Non-depreciable assets				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Depreciable assets				
Buildings and improvements	4,805,379	48,936	-	4,854,315
Office and other equipment	657,410	-	-	657,410
Transportation equipment	22,650	-	-	22,650
	<u>5,485,439</u>	<u>48,936</u>	<u>-</u>	<u>5,534,375</u>
Less depreciation for				
Buildings and improvements	2,826,796	114,889	-	2,941,685
Office and other equipment	535,839	38,841	-	574,680
Transportation equipment	22,650	-	-	22,650
	<u>3,385,285</u>	<u>153,730</u>	<u>-</u>	<u>3,539,015</u>
Capital assets, net	<u>\$ 2,104,154</u>	<u>\$ (104,794)</u>	<u>\$ -</u>	<u>\$ 1,999,360</u>

Long-Term Debt

Following is a summary of the District's long-term debt as of June 30, 2019:

	Balance 6/30/2018	Additions	Retirements	Balance 6/30/2019	Due Within One Year
Governmental activities:					
Green Mountain Power	\$ 1,667	\$ -	\$ 1,667	\$ -	\$ -

There was no long-term debt as of June 30, 2019.

Current Issues

The Teachers' Master Agreement and the Educational Support Staff Master Agreement will expire in June 2020.

Contacting the District's Management

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Vernon School District Treasurer, (802) 257-3077, or by mail to: Vernon Elementary School, 381 Governor Hunt Road, Vernon, VT 05354, or contact Lyle Holiday, Superintendent of Schools at (802) 254-3730.

VERNON TOWN SCHOOL DISTRICT
Statement of Net Position – District-wide
As of June 30, 2019

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Assets and other debits			
Current assets			
Cash	\$ 1,522,454	\$ 23,056	\$ 1,545,510
Accounts receivable	1,100	-	1,100
Prepaid expenses	5,233	-	5,233
Total current assets	<u>1,528,787</u>	<u>23,056</u>	<u>1,551,843</u>
Capital assets	5,538,375	-	5,538,375
Accumulated depreciation	(3,539,015)	-	(3,539,015)
Capital assets (net of accumulated depreciation)	<u>1,999,360</u>	<u>-</u>	<u>1,999,360</u>
Total assets	<u>3,528,147</u>	<u>23,056</u>	<u>3,551,203</u>
Deferred outflow of resources			
Pension - VMERS	<u>33,667</u>	<u>-</u>	<u>33,667</u>
Total assets and deferred outflow of resources	<u>\$ 3,561,814</u>	<u>\$ 23,056</u>	<u>\$ 3,584,870</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 3,696	\$ -	\$ 3,696
Accrued expenses	245,857	-	245,857
Due to other governments	-	23,056	23,056
Total current liabilities	<u>249,553</u>	<u>23,056</u>	<u>272,609</u>
Noncurrent liabilities			
Accrued separation and early retirement incentive	83,895	-	83,895
Net pension liability - VMERS	61,861	-	61,861
Total noncurrent liabilities	<u>145,756</u>	<u>-</u>	<u>145,756</u>
Total liabilities	<u>395,309</u>	<u>23,056</u>	<u>418,365</u>
Deferred inflow of resources			
Pension - VMERS	<u>6,676</u>	<u>-</u>	<u>6,676</u>
Net position			
Investment in capital assets, net of related debt	1,999,360	-	1,999,360
Restricted			
For nonspendable funds	5,233	-	5,233
For capital projects	611,315	-	611,315
Unrestricted	<u>543,921</u>	<u>-</u>	<u>543,921</u>
Total net position	<u>3,159,829</u>	<u>-</u>	<u>3,159,829</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 3,561,814</u>	<u>\$ 23,056</u>	<u>\$ 3,584,870</u>

The accompanying notes to financial statements are an integral part of these statements.

VERNON TOWN SCHOOL DISTRICT

Statement of Activities – District-wide

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	Governmental Activities	Business- Type Activities	Total
Governmental activities						
Regular education programs	\$ 3,868,372	\$ -	\$ 32,069	\$ (3,836,303)	\$ -	\$ (3,836,303)
Special education programs	351,147	-	-	(351,147)	-	(351,147)
Vocational programs	193,421	-	101,348	(92,073)	-	(92,073)
Supporting services	1,083,668	221,270	34,591	(827,807)	-	(827,807)
Depreciation expense	153,730	-	-	(153,730)	-	(153,730)
On-behalf payment	180,711	-	180,711	-	-	-
Food service subsidy	43,500	-	-	(43,500)	-	(43,500)
Total primary government	<u>\$ 5,874,549</u>	<u>\$ 221,270</u>	<u>\$ 348,719</u>	<u>(5,304,560)</u>	<u>-</u>	<u>(5,304,560)</u>
Business-type activities						
Food services	<u>\$ 29,510</u>	<u>\$ 17,531</u>	<u>\$ -</u>	<u>-</u>	<u>(11,979)</u>	<u>(11,979)</u>
General revenues						
				5,115,159	-	5,115,159
				3,074	-	3,074
				1,001	-	1,001
				<u>5,119,234</u>	<u>-</u>	<u>5,119,234</u>
				Changes in net position	(11,979)	(197,305)
				Net position - beginning	11,979	3,285,241
				Prior period adjustment	-	71,893
				Net position - ending	<u>\$ -</u>	<u>\$ 3,159,829</u>

The accompanying notes to financial statements are an integral part of these statements.

VERNON TOWN SCHOOL DISTRICT
Combined Balance Sheet – All Fund Types – Fund Base
As of June 30, 2019

	<u>Government Fund Types</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Project Fund</u>	<u>Primary Government</u>
Assets and other debits			
Cash	\$ 911,139	\$ 611,315	\$ 1,522,454
Accounts receivable	1,100	-	1,100
Prepaid expenses	5,233	-	5,233
	<u>917,472</u>	<u>611,315</u>	<u>1,528,787</u>
Total assets and other debits	<u>\$ 917,472</u>	<u>\$ 611,315</u>	<u>\$ 1,528,787</u>
Liabilities			
Accounts payable	\$ 3,696	\$ -	\$ 3,696
Accrued expenses	245,857	-	245,857
Total liabilities	<u>249,553</u>	<u>-</u>	<u>249,553</u>
Fund balance			
Nonspendable	5,233	-	5,233
Restricted	-	611,315	611,315
Assigned	150,477	-	150,477
Unassigned	512,209	-	512,209
Total fund balance	<u>667,919</u>	<u>611,315</u>	<u>1,279,234</u>
Total liabilities and fund balance	<u>\$ 917,472</u>	<u>\$ 611,315</u>	<u>\$ 1,528,787</u>

The accompanying notes to financial statements are an integral part of these statements.

VERNON TOWN SCHOOL DISTRICT

Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds

As of June 30, 2019

Fund balances - total governmental funds	\$ 1,279,234
Amounts reported for governmental activities in the government-wide statement of net position are different because:	
Capital assets used in governmental funds are not current financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets	5,538,375
Less: Accumulated depreciation	(3,539,015)
Deferred outflow of resources	33,667
Long-term liabilities are not payable in the current year and therefore are not reported in the government funds balance sheet:	
Accrued separation benefit	(83,895)
Net pension liability	(61,861)
Deferred inflow of resources	<u>(6,676)</u>
Net position district wide	<u><u>\$ 3,159,829</u></u>

The accompanying notes to financial statements are an integral part of these statements.

VERNON TOWN SCHOOL DISTRICT
Combined Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Fund Types – Fund Base
For the Year Ended June 30, 2019

	Government Fund Types		
	General Fund	Capital Project Fund	Total Governmental Funds
Revenues			
Local sources			
Investment income	\$ 2,265	\$ 809	\$ 3,074
Rental income	221,270	-	221,270
Miscellaneous	801	200	1,001
	<u>224,336</u>	<u>1,009</u>	<u>225,345</u>
State sources			
Education spending grant	5,115,159	-	5,115,159
Restricted grants-in-aid	168,008	-	168,008
On-behalf payments	180,711	-	180,711
	<u>5,463,878</u>	<u>-</u>	<u>5,463,878</u>
Total revenues	<u>5,688,214</u>	<u>1,009</u>	<u>5,689,223</u>
Expenditures			
Instruction services			
Regular education programs	3,864,416	-	3,864,416
Special education	351,147	-	351,147
Vocational education	193,421	-	193,421
Supporting services			
Pupils	130,118	-	130,118
Instructional staff	89,357	-	89,357
General administration	19,165	-	19,165
School administration	192,330	-	192,330
Business administration	162,890	-	162,890
Operation and maintenance plant	350,318	51,619	401,937
Transportation	130,384	-	130,384
Food services			
Food service subsidy	43,500	-	43,500
On-behalf payments	180,711	-	180,711
Debt service			
Principal payment long term debt	1,667	-	1,667
Total expenditures	<u>5,709,424</u>	<u>51,619</u>	<u>5,761,043</u>
Deficiency of revenues under expenditures	<u>(21,210)</u>	<u>(50,610)</u>	<u>(71,820)</u>
Other financing sources (uses)			
Transfer from other funds	-	50,000	50,000
Transfer to other funds	(50,000)	-	(50,000)
Total other financing sources (uses)	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	(71,210)	(610)	(71,820)
Fund balances, beginning	<u>739,129</u>	<u>611,925</u>	<u>1,351,054</u>
Fund balances, ending	<u>\$ 667,919</u>	<u>\$ 611,315</u>	<u>\$ 1,279,234</u>

The accompanying notes to financial statements are an integral part of these statements.

VERNON TOWN SCHOOL DISTRICT
Reconciliation of the 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 \$ (71,820)

Amounts reported for governmental activities in the government-wide statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives

Expenditures for capital assets	48,936
Less: current year depreciation	(153,730)

The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds:

Principal payments on bonds and notes payable	1,667
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Changes in non-current accrued separation benefit that does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds (3,138)

Governmental funds report District pension costs as expenditures. However, the statement of net activities reports pension expense as the cost of pension benefits earned net of employer contributions (7,241)

Change in net position of governmental funds \$ (185,326)

The accompanying notes to financial statements are an integral part of these statements.

VERNON TOWN SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
For the Year Ended June 30, 2019

	<u>Food Service</u>	<u>Total</u>
Assets		
Current assets		
Cash - restricted	\$ 23,056	\$ 23,056
Total current assets	<u>23,056</u>	<u>23,056</u>
Total assets	<u>\$ 23,056</u>	<u>\$ 23,056</u>
Liabilities		
Current liabilities		
Due to Supervisory Union	\$ 23,056	\$ 23,056
Total current liabilities	<u>23,056</u>	<u>23,056</u>
Total liabilities	<u>23,056</u>	<u>23,056</u>
Net position		
Unrestricted	-	-
Total net position	<u>-</u>	<u>-</u>
Total liabilities and net position	<u>\$ 23,056</u>	<u>\$ 23,056</u>

The accompanying notes to financial statements are an integral part of these statements.

VERNON TOWN SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Net Position - Proprietary Fund

For the Year Ended June 30, 2019

	<u>Food Service</u>	<u>Totals</u>
Revenues		
Local sources:		
Food service sales	\$ 17,531	\$ 17,531
Total operating revenues	<u>17,531</u>	<u>17,531</u>
Expenditures		
Food services	<u>29,510</u>	<u>29,510</u>
Total expenditures	<u>29,510</u>	<u>29,510</u>
Operating loss	<u>(11,979)</u>	<u>(11,979)</u>
Nonoperating revenues (expenses)		
Commodities received	5,068	5,068
Commodities consumed	<u>(5,068)</u>	<u>(5,068)</u>
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>
Change in net position	(11,979)	(11,979)
Net position, beginning	<u>11,979</u>	<u>11,979</u>
Net position, ending	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of these statements.

VERNON TOWN SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Year Ended June 30, 2019

	Food Service
Cash flows from operating activities	
Cash received from customers	\$ 17,531
Cash payments for goods and services	(29,510)
Net cash used in operating activities	<u>(11,979)</u>
Cash flows from noncapital financing activities	
Due to general fund	17,531
State reimbursement	-
Net cash provided by noncapital financing activities	<u>17,531</u>
Net increase in cash and cash equivalents	5,552
Cash and cash equivalents, beginning	<u>17,504</u>
Cash and cash equivalents, ending	<u>\$ 23,056</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (11,979)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Change in assets and liabilities:	
Decrease in due to Supervisory Union	<u>17,531</u>
Net cash provided by operating activities	<u>\$ 5,552</u>

Non-Cash Financing Activities

The District received federal commodities valued at \$5,068 during the fiscal year.
It consumed \$5,068 of commodities during the same period.

The accompanying notes to financial statements are an integral part of these statements.

VERNON TOWN SCHOOL DISTRICT
Statement of Fiduciary Net Position
As of June 30, 2019

	Private Purpose Trust Funds	Custodial Funds
Assets		
Cash	\$ 20,003	\$ 8,000
Investments	<u>251,742</u>	<u>-</u>
Total assets	<u>\$ 271,745</u>	<u>\$ 8,000</u>
Liabilities		
Due to student groups	\$ -	\$ 8,000
Total liabilities	<u>-</u>	<u>8,000</u>
Net position		
Restricted	<u>271,745</u>	<u>-</u>
Total liabilities and net position	<u>\$ 271,745</u>	<u>\$ 8,000</u>

The accompanying notes to financial statements are an integral part of these statements.

VERNON TOWN SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2019

	Private Purpose Trust Funds
Additions	
Interest and dividends	\$ 20,998
Realized loss	(6,464)
Unrealized gain	5,806
Total additions	<u>20,340</u>
Deductions	
Fees	3,237
Scholarships	2,738
Total deductions	<u>5,975</u>
Change in net position	14,365
Net position, beginning	<u>257,380</u>
Net position, ending	<u>\$ 271,745</u>

The accompanying notes to financial statements are an integral part of these statements.

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies:

The financial statements of the Vernon Town School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity – The Vernon Town School District (the District) is a unit of government organized according to Vermont State law. The District's mission is to provide education services to students in the Vernon Town School District. The District is governed by a Board of School Directors elected by registered voters of the District. There are no component units included within the reporting entity.

District-Wide and Fund Financial Statements – The District's basic financial statements include both District-wide and fund financial statements.

District-wide statements: The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. District activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

In the District-wide statement of net position, the financial position of the District is consolidated and incorporates all long-term assets and receivables as well as all long-term debt and obligations. The District-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental and business-type activities. Direct expenses are those that are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund financial statements: Fund financial statements are presented according to each fund category; governmental, proprietary and fiduciary. Separate financial statements are provided for each of these categories. Major governmental funds and major proprietary funds are reported as separate columns in the fund financial statements.

Governmental Fund Types:

General Fund – The General Fund is used to account for the primary activity of the District. It is used to account for all financial resources, except those required to be accounted for in other funds. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Capital Project Fund – Transactions related to resources obtained and used for acquisition, construction or improvement of capital facilities are accounted for in the capital projects fund. Such resources are derived from proceeds of long-term debt and federal and state grants.

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (continued):

The District reports the following major proprietary fund:

Food Service Funds are used to account for all activities associated with the District's food service program. The principal operating revenues of the District's Food Service Fund are charges to students and staff for food service sales. Operating expenses include costs of sales and administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District. The Fiduciary Funds are prepared under the economic resources measurement focus and the accrual basis of accounting.

- Custodial Funds consist of activity funds, which are established at the District to account for the receipts and disbursements of various District activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The District retains no equity interest in these funds. Custodial Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- Private Purpose Trust Funds account for assets where both principal and interest may be expended. These are accounted for in essentially the same manner as Governmental Fund Types, using the same measurement focus and basis of accounting.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The District-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do proprietary fund and fiduciary fund financial statements, except for agency funds which have no measurement focus. All assets and deferred outflow of resources and liabilities and deferred inflow of resources associated with the operation of the District are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases (revenues and other financing sources) and decreases (expenditures and other financing uses). The modified accrual basis of accounting recognizes revenues in the accounting period in which they become available and measurable and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (continued):

Proprietary Fund types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund statement of net position. The fund equity is segregated into invested in capital assets less related debt, restricted net position and unrestricted net position.

Other Accounting Policies

Cash and Cash Equivalents – For purposes of the statement of cash flows for proprietary and similar fund types, the District considers highly liquid investments to be cash equivalents if they have a maturity of six months or less when purchased.

Interfund Receivables and Payables – Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. All other outstanding balances between funds are also reported as “due to/from other funds”.

Accounts Receivable – The accounts receivable balances at year end are from governmental entities; no allowance for doubtful accounts is considered necessary.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

Capital Assets – Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable column in the governmental-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Land improvements, buildings, furniture and equipment of the District are depreciated using the straight-line method over the estimated useful lives with a full year of depreciation taken in the year acquired and none taken in the year of disposal.

Long-Term Debt – In the District-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. The face amount of debt issued is reported as other financing sources.

Unexpended Grant Revenues – Certain State and Federal grants are restricted for specific purposes and, upon receipt, are recorded as unearned revenue until expenditures are incurred.

Compensated Absences – The District does not incur a liability for employee’s non-vesting accumulating rights to receive compensation for employee’s absences due to illness.

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (continued):

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Schoolboard to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates and the differences could be material.

Budgets – The District is required by State law to adopt a budget for the General Fund. The budget is presented on the modified accrual basis of accounting which is consistent with GAAP. The operating budget is prepared by the District's administration with direction from the School Board and the Vernon Town School District Treasurer, and approved by the Vernon Town School District School Board at a properly warned meeting for presentation to the voters. The operating budget includes proposed expenditures by line items and the means of financing them. The voters vote on the total expense amount and not on the individual line items presented in these financial statements.

Encumbrances – Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized for budgetary control purposes in the General Fund, Special Revenue Funds and Capital Projects Fund. Encumbrances are not the equivalent of expenditures and, accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

Pensions – For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflow 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) and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by VSTRS and VMERS. For this purpose, benefit payments are recognized when due and in accordance with benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources – In addition to assets, the statement of financial position will at times report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period, and it will not be recognized as an outflow of resources (expense/expenditure) until that time. The District currently has one type of item, deferred outflows, related to pensions.

In addition to liabilities, the statement of financial position will at times report a separate section for deferred inflow of resources. This separate financial statement element represents an acquisition of net position that applies to future periods, so it will not be recognized as an inflow of resources until that time. Deferred inflows related to pensions qualify for reporting in this category.

Net Position and Fund Balance –

District-wide Financial Statements – Net position represents the difference between assets and deferred outflow of resources and liabilities and deferred inflow of resources on the district-wide financial statements. Net positions are classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.

Restricted for Net Position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (continued):

Restricted for Capital Projects – This amount reports the receipts of revenue from bond proceeds, grants and special assessments in excess of expenditures. These funds are restricted for the construction or acquisition of capital assets.

Unrestricted – This amount represents the net position that does not meet the definition of the above components and is available for general use by the District.

Fund Based Financial Statements – In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable – Resources which cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted – Resources with constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation.

Committed – Resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner. For the purposes of defining the committed fund balance category, the District considers the taxpayers its highest level of decision making authority.

Assigned – Resources neither restricted nor committed for which a government has a stated intended use as established by the School Board or a body or official to which the School Board has delegated the authority to assign amounts for specific purposes.

Unassigned – Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include any negative residual balance resulting from expenditures exceeding amounts restricted, committed or assigned for a specific purpose.

2. Cash and Investments:

Deposits – As of June 30, 2019, the carrying amount of deposits for governmental activities and business-type activities was \$1,545,510. To cover any portion not insured by the FDIC, the District obtains collateralization agreements from local banks. Securities underlying repurchase agreements are maintained in safekeeping by the bank. The securities are in the District's name.

The Steenbruggen Scholarship Fund is invested with TD Wealth Group. The Fund's portfolio consists of Equities (51%), Fixed Income Investments (42%) and Short-Term Investments (7%). The market value of the investments was \$270,445 as of June 30, 2019. Total unrealized gain as of June 30, 2019 is \$5,806. The Puffer Scholarship Fund is invested in a certificate of deposit at 1.75% interest and has a market value of \$1,300.

Investments received as gifts are recorded at fair market value at the date of the gift.

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

3. Capital Assets:

Capital activity for the District was as follows for the year ended June 30, 2019:

	Governmental Activities			
	Ending Balance June 30, 2018	Additions	Retirements and Transfers	Ending Balance June 30, 2019
Non-depreciable assets				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Depreciable assets				
Buildings and improvements	4,805,379	48,936	-	4,854,315
Office and other equipment	657,410	-	-	657,410
Transportation equipment	22,650	-	-	22,650
	<u>5,485,439</u>	<u>48,936</u>	<u>-</u>	<u>5,534,375</u>
Less depreciation for				
Buildings and improvements	2,826,796	114,889	-	2,941,685
Office and other equipment	535,839	38,841	-	574,680
Transportation equipment	22,650	-	-	22,650
	<u>3,385,285</u>	<u>153,730</u>	<u>-</u>	<u>3,539,015</u>
Capital assets, net	\$ <u>2,104,154</u>	\$ <u>(104,794)</u>	\$ <u>-</u>	\$ <u>1,999,360</u>

Depreciation expense for the year ended June 30, 2019 was \$153,730.

4. Long-Term Liabilities:

The District does not currently have any General Obligation Bonds. These bonds provide funds for the acquisition and construction of major capital facilities and are typically payable over 15 to 20 years. The District has instead borrowed monies used for capital improvements from local banks and set up repayment schedules of typically three years or less.

The District received a loan from Green Mountain Power Corporation in July 2013 for the purpose of implementing an electric energy efficiency project at the School facility. This loan was paid off in 2019.

As of June 30, 2019, there is no liability for long term bonds or notes.

5. Risk Management:

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. There has been no significant change in insurance coverage from the previous fiscal year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

The District is a member of the Vermont Education Health Initiative (VEHI) for medical insurance benefits. VEHI is a nonprofit corporation formed to provide insurance and risk management programs for Vermont school districts and is owned by the participating districts.

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

5. Risk Management (continued):

To provide health insurance coverage, VEHI has established a self-funded, fully insured program in conjunction with Blue Cross and Blue Shield. A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. The pooling agreement does not permit the pool to make additional assessments to its members.

The District is self-insured for unemployment benefits. No liabilities have been accrued as the District is not able to make an estimate as to any future costs. The District paid no unemployment claims during the fiscal year ended June 30, 2019.

In the normal course of business, the District may be involved in pending or threatened litigation. Management, as part of its ongoing risk management, consults its legal counsel and assesses the impact of these matters on the District. Management does not believe that the District will be subject to an uninsured loss and as such, no accrual has been made for any potential claims.

6. Retirement Plans:

Teachers

Pension Administration – The Vermont State Teachers’ Retirement System (VSTRS), administers the Teachers’ Pension Plan (TPP), a cost-sharing, multiple-employer defined benefit pension plan as defined in GASB Statement 67, *Financial Reporting for Pension Plans*. VSTRS provides benefit provisions for teaching-certified employees of 288 participating school districts.

The TPP was created on July 1, 1947, and is governed by Chapter 55, Title 16, of the Vermont Statutes Annotated. Management of TPP is vested in the VSTRS Board of Trustees, which consists of the Secretary of Education, the State Treasurer, the Commissioner of Financial Regulation, two trustees and one alternate who are members of the system (each selected 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).

Plan Membership – Plan membership is immediate upon employment. At June 30, 2018, the most recent census, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	9,269
Inactive members	2,613
Active members	9,892
Terminated vested members	787

The TPP is divided into the following membership groups:

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

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

6. Retirement Plans (continued):

General Information About the Teachers' Retirement System – All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service and are summarized below:

Creditable Service	Service as a member plus purchased service
Average Final Compensation (AFC)	Average annual compensation during highest 3 successive years
Membership	Immediate upon employment
Grandfathered Status	Group C members who were within 5 years of normal retirement eligibility as defined prior to July 1, 2010 are grandfathered

Benefits Provided – TPP provides service retirement, disability retirement and death benefits. Normal retirement benefits are determined as 1.67% of the AFC times years of creditable service. A Group A employee is eligible for normal service retirement after 30 years of creditable service, regardless of age. A Group C employee if grandfathered must be 62 with 30 years of creditable service or non-grandfathered, age 65 or age plus creditable service equals 90. Ten years of service is generally required for death benefits and five years of service for disability benefits, though there can be other qualifying circumstances. Certain children benefits are also available in the event of a death. There are also provisions for early retirement at reduced benefits.

Contributions – Member contributions are established by State law. For the year ended June 30, 2019, teachers were required to contribute 5% of their salary to the plan, except for teachers with less than five years of service as of July 1, 2014. Those teachers will contribute at a rate of 6%. Employee contributions for the year ended June 30, 2019 were \$61,085 on \$1,147,371 of covered salaries. The State on-behalf contribution was \$180,711 at 15.75%.

Net Pension Liability – At June 30, 2018, the last census date available, the District's proportionate share of the net pension liability was \$2,326,838 for the VSTRS. This net pension liability will be offset by the State's proportionate share of the net pension liability associated with the District.

The net pension liability was measured as of June 30, 2018, and is determined based on the June 30, 2017, actuarial valuation adjusted forward using standard actuarial techniques and updated to reflect changes in the investment return, inflation, cost of living and mortality assumptions.

Significant Actuarial Assumptions and Methods:

Plan Provisions – The plan provisions used in the measurement of the net pension liability are the same as those used in the actuarial valuation as of June 30, 2017.

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

6. Retirement Plans (continued):

Actuarial Assumptions – The total pension liability as of June 30, 2018, was determined by an actuarial valuation as of June 30, 2017, using the following assumptions:

Inflation	2.50%
Salary increases	Ranging from 3.75% to 9.09%
Investment rate of return	7.50%, net of pension plan investment expenses
Cost of living adjustment	2.55% (2.60% for 2019) for Group A members and 1.4% (1.30% for 2019) for Group C members
Mortality	
Pre-retirement	98% of RP-2006 White Collar Employee with generational projection
Healthy Retiree	98% of RP-2006 White Collar Annuitant with generational projection
Disabled Retiree	RP-2006 Disabled Mortality Table with generational projection

Long-Term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2018, is summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return June 30, 2018
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%
	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System’s projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised of an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine pension liability.

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

6. Retirement Plans (continued):

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net liability, calculated using the discount rate of 7.50%, as well as what the pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) of 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 2,809,780	\$ 2,326,838	\$ 1,843,400

Changes in Assumptions and Methods – The following changes were effective June 30, 2018:

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

Changes in Plan Provisions – There have been no changes in plan provisions since the last measurement date.

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in a separately issued VSTRS financial report which is publicly available at:

<https://www.vermonttreasurer.gov/>

Support Staff Retirement Benefits:

Pension Administration – The Vermont Municipal Employees’ System (VMERS), administers the Municipal Employees’ Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan as defined in GASB Statement 67, *Financial Reporting for Pension Plans*. VMERS provides benefit provisions for school districts and other municipal employees of 437 participating employers.

The Plan was created on July 1, 1975, and is governed by Chapter 125, Title 24, of the Vermont Statutes Annotated.

Management of the plan is vested in the VMERS Board of Trustees, which consists of 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 Towns 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 AFC and years of creditable service.

In preparing the actuarial valuation as of July 1, 2018, the actuary relied on data and assets provided by the staff of the State Treasurer’s office. While not verifying the data at their source, the actuary has performed tests for consistency and reasonableness.

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

6. Retirement Plans (continued):

Plan Membership – Plan membership is immediate upon employment. At June 30, 2018, the most recent census, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	3,189
Inactive members	2,516
Active members	7,452
Terminated vested members	789

Summary of System Provisions –

Effective Date	July 1, 1975
Creditable Service	Service as a member plus purchased service.
Membership	Full time employees of participating municipalities. Municipality elects coverage under Groups A, B, C or D provisions.
Average Final Compensation (AFC)	Group A - average annual compensation during highest five consecutive years. Group B and C - average annual compensation during highest 3 consecutive years. Group D - average annual compensation during highest 2 consecutive years.
Service Retirement Allowance	
Eligibility	Group A - the earlier of age 65 with 5 years of service or age 55 with 35 years of service. Group B - The earlier of age 62 with 5 years of service or age 55 with 30 years of service. Group C and D - Age 55 with 5 years of service.
Amount	Group A - 1.4% of AFC times service. Group B - 1.7% of AFC times service as Group B member plus percentage earned as Group A member times AFC. Group C - 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC. Group D - 2.5% of AFC times service as a Group D member plus percentage earned as a Group A, B or C member times AFC.

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

6. Retirement Plans (continued):

Summary of System Provisions –

Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. The above amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance

Eligibility	Age 55 with 5 years of service for Groups A and B: age 50 with 20 years of service for Group D.
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Group A and B members, and payable without reduction to Group D members.

Vested Retirement Allowance

Eligibility	5 years of service.
Amount	Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on "Post-Retirement Adjustments" described below.

Disability Retirement Allowance

Eligibility	5 years of service and disability as determined by Retirement Board.
Amount	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

6. Retirement Plans (continued):

Contributions – Member contributions are established by State law. Employee contributions for the year ended June 30, 2019, were \$7,109 on \$270,803 of covered salaries. The District’s share of the pension contribution amounted to \$11,171 at a contribution rate of 4.12%.

Net Pension Liability – At June 30, 2018 and 2017, the proportionate share of the net pension liability for employees of the District was \$61,861 and \$49,100, respectively. The District’s proportion of the net pension liability was based on contributions to VMERS during the fiscal year ended June 30, 2018. At June 30, 2018, the District’s proportion was 0.04397% which was an increase from its proportionate share of 0.04053% for the year ended June 30, 2017

For the year ended June 30, 2019, the District recognized pension expense of \$29,581 on its District-Wide statement of net position. At June 30, 2019, the District reported deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Balance of deferred outflow and inflow due to:		
Differences between expected and actual experience	\$ 5,373	\$ -
Changes of assumptions	6,850	-
Net difference between projected and actual earnings on pension plan investments	7,169	989
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,104	5,687
Employer contributions subsequent to the measurement date	<u>11,171</u>	<u>-</u>
Total	<u>\$ 33,667</u>	<u>\$ 6,676</u>

District contributions subsequent to the measurement date of \$11,171 are reported as deferred outflow of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2019	\$ 11,230
2020	2,870
2021	(298)
2022	<u>2,018</u>
	<u>\$ 15,820</u>

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

6. Retirement Plans (continued):

Significant Actuarial Assumptions and Methods – The net pension liability was measured as of June 30, 2018, and is determined based on the June 30, 2017, actuarial valuation adjusted forward using standard actuarial techniques and updated to reflect changes in the investment return, inflation, cost of living and mortality assumptions.

Plan Provisions – The plan provisions used in the measurement of the net pension liability are the same as those used in the actuarial valuation as of June 30, 2017.

Actuarial Assumptions – The total pension liability as of June 30, 2018, was determined by an actuarial valuation as of June 30, 2017, using the following assumptions:

Inflation	2.50%
Salary increases	5% per year
Investment rate of return	7.50%, net of pension plan investment expenses including inflation
Cost of living adjustment	1.15% for Group A members and 1.3% for Group B, C and D members The January 1, 2019 COLA is 1.30% for all groups
Mortality	
Death in active service	Groups A/B/C - 98% of RP-2006 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvement Group D - RP - 2006 Blue Collar Annuitant Table with generational improvement
Healthy post retirement	Groups A/B/C - 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational improvement Group D - RP - 2014 Healthy Annuitant Table with generational projection

Long-Term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, is summarized in the following table:

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

6. Retirement Plans (continued):

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return June 30, 2018</u>
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%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System’s projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised of an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net liability, calculated using the discount rate of 7.50%, as well as what the pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) of 1 percentage point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net pension liability	\$ 104,779	\$ 61,861	\$ 26,957

Changes in Assumptions and Methods – There have been no changes in plan assumptions and methods since the last measurement date.

Changes in Plan Provisions – The member contribution rates have been increased according to the following schedule:

<u>Effective Date</u>	<u>Fiscal Year</u>	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>
July 1, 2018	2019	2.625%	5.000%	10.125%	11.475%
July 1, 2019	2020	2.750%	5.125%	10.250%	11.600%
July 1, 2020	2021	3.000%	5.375%	10.500%	11.850%
July 1, 2021	2022	3.250%	5.625%	10.750%	12.100%

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

6. Retirement Plans (continued):

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in a separately issued VMERS financial report which is publicly available at:

<https://www.vermonttreasurer.gov/>

403(b) – The District maintains a 403(b) defined contribution plan for eligible administrators and support staff. Based upon the number of years of service, the District contributes 2% to 5% of covered salary for School employees. The District contributed \$23,710 to the 403(b) plan for the year ended June 30, 2019. Employee withholdings contributed to the plan totaled \$118,438.

The Teachers’ negotiated agreement and the Support Staffs’ negotiated agreement offer a retirement benefit in addition to those described above. The Teachers’ agreement calls for a \$8,000 separation payment available to teachers reaching age fifty-five (55) and having fifteen (15) years of service within the District. The Support Staff agreement also has a separation benefit of \$6,500 at age fifty-five (55) with fifteen (15) years of service within the District or \$4,500 at age fifty-five (55) with ten (10) years of service in the District. The estimated accrual for this liability as of June 30, 2019, is 83,895. Teachers approved a new agreement through 2020 that will increase the benefit to \$9,000 in 2020 assuming the Teacher's meet the same vesting requirements that were under the old contract.

The District has not created trusts to hold assets and administer the plans but funds benefits on a “pay-as-you-go basis” and administers the plans internally.

Actuarial Valuation Date and Measurement Date – Actuarial Valuation Date, the date as of which liabilities are measured is the first day of the fiscal year, July 1, 2018. The Measurement Date, one day earlier, is the last day of the prior fiscal year for which valuation results will be reported:

Actuarial Valuation Date	7/1/18
GASB 75 Measurement Date	6/30/18
Fiscal year end to which MD relates	6/30/19

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the benefit terms:

Retirees and beneficiaries	Not Applicable
Covered employee group	554

Total OPEB Liability – The total OPEB liability for all Districts of \$1,156,422 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Following are assumptions and other information used to determine estimated liabilities as of June 30, 2019:

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

The discount rate of 3.87% was based on the Bond Buyer 20-Bond GO Index.

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

6. Retirement Plans (continued):

Mortality Rates – The District based the mortality rates using the RP-2006 Table projected to 2018 and thereafter using projection scale MP – 2018.

Retirement Rates – Retirement rates were developed largely from retirement rates used in the June 30, 2018, GASB 68 actuarial valuation of the Vermont State Teachers Association (VSTRS), with adjustments for particulars of the Windham SE valuation group.

Employee Turnover Rates – Employee turnover rates for teachers were also developed based on disclosed turnover rates in the VSTRS GASB 68 report. Non-teacher turnover rates are the greater of teacher turnover rates or rates in the published T-9 turnover scale.

Separation Benefit Trend – It is assumed that future retirees will receive a benefit that is higher than the one currently negotiated through fiscal year 2020.

Compensation Increases – Increases are assumed to be 3% per annum.

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 50,360	\$ 46,939
Interest on the Total OPEB liability	39,311	38,917
Changes in assumptions	(16,210)	-
Benefit payments	<u>(30,200)</u>	<u>(119,500)</u>
Net change in total OPEB liability	43,261	(33,644)
Total OPEB liability - beginning of period	1,113,161	1,146,805
Total OPEB liability - end of period	<u><u>\$ 1,156,422</u></u>	<u><u>\$ 1,113,161</u></u>
Plan Fiduciary Net Position		
Employer contributions	\$ 30,200	\$ 119,500
Benefit payments	<u>(30,200)</u>	<u>(119,500)</u>
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning of period	-	-
Plan fiduciary net position - end of period	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
	<u>2019</u>	<u>2018</u>
Net OPEB Liability (Asset)	\$ 1,156,422	1,113,161
Plan Fiduciary Net Position as a percentage of the total OPEB liability	0.00%	0.00%
Covered Valuation Payroll	\$ 23,049,390	22,378,049
Net OPEB Liability as a percentage of Covered Valuation Payroll	5.02%	4.97%

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

6. Retirement Plans (continued):

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) and one percentage point higher (4.87%) than the current discount rate (3.87%):

	1% Decrease 2.87%	Valuation Discount 3.87%	1% Increase 4.87%
Net OPEB Liability	\$ 1,212,665	\$ 1,156,422	\$ 1,104,473
Liability by District			
Reporting District Code			
BUHS #6	\$ 509,175	\$ 485,560	\$ 463,747
BTSD	298,648	284,796	272,003
DTSD	93,546	89,208	85,200
GTSD	38,826	37,025	35,362
PTSD	69,469	66,247	63,271
VTSD	87,975	83,895	80,126
WSESU	115,026	109,691	104,764
	<u>\$ 1,212,665</u>	<u>\$ 1,156,422</u>	<u>\$ 1,104,473</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Balance of deferred outflow and inflow due to:		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	14,453
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Total	<u>\$ -</u>	<u>\$ 14,453</u>

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

6. Retirement Plans (continued):

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

Year ending June 30:	Net Deferred (Inflow)/ Outflow of Resources
2020	\$ (1,757)
2021	(1,757)
2022	(1,757)
2023	(1,757)
2024	(1,757)
2025	(1,757)
2026	(1,757)
2027	(1,757)
2028	(397)
	<u>\$ (14,453)</u>

7. Other Post-Employment Benefits:

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

The Plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment.

Vermont Statue 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 VSTRS Board of Trustees.

VSTRS retirees and their spouses are eligible for health coverage if the retiree is eligible for OPEB benefits. OPEB eligibility requirements are below.

- Group A – for public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A
Retirement: Attainment of 30 years of credible service or age 55
- Group C – for public school teachers employed within the State of Vermont on or after July 1, 1990 or hired before July 1, 1990 and were a member of Group B at that time.
Retirement: Attainment of age 65 or age plus creditable service equal to 90 or age 55 with
5 years of creditable service.

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

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

8. Related Party:

On July 1, 2018, the Windham Southeast Supervisory Union entered into an agreement on behalf of Vernon Town School District, for contracted transportation services through June 30, 2023. Costs related to this contract are billed to the individual districts based upon the number of eligible children served and miles driven.

The approximate minimum amounts due under the contract for years subsequent to June 30, 2019 are as follows:

Year ending June 30,	
2020	\$ 199,267
2021	204,249
2022	210,376
2023	217,740
	<u>\$ 831,632</u>

The District has an ongoing financial responsibility to Windham Southeast Supervisory Union as defined in GASB 14, paragraph 71. Through Windham Southeast Supervisory Union's assessment process, the 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 Windham Southeast Supervisory Union are available from Windham Southeast Supervisory Union.

9. Budgetary Basis of Accounting:

Actual General Fund revenues and expenditures reported on the budgetary basis vary from the basis of accounting prescribed by GAAP as follows:

Differences to arrive at actual revenue and expenditures on budget comparison statement:

	<u>Revenues</u>	<u>Expenditures</u>
Governmental basis	\$ 5,688,214	\$ 5,759,424
On-behalf payment	<u>(180,711)</u>	<u>(180,711)</u>
Budgetary basis	<u>\$ 5,507,503</u>	<u>\$ 5,578,713</u>

10. Contingent Liabilities:

The District participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money recovered may be required and the collectability of any related receivable at June 30, 2019, may be impaired. The District is not aware of any significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

10. Contingent Liabilities (continued):

In the normal course of business, the District may be involved in pending or threatened litigation. Management, as part of its ongoing risk management, consults its legal counsel and assesses the impact of these matters on the District. Management does not believe that the District will be subject to an uninsured loss and as such, no accrual has been made for any potential claims.

11. Governmental Fund Equity:

Governmental fund equity consisted of the following as June 30, 2019:

	General Fund	Capital Projects	Total Government Funds
Fund balances:			
Nonspendable:			
Prepaid expenditures	\$ 5,233	\$ -	\$ 5,233
Restricted for:			
Capital projects	-	611,315	611,315
Total restricted	-	611,315	611,315
Assigned:			
Unemployment Fund	18,787	-	18,787
Reserve Fund	127,399	-	127,399
Tornado Fund	4,291	-	4,291
	<u>150,477</u>	<u>-</u>	<u>150,477</u>
Unrestricted			
Unassigned	512,209	-	512,209
Total unrestricted	<u>512,209</u>	<u>-</u>	<u>512,209</u>
Total fund balance	<u>\$ 667,919</u>	<u>\$ 611,315</u>	<u>\$ 1,279,234</u>

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

12. Reconciliation of Governmental Funds to District-Wide Funds:

A detailed explanation of the differences between governmental funds balance sheet and District-wide statement of net position are as follows:

	Total Governmental Funds	Long-Term Revenues/ Expenses	Capital Related Items	Statement of Net Position
Assets and other debits				
Cash	\$ 1,522,454	\$ -	\$ -	\$ 1,522,454
Accounts receivable	1,100	-	-	1,100
Prepaid expenditures	5,233	-	-	5,233
Capital assets	-	-	5,538,375	5,538,375
Accumulated depreciation	-	-	(3,539,015)	(3,539,015)
Deferred outflow of resources	-	33,667	-	33,667
Total assets	<u>\$ 1,528,787</u>	<u>\$ 33,667</u>	<u>\$ 1,999,360</u>	<u>\$ 3,561,814</u>
Liabilities				
Accounts payable	\$ 3,696	\$ -	\$ -	\$ 3,696
Accrued expenses	245,857	-	-	245,857
Accrued separation and early retirement incentive	-	83,895	-	83,895
Net pension liability	-	61,861	-	61,861
Deferred inflow of resources	-	6,676	-	6,676
Total liabilities	<u>249,553</u>	<u>152,432</u>	<u>-</u>	<u>401,985</u>
Fund equity (deficit)				
Invested in capital assets net of related debt	-	-	1,999,360	1,999,360
Restricted for:				
Capital projects	611,315	-	-	611,315
Other purposes	5,233	-	-	5,233
Unrestricted	662,686	(118,765)	-	543,921
Total fund equity (deficit)	<u>1,279,234</u>	<u>(118,765)</u>	<u>1,999,360</u>	<u>3,159,829</u>
Total liabilities and fund equity (deficit)	<u>\$ 1,528,787</u>	<u>\$ 33,667</u>	<u>\$ 1,999,360</u>	<u>\$ 3,561,814</u>

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

12. Reconciliation of Governmental Funds to District-Wide Funds (continued):

A detailed explanation of the differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the District-wide statement of activities are as follows:

	Total Governmental Funds	Long-Term Revenues/ Expenses	Capital Related Items	Long-Term Debt Transactions	Statement of Net Position
Revenues					
Local sources					
Investment income	\$ 3,074	\$ -	\$ -	\$ -	\$ 3,074
Rental income	221,270	-	-	-	221,270
Miscellaneous	1,001	-	-	-	1,001
	<u>225,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,345</u>
State sources					
Education spending grant	5,115,159	-	-	-	5,115,159
Restricted grants-in-aid	168,008	-	-	-	168,008
On-behalf payments	180,711	-	-	-	180,711
	<u>5,463,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,463,878</u>
Total revenues	<u>5,689,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,689,223</u>
Expenditures					
Instruction services					
Regular education programs	3,864,416	3,956	-	-	3,868,372
Special education	351,147	-	-	-	351,147
Vocational programs	193,421	-	-	-	193,421
Supporting services					
Pupils	130,118	-	-	-	130,118
Instructional staff	89,357	-	-	-	89,357
General administration	19,165	-	-	-	19,165
School administration	192,330	-	-	-	192,330
Business administration	162,890	-	-	-	162,890
Operation and maintenance plant	401,937	6,423	(48,936)	-	359,424
Transportation	130,384	-	-	-	130,384
Food services					
Food service expenses	43,500	-	-	-	43,500
On-behalf payments	180,711	-	-	-	180,711
Depreciation expense	-	-	153,730	-	153,730
Debt service:					
Principal retirement	1,667	-	-	(1,667)	-
Total expenditures	<u>5,761,043</u>	<u>10,379</u>	<u>104,794</u>	<u>(1,667)</u>	<u>5,874,549</u>
Net change in position	<u>\$ (71,820)</u>	<u>\$ (10,379)</u>	<u>\$ (104,794)</u>	<u>\$ 1,667</u>	<u>\$ (185,326)</u>

VERNON TOWN SCHOOL DISTRICT

Notes to Financial Statements

As of and for the Year Ended June 30, 2019

13. Prior Period Adjustment:

The District has restated beginning net position as of June 30, 2018 to correct an overaccrual of a separation benefit earned by teachers and support staff retiring from the District. The benefit is part of a collectively bargained agreement between the District and the Windham Southeast Education Association. Terms of the benefit are described in Note 7. The District has used an estimate to determine the liability on past financial statements. In 2019, the District contracted an actuary to determine actual liability. The net position has been restated as follows:

	<u>General Fund</u>
Net position, June 30, 2018	\$ 3,273,262
Restated for:	
Correction of accrual to separation benefit	<u>71,893</u>
Net position, June 30, 2018 (as restated)	<u>\$ 3,345,155</u>

14. Subsequent Events:

The District has evaluated subsequent events which may require adjustment to or disclosure in the District's financial statements through February 19, 2020, the date these financial statements were available to be issued. The District did not note any events requiring disclosure. The District has not reviewed events occurring after the report date for their potential impact on the information contained in these financial statements.

VERNON TOWN SCHOOL DISTRICT
Schedule 1 – Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2019

	Original Budget	Actual Budgetary Basis	Variance With Budget
Revenues			
Tuition	\$ -	\$ -	\$ -
Investment income	750	2,265	1,515
Miscellaneous	2,000	801	(1,199)
School rental	221,270	221,270	-
State education spending grant	5,125,666	5,115,159	(10,507)
State restricted grants-in-aid	230,964	168,008	(62,956)
Total revenues	<u>5,580,650</u>	<u>5,507,503</u>	<u>(73,147)</u>
Expenditures			
Instruction services			
Regular education services	3,925,745	3,864,416	61,329
Special education programs	351,147	351,147	-
Vocational education programs	198,163	193,421	4,742
Supporting services			
Pupils	134,961	130,118	4,843
Instruction staff	90,379	89,357	1,022
General administration	26,678	19,165	7,513
School administration	188,973	192,330	(3,357)
Business administration	162,891	162,890	1
Operation and maintenance plant	351,213	350,318	895
Transportation	197,000	130,384	66,616
Food services			
Food service expense	43,500	43,500	-
Debt Service			
Principal payment long term debt	10,000	1,667	8,333
Transfer to capital fund	50,000	50,000	-
Total expenditures	<u>5,730,650</u>	<u>5,578,713</u>	<u>151,937</u>
Deficiency of revenues under expenditures	<u>\$ (150,000)</u>	<u>\$ (71,210)</u>	<u>\$ 78,790</u>

VERNON TOWN SCHOOL DISTRICT
Schedule 2 – State Contributions to Teachers’ Pension
As of June 30, 2019

<u>Year Ending</u>	<u>Statutorily Required Contributions</u>	<u>Actual State Contributions</u>	<u>Contribution Excess (Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/2014	\$ 114,413	\$ 90,835	\$ (23,578)	\$ 1,000,985	9.07%
6/30/2015	\$ 138,745	\$ 130,741	\$ (8,004)	\$ 1,087,924	12.02%
6/30/2016	\$ 136,420	\$ 120,097	\$ (16,323)	\$ 1,062,460	11.30%
6/30/2017	\$ 126,128	\$ 129,547	\$ 3,419	\$ 1,088,248	11.90%
6/30/2018	\$ 141,402	\$ 169,970	\$ 28,568	\$ 1,041,251	16.32%
6/30/2019	Information not available				

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

VERNON TOWN SCHOOL DISTRICT

Schedule 3 – District Contributions to Vermont Municipal Employees’ Retirement System

As of June 30, 2019

<u>Year Ending</u>	<u>Statutorily Required Contributions</u>	<u>Actual District Contributions</u>	<u>Contribution Excess (Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/2014	\$ 5,523	\$ 5,523	\$ -	\$ 138,066	4.00%
6/30/2015	\$ 7,574	\$ 7,574	\$ -	\$ 189,352	4.00%
6/30/2016	\$ 8,422	\$ 8,422	\$ -	\$ 210,568	4.00%
6/30/2017	\$ 6,619	\$ 6,619	\$ -	\$ 165,465	4.00%
6/30/2018	\$ 7,702	\$ 7,702	\$ -	\$ 192,569	4.00%
6/30/2019	\$ 11,171	\$ 11,171	\$ -	\$ 270,803	4.13%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

VERNON TOWN SCHOOL DISTRICT
Schedule 4 – Proportionate Share of the Net Pension Liability
As of June 30, 2019

<u>VSTRS</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Schedule of Proportionate Share of the Net Pension Liability					
District's proportion of the net pension liability	0.154023%	0.001647%	0.164010%	0.017932%	0.017660%
District's proportionate share of the net pension liability	\$ 2,326,838	\$ 2,441,299	\$ 2,147,763	\$ 2,127,650	\$ 1,692,458
District's covered-employee payroll	\$ 1,120,293	\$ 1,041,251	\$ 1,062,460	\$ 1,087,924	\$ 1,000,985
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	207.70%	234.46%	202.15%	195.57%	169.08%
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>					
Schedule of Proportionate Share of the Net Pension Liability					
District's proportion of the net pension liability	0.04397%	0.04053%	0.55420%	0.05418%	0.04280%
District's proportionate share of the net pension liability	61,861	\$ 49,100	\$ 71,321	\$ 41,773	\$ 3,907
District's covered-employee payroll	192,569	\$ 165,465	\$ 210,568	\$ 189,352	\$ 138,066
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	32.12%	29.67%	33.87%	22.06%	2.83%
Plan fiduciary net position as a percentage of the total pension liability	82.60%	83.64%	80.95%	87.42%	98.32%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

VERNON TOWN SCHOOL DISTRICT
Schedule 5 – Multi-Year Schedule of Contributions
 For the Year Ended June 30, 2019

Multi Year Schedule of Contributions for Separation Benefit. All Districts combined:

<u>FY Ending June 30</u>	<u>Actuarily Determined Contribution</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution As a % of Covered Valuation Payroll</u>
2017	\$ 109,919	\$ 119,500	\$ (9,581)	\$ 21,726,261	0.55%
2018	\$ 113,868	\$ 30,200	\$ 83,668	\$ 22,378,049	0.13%
2019	\$ 116,014	\$ 84,265	\$ 31,749	\$ 23,049,390	0.37%



TYLER, SIMMS & ST. SAUVEUR, CPAs, P.C.
Certified Public Accountants & Business Consultants

**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***

Independent Auditors' Report

To the School Board
of Vernon Town School District

We have audited in accordance with the auditing standards generally accepted in the United States of America, and 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 Vernon Town School District (the District) as of and for the year ended June 30, 2019, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency, is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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* (continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 result 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.

Tyler, Semms and St. Severeur, CPAs, P.C.

Lebanon, New Hampshire
February 19, 2020

Registration No. 92-545