

Audited Financial Statements
and Other Financial Information

Vernon Town School District

June 30, 2020



Proven Expertise & Integrity

VERNON TOWN SCHOOL DISTRICT

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JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Vernon Town School District
Brattleboro, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Vernon Town School District, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Vernon Town School District as of June 30, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 12 and 64 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues and Schedule of Departmental Operations - General Fund are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues and Schedule of Departmental Operations - General Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2021 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 grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Vernon Town School District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
March 1, 2021

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

(UNAUDITED)

The following management's discussion and analysis of the Vernon Town School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

- *Governmental activities* - The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). Most of the School District's basic services are reported in regular instruction, special education, food service, operations and maintenance, transportation and school administration.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Vernon Town School District include the Food Service Fund and are administered through Windham Southeast Supervisory Union.

Fund Financial Statements

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

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

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

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

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Changes in Net Position - Fiduciary Funds.

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the District's governmental and business-type activities. The District's total net position for governmental activities decreased by \$166,271 from \$3,159,829 to \$2,993,558. The District's total net position for business-type activities had no change from the prior year since the operations of the Food Service Fund have been transferred to Windham Southeast Supervisory Union.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased for governmental activities to a balance of \$461,710 at the end of this year. Unrestricted net position for business-type activities had no change from the prior year.

Table 1
Vernon Town School District
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Assets				
Current Assets	\$ 1,526,889	\$ 1,528,787	\$ -	\$ 23,056
Noncurrent Assets-Capital Assets	1,869,655	1,999,360	-	-
Total Assets	<u>3,396,544</u>	<u>3,528,147</u>	<u>-</u>	<u>23,056</u>
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	49,429	33,667	-	-
Total Deferred Outflows of Resources	<u>49,429</u>	<u>33,667</u>	<u>-</u>	<u>-</u>
Liabilities				
Current Liabilities	310,885	249,553	-	23,056
Noncurrent Liabilities	136,867	145,756	-	-
Total Liabilities	<u>447,752</u>	<u>395,309</u>	<u>-</u>	<u>23,056</u>
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	4,663	6,676	-	-
Total Deferred Inflows of Resources	<u>4,663</u>	<u>6,676</u>	<u>-</u>	<u>-</u>
Net Position				
Net Investment in Capital Assets	1,869,655	1,999,360	-	-
Restricted	662,193	616,548	-	-
Unrestricted	461,710	543,921	-	-
Total Net Position	<u>\$ 2,993,558</u>	<u>\$ 3,159,829</u>	<u>\$ -</u>	<u>\$ -</u>

Revenues and Expenses

Revenues for the Vernon Town School District's governmental activities increased by 8.62%, while total expenses increased by 8.05%. The District's increase in revenues was due to increases in all categories. The increase in expenses was primarily due to increases in regular instruction and on-behalf payments.

The proprietary fund had no operating activity in the current year since the operations of the Food Service Fund have been transferred to Windham Southeast Supervisory Union.

Table 2
Vernon Town School District
Change in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Revenues				
<i>Program Revenues:</i>				
Operating grants and contributions	\$ 683,756	\$ 348,719	\$ -	\$ -
<i>General Revenues:</i>				
Grants and contributions not restricted to specific programs	5,526,735	5,360,054	-	-
Miscellaneous	235,239	225,345	-	-
Total Revenues	6,445,730	5,934,118	-	-
Expenses				
Regular instruction	4,577,454	4,281,268	-	-
Special education	305,902	351,147	-	-
Food service	43,500	43,500	-	-
Operations and maintenance	336,320	359,424	-	-
Transportation	145,151	130,384	-	-
School administration	405,790	374,385	-	-
On-behalf payments	668,165	425,606	-	-
Unallocated depreciation (Note 5)	129,719	153,730	-	-
Total Expenses	6,612,001	6,119,444	-	-
Change in Net Position	(166,271)	(185,326)	-	-
Net Position - July 1	3,159,829	3,345,155	-	-
Net Position - June 30	\$ 2,993,558	\$ 3,159,829	\$ -	\$ -

Financial Analysis of the School District's Fund Statements

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

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

	<u>2020</u>	<u>2019</u>	<u>Increase/ (Decrease)</u>
Major Funds:			
General Fund:			
Nonspendable	\$ 3,983	\$ 5,233	\$ (1,250)
Assigned	-	150,477	(150,477)
Unassigned	549,828	512,209	37,619
Capital Projects Funds:			
Restricted	662,193	-	662,193
Committed	-	611,315	(611,315)
Total Major Funds	<u>\$ 1,216,004</u>	<u>\$ 1,279,234</u>	<u>\$ (63,230)</u>

The changes to total fund balances for the general fund and capital project funds occurred due to the regular activity of operations.

Proprietary funds: The District's proprietary funds had no operating activity in the current year since the operations of the Food Service Fund have been transferred to Windham Southeast Supervisory Union.

Budgetary Highlights

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

The general fund actual revenues were receipted under budgeted revenues by \$36,763, due to all areas receipted under budget except for tuition and miscellaneous.

The general fund actual expenditures were within or under budgeted amounts by \$72,655. All expenditure categories were under budgeted amounts with the exception of regular instruction.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2020, the School District capital assets decreased by \$129,705. This decrease was due to current year additions of \$14 less depreciation expense of \$129,719. Refer to Note 4 of Notes to Financial Statements for more detailed information.

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

	<u>2020</u>	<u>2019</u>
Land	\$ 4,000	\$ 4,000
Buildings and improvements	1,799,289	1,912,630
Machinery and equipment	66,366	82,730
Total	<u>\$ 1,869,655</u>	<u>\$ 1,999,360</u>

Debt

At June 30, 2020, the School District had no long-term debt.

Currently Known Facts, Decisions or Conditions

The outbreak of COVID-19 has been declared a pandemic and led to a national state of emergency in the United States. Refer to Note 1 of Notes to Financial Statements for more detailed information.

At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the District. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the District.

Economic Factors and Next Year's Budgets and Rates

The 2020-2021 budget could be severely impacted by the reduction of funding from the State.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent's Office at 53 Green Street, Brattleboro, Vermont 05031.

VERNON TOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,473,540	\$ -	\$ 1,473,540
Due from other governments	49,366	-	49,366
Prepaid items	3,983	-	3,983
Total current assets	<u>1,526,889</u>	<u>-</u>	<u>1,526,889</u>
Noncurrent assets:			
Land	4,000	-	4,000
Buildings and improvements, net of accumulated depreciation	1,799,289	-	1,799,289
Furniture and equipment, net of accumulated depreciation	66,366	-	66,366
Total noncurrent assets	<u>1,869,655</u>	<u>-</u>	<u>1,869,655</u>
TOTAL ASSETS	<u>3,396,544</u>	<u>-</u>	<u>3,396,544</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	49,429	-	49,429
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>49,429</u>	<u>-</u>	<u>49,429</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,445,973</u>	<u>\$ -</u>	<u>\$ 3,445,973</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 18,194	\$ -	\$ 18,194
Accrued payroll	192,127	-	192,127
Accrued liabilities	93,763	-	93,763
Due to other governments	6,801	-	6,801
Total current liabilities	<u>310,885</u>	<u>-</u>	<u>310,885</u>
Noncurrent liabilities:			
Pension separation benefits	36,000	-	36,000
Net pension liability	100,867	-	100,867
Total noncurrent liabilities	<u>136,867</u>	<u>-</u>	<u>136,867</u>
TOTAL LIABILITIES	<u>447,752</u>	<u>-</u>	<u>447,752</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	4,663	-	4,663
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,663</u>	<u>-</u>	<u>4,663</u>
NET POSITION			
Net investment in capital assets	1,869,655	-	1,869,655
Restricted	662,193	-	662,193
Unrestricted	461,710	-	461,710
TOTAL NET POSITION	<u>2,993,558</u>	<u>-</u>	<u>2,993,558</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 3,445,973</u>	<u>\$ -</u>	<u>\$ 3,445,973</u>

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

VERNON TOWN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Regular instruction	\$ 4,577,454	\$ -	\$ 15,591	\$ -	\$ (4,561,863)	\$ -	\$ (4,577,454)
Special education	305,902	-	-	-	(305,902)	-	(305,902)
Food service	43,500	-	-	-	(43,500)	-	(43,500)
Operations and maintenance	336,320	-	-	-	(336,320)	-	(336,320)
Transportation	145,151	-	-	-	(145,151)	-	(145,151)
School administration	405,790	-	-	-	(405,790)	-	(405,790)
On-behalf payments	668,165	-	668,165	-	-	-	-
Unallocated depreciation (Note 4)*	129,719	-	-	-	(129,719)	-	(129,719)
Total governmental activities	<u>6,612,001</u>	<u>-</u>	<u>683,756</u>	<u>-</u>	<u>(5,928,245)</u>	<u>-</u>	<u>(5,943,836)</u>
Business-type activities:							
Food service	-	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 6,612,001</u>	<u>\$ -</u>	<u>\$ 683,756</u>	<u>\$ -</u>	<u>(5,928,245)</u>	<u>-</u>	<u>(5,943,836)</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

STATEMENT B (CONTINUED)
VERNON TOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(5,928,245)	-	(5,928,245)
General revenues:			
Grants and contributions not restricted to specific programs	5,526,735	-	5,526,735
Interest Income	3,030	-	3,030
Miscellaneous	232,209	-	232,209
Total general revenues	5,761,974	-	5,761,974
Change in net position	(166,271)	-	(166,271)
NET POSITION - JULY 1	3,159,829	-	3,159,829
NET POSITION - JUNE 30	\$ 2,993,558	\$ -	\$ 2,993,558

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

VERNON TOWN SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 811,347	\$ 662,193	\$ 1,473,540
Due from other governments	49,366	-	49,366
Prepaid items	3,983	-	3,983
TOTAL ASSETS	<u><u>\$ 864,696</u></u>	<u><u>\$ 662,193</u></u>	<u><u>\$ 1,526,889</u></u>
LIABILITIES			
Accounts payable	\$ 18,194	\$ -	\$ 18,194
Accrued payroll	192,127	-	192,127
Accrued liabilities	93,763	-	93,763
Due to other governments	6,801	-	6,801
TOTAL LIABILITIES	<u><u>310,885</u></u>	<u><u>-</u></u>	<u><u>310,885</u></u>
FUND BALANCES			
Nonspendable	3,983	-	3,983
Restricted	-	662,193	662,193
Committed	-	-	-
Assigned	-	-	-
Unassigned	549,828	-	549,828
TOTAL FUND BALANCES	<u><u>553,811</u></u>	<u><u>662,193</u></u>	<u><u>1,216,004</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 864,696</u></u>	<u><u>\$ 662,193</u></u>	<u><u>\$ 1,526,889</u></u>

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

VERNON TOWN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 1,216,004
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	1,869,655
Deferred outflows of resources related to pension are not financial resources and therefore are not reported in the funds	49,429
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Pension separation benefits	(36,000)
Net pension liability	(100,867)
Deferred inflows of resources related to pension are not financial resources and therefore are not reported in the funds	<u>(4,663)</u>
Net position of governmental activities	<u><u>\$ 2,993,558</u></u>

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

VERNON TOWN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Intergovernmental revenues	\$ 5,775,005	\$ -	\$ 5,775,005
Interest income	2,152	878	3,030
Miscellaneous revenues	232,209	-	232,209
TOTAL REVENUES	<u>6,009,366</u>	<u>878</u>	<u>6,010,244</u>
EXPENDITURES			
Current:			
Regular instruction	4,604,118	-	4,604,118
Special education	305,902	-	305,902
Food service	43,500	-	43,500
Operations and maintenance	336,334	-	336,334
Transportation	145,151	-	145,151
School administration	405,790	-	405,790
On-behalf payments	232,679	-	232,679
TOTAL EXPENDITURES	<u>6,073,474</u>	<u>-</u>	<u>6,073,474</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(64,108)</u>	<u>878</u>	<u>(63,230)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	50,000	50,000
Transfers (out)	(50,000)	-	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(114,108)	50,878	(63,230)
FUND BALANCES - JULY 1	<u>667,919</u>	<u>611,315</u>	<u>1,279,234</u>
FUND BALANCES - JUNE 30	<u>\$ 553,811</u>	<u>\$ 662,193</u>	<u>\$ 1,216,004</u>

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

VERNON TOWN SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (63,230)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	14
Depreciation expense	<u>(129,719)</u>
	<u>(129,705)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>15,762</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>2,013</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Pension separation benefits	47,895
Net pension liability	<u>(39,006)</u>
	<u>8,889</u>
Change in net position of governmental activities (Statement B)	<u>\$ (166,271)</u>

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

VERNON TOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020

	<u>Enterprise Fund</u> <u>Food</u> <u>Service</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ -
Total current assets	<u>-</u>
TOTAL ASSETS	<u>\$ -</u>
LIABILITIES	
Current liabilities:	
Due to other governments	\$ -
Total current liabilities	<u>-</u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Unrestricted	<u>-</u>
TOTAL NET POSITION	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ -</u>

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

VERNON TOWN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Enterprise Fund</u> Food Service
OPERATING REVENUES	
Sale of meals	\$ -
TOTAL OPERATING REVENUES	<u>-</u>
OPERATING EXPENSES	
Salaries and benefits	-
Miscellaneous	-
TOTAL OPERATING EXPENSES	<u>-</u>
OPERATING INCOME (LOSS)	<u>-</u>
CHANGE IN NET POSITION	-
NET POSITION - JULY 1	<u>-</u>
NET POSITION - JUNE 30	<u><u>\$ -</u></u>

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

VERNON TOWN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Enterprise Fund</u> <u>Food</u> <u>Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers	\$ (23,056)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(23,056)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,056)
CASH AND CASH EQUIVALENTS - JULY 1	<u>23,056</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ -
Changes in operating assets and liabilities:	
(Decrease) increase in due to other governments	<u>(23,056)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (23,056)</u>

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

VERNON TOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Custodial</u> <u>Student</u> <u>Activities</u>	<u>Private-purpose</u> <u>Trust Funds</u> <u>Scholarship</u> <u>Activities</u>
ASSETS		
Cash and cash equivalents	\$ 6,581	\$ 16,103
Investments	-	261,453
TOTAL ASSETS	<u>\$ 6,581</u>	<u>\$ 277,556</u>
LIABILITIES		
Deposits held for others	\$ 6,581	\$ -
TOTAL LIABILITIES	<u>\$ 6,581</u>	<u>\$ -</u>
NET POSITION		
Restricted	-	277,556
TOTAL NET POSITION	<u>-</u>	<u>277,556</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 6,581</u>	<u>\$ 277,556</u>

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

VERNON TOWN SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Custodial Student Activities</u>	<u>Private-purpose Trust Funds Scholarship Activities</u>
ADDITIONS		
Contributions	\$ -	\$ 8,214
Total additions	<u>-</u>	<u>8,214</u>
DEDUCTIONS		
Distributions	-	2,403
Total deductions	<u>-</u>	<u>2,403</u>
Change in net position	-	5,811
NET POSITION - JULY 1	<u>-</u>	<u>271,745</u>
NET POSITION - JUNE 30	<u>\$ -</u>	<u>\$ 277,556</u>

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The School District was incorporated under the laws in the State of Vermont. The School District operates under the Board of Directors-superintendent form of government and provides the following services: regular instruction, special education, food service, operations and maintenance, transportation and school administration.

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

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

COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Vermont, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

In response to the health crisis created by COVID-19 since early March, the Governor of Vermont issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel and limiting movement of all persons in Vermont to those necessary to obtain or provide essential services or activities. See Executive Order 01-20 and its addendums. As of the date of this report, the state of emergency was extended to February 225, 2021 and may be further extended if circumstances warrant. While steps toward reopening the State have begun, the speed and scope of the reopening process will depend upon progress toward limiting the continued spread of the disease.

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on and Results of Operations

On March 13, 2020, the Governor of Vermont directed the dismissal of Pre-K through 12 schools (Gubernatorial Directive to All School Boards and Superintendents - Continuity of Education Planning). Based on the March 17, 2020 directive from the Agency of Education, Districts were required to keep all employees on payroll, whether they were working or not, through the remainder of the school year. That requirement expired on June 30, 2020.

In accordance with Addendum 6 to Executive Order 01-20, issued by the Governor of Vermont on March 24, 2020 (also referred to as the "Stay Home, Stay Safe Order") and Directive 5 to Executive Order 01-20, issued by the Governor of Vermont on March 26, 2020, the District ceased in-house operations and moved to remote learning systems. The District chose to use zoom, google classroom, seesaw and other such methods of remote learning to comply with the Governor's order to support the continuity of learning. The application of this Executive Order necessitated that this method remained in force for the remainder of the scheduled school year.

Impact on Finances

The District does not currently anticipate any additional FY 2020 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security ("CARES") Act funding and applicable State programs.

Expected Federal/State Support

The District may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the District expects that if those actions are necessary, that the District would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conclusion

The ongoing effects of COVID-19, including the financial impact to the District, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the District. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the District.

Implementation of New Accounting Standards

During the year ended June 30, 2020, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance." The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. (The following pronouncements exclude Statements No. 83 and No. 88 which were implemented prior to this Statement).

The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 84, Fiduciary Activities Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period Statement No. 90, Majority Equity Interests Statement No. 91, Conduit Debt Obligations Statement No. 92, Omnibus 2020 Statement No. 93, Replacement of Interbank Offered Rates Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting) Implementation Guide No. 2018-1, Implementation Guidance Update-2018 Implementation Guide No. 2019-1, Implementation Guidance Update-2019 and Implementation Guide No. 2019-2, Fiduciary Activities. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, Leases and Implementation Guide No. 2019-3, Leases.

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 97 "Certain Component Unit Criteria (paragraphs 4 & 5)." The primary objectives of paragraphs 4 & 5 in this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

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

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

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

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions (instruction, administration, etc.) or business-type activities, excluding fiduciary activities. The functions are also supported by general government revenues (support from the Supervisory Union, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Revenues must be directly associated with the program function or business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grant column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

1. Governmental Funds:

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

Major Funds:

- a. The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment. Funding is provided by bond proceeds and interfund transfers.

2. Proprietary Funds:

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the School District:

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

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the School District's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

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

The emphasis in fund financial statements is on the major funds in the governmental activity category. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Accrual

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

2. Modified Accrual

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

Budget

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

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

Revenues per budgetary basis	\$ 5,776,687
Add: On-behalf payments	232,679
Total GAAP basis	<u>\$ 6,009,366</u>
Expenditures per budgetary basis	\$ 5,890,795
Add: On-behalf basis	232,679
Total GAAP basis	<u>\$ 6,123,474</u>

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Deposits and Investments

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

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

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

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables include amounts due for instructional and special educational services. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2020. Allowances are reported when accounts are proven to be uncollectible. Accounts receivable netted with allowances for uncollectible accounts were \$49,366 for the year ended June 30, 2020.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Interfund Receivables and Payables

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

Transactions Between Funds

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

Capital Assets

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Estimated useful lives are as follows:

Buildings	20 - 50 years
Furniture, machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

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

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term obligations consist of pension separation benefits and net pension liability.

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

Pensions

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPEB

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

Net Position

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

Fund Balance

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

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

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is given through Vermont Statutes Annotated Title 16 §567 and is expressed by the Board of Directors.

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

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently has one type of this item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions qualifies for reporting in this category. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

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

Operating/Nonoperating Proprietary Fund Revenues

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

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2020, the School District's cash balance of \$1,496,224 was comprised of bank balances of \$1,504,849. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the District's cash and cash equivalents balance. Of these deposits, \$266,103 were insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining deposits of \$1,238,746 were collateralized with securities held in the financial institution's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 1,488,746
Cash equivalents	16,103
	<u>\$ 1,504,849</u>

Investments:

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

At June 30, 2020, the School Districts investments of \$261,453 were comprised of \$1,273 of certificates of deposit that were fully insured by the federal depository insurance and \$20,198 were covered by SIPC and therefore were not exposed to custodial credit risk. \$239,982 of the investments in open-ended mutual funds are not exposed to custodial risk because their underlying securities do not exist in physical or book-entry form.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates. Certificates of deposit held with local financial institutions for \$1,273 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

The School District had the following investments and maturities at June 30, 2020:

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type	Fair Value	N/A	Less than 1 Year	1 - 5 Years	Over 5 Years
Debt securities	\$ 126,070	\$ -	\$ -	\$ 91,070	\$ 35,000
Equity securities	134,110	134,110	-	-	-
	<u>\$ 260,180</u>	<u>\$ 134,110</u>	<u>\$ -</u>	<u>\$ 91,070</u>	<u>\$ 35,000</u>

Fair Value Hierarchy

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The School District has the following recurring fair value measurements as June 30, 2020:

	Fair Value Measurements Using			
	June 30, 2020 Total	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Debt securities:				
Exchange traded funds	\$ 20,198	\$ -	\$ 20,198	\$ -
Mutual funds - bonds	105,872	-	105,872	-
Total debt securities	<u>126,070</u>	<u>\$ -</u>	<u>\$ 126,070</u>	<u>\$ -</u>
Equity securities:				
Mutual funds - domestic and foreign stocks	134,110	134,110	-	-
Total equity securities	<u>134,110</u>	<u>\$ 134,110</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments by fair value level	<u>\$ 260,180</u>	<u>\$ 134,110</u>	<u>\$ 126,070</u>	<u>\$ -</u>

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level II of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The School District has no Level III investments. Certificates of deposit held with local financial institutions for \$1,273 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 - INTERFUND TRANSFERS

Interfund transfers at June 30, 2020 consisted of the following:

	Transfers From	Transfers To
General fund	\$ 50,000	\$ -
Capital projects fund	-	50,000
	<u>\$ 50,000</u>	<u>\$ 50,000</u>

Interfund transfers are the results of legally authorized activity and are considered to be in the course of normal operations.

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance 7/1/19	Additions	Disposals	Balance 6/30/20
<u>Governmental activities:</u>				
Non-depreciated assets:				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Depreciated assets:				
Buildings and improvements	4,854,315	2	-	4,854,317
Machinery and equipment	657,410	12	-	657,422
Vehicles	22,650	-	-	22,650
	<u>5,534,375</u>	<u>14</u>	<u>-</u>	<u>5,534,389</u>
Less: accumulated depreciation				
Buildings and improvements	(2,941,685)	(113,343)	-	(3,055,028)
Machinery and equipment	(574,680)	(16,376)	-	(591,056)
Vehicles	(22,650)	-	-	(22,650)
	<u>(3,539,015)</u>	<u>(129,719)</u>	<u>-</u>	<u>(3,668,734)</u>
Net capital assets governmental activities	<u>\$ 1,999,360</u>	<u>\$ (129,705)</u>	<u>\$ -</u>	<u>\$ 1,869,655</u>
<u>Current year depreciation:</u>				
District-wide				\$ 129,719
Total depreciation expenses				<u>\$ 129,719</u>

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - OTHER LONG-TERM OBLIGATIONS

A summary of changes in other long-term obligations for the year ended June 30, 2020 is as follows:

	Balance, 7/1/19	Additions	Deletions	Balance, 6/30/20	Current Portion
Governmental activities:					
Pension separation benefits	\$ 83,895	\$ -	\$ (47,895)	\$ 36,000	\$ -
Net pension liability	<u>61,861</u>	<u>50,177</u>	<u>(11,171)</u>	<u>100,867</u>	<u>-</u>
	<u>\$ 145,756</u>	<u>\$ 50,177</u>	<u>\$ (59,066)</u>	<u>\$ 136,867</u>	<u>\$ -</u>

Refer to Note 6 and 10 of Notes to Financial Statements for detailed net pension liability information.

NOTE 6 - PENSION SEPARATION BENEFITS

The School District's negotiated agreement with the Teachers offer a retirement benefit. The teacher's agreement calls for a \$9,000 separation payment available to teachers reaching age fifty-five (55) and having fifteen (15) years of service within the District. The estimated accrual for this liability as of June 30, 2020, is \$36,000.

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

NOTE 7 - OPERATING LEASES

The District leases copier equipment under a non-cancelable lease agreement with Canon Financial Services. The term of the lease is for a five-year period expiring in May of 2025. Quarterly payments are \$1,323.

The following is a schedule of future minimum lease payments under this lease:

2021	\$ 5,292
2022	5,292
2023	5,292
2024	5,292
2025	<u>3,969</u>
Total lease payments	<u>\$ 25,137</u>

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 - RESTRICTED NET POSITION AND FUND BALANCE

At June 30, 2020, the School District had the following restricted net position and fund balance:

Capital projects fund	<u>\$ 662,193</u>
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NOTE 9 - NONSPENDABLE FUND BALANCE

At June 30, 2020, the School District had the following nonspendable fund balance:

General fund:	
Prepaid items	<u>\$ 3,983</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the School District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private Union teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State special education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2018 (the most recent period available), the retirement system consisted of 22,561 participating members.

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

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance & Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

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

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

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Normal service retirement eligibility (no reduction)	Age 60 or 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Benefit formula – normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 7/1/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 7/1/90 x AFC + 1.67% x service after 7/1/90 x AFC, 2.0% after attaining 20 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years minimum of 1%	50% CPI, up to a maximum of 5%, minimum of 1% after 12 months of normal retirement or age 65
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% for each year prior to age 62	Actuarial reduction

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

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

Contributions

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

School District's employees included in the teacher's retirement plan which approximates \$232,679 or 19.15% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Employee Contributions	5.5% of gross salary contributions stop after 25 years of creditable service	5.0% of gross salary with 5 or more years of service as of 7/1/14 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14 6.0% of gross salary if less than 5 years of service as of 7/1/14

Employee contributions totaled \$65,006 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees covered under this plan was \$1,215,034 for the year ended June 30, 2020.

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost sharing, multi-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975 and is governed by Title 24, V.S.A. Chapter 125. It is designed for persons employed on a regular basis by a school district or by a supervisory union for no fewer than 1,040 hours in a year and for no fewer than 30 hours a week for the school year, as defined in 16 V.S.A. § 1071, or for no fewer than 1,040 hours in a year and for no fewer than 24 hours a week year-round provided, however, that if a person who was employed on a regular basis by a school district as either a special education or transportation employee and who was transferred to and is working in a supervisory union in the same capacity pursuant to 16 V.S.A. § 261a(a)(6) or (8)(E) and if that person is also employed on a regular basis by a school district within the supervisory union, then the person is an "employee" if these criteria are met by the combined hours worked for the supervisory union and school district. The term shall also mean persons employed on a regular basis by a municipality other than a school district for no fewer than 1,040 hours in a year and for no fewer than 24 hours per week, including persons employed in a library at least one-half of whose operating expenses are met by municipal funding. For the

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

year ended June 30, 2019 (the most recent data available), the retirement system consisted of 14,755 participating members.

The general administration and responsibility for formulating administrative policy and procedures of the Retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system and two employer representatives-one elected by the governing bodies of participating employers of the system and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Schools and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance & Management website at:

http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

The pension plan is divided into four membership groups:

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

The School District participates in Group A. Benefits available to each group are based on average final compensation (AFC) and years of creditable service and are summarized below:

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

** - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group as of July 1, 2018 are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.750% of gross salary	5.125% of gross salary	10.250% of gross salary	11.600% of gross salary
Employer Contributions	4.250% of gross salary	5.750% of gross salary	7.500% of gross salary	10.100% of gross salary

Employee contributions are withheld pre-income tax by the School District and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2020 totaled \$8,627. The School District contributed \$13,334 for the year ended June 30, 2020. The School District's total payroll for the year ended June 30, 2020 for all employees covered under this plan was \$313,735.

Pension Liabilities

VSTRS Plan

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2020. The State's portion of the collective net pension liability that was associated with the School District was as follows:

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

School District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the School District	<u>2,605,921</u>
Total	<u>\$ 2,605,921</u>

The State of Vermont's proportionate share of the net pension liability associated with the School District is equal to the collective net pension liability, actuarially measured as of June 30, 2019, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2019, the School District's proportion was 0.16698% which was an increase of 0.012960% from its proportion measured as of June 30, 2018.

VMERS Plan

At June 30, 2020, the School District reported a liability of \$100,867 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2019 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2018. The School District's proportion of the net pension liabilities were based on a projection of the School District's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2019, the School District's proportion was 0.05814% for VMERS, which was an increase of 0.01414% from its proportion measured as of June 30, 2018 for VMERS.

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

For the year ended June 30, 2020, the School District recognized total pension expense of \$334,409 and revenue of \$334,409 for support provided by the State of Vermont for the VSTRS plan. In the same period, the School District recognized pension expense of \$21,231 for the VMERS plan. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 13,068	\$ 872
Changes of assumptions	-	-	3,368	-
Net difference between projected and actual earnings on pension plan investments	-	-	6,870	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	12,789	3,791
Contributions subsequent to the measurement date	-	-	13,334	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,429</u>	<u>\$ 4,663</u>

\$13,334 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS Plan	VMERS Plan
Plan year ended June 30:		
2021	\$ -	\$ 10,398
2022	-	6,213
2023	-	8,659
2024	-	6,163
2025	-	-
Thereafter	-	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using the actuarial assumptions outlined below.

Investment Rate of Return: For both plans, 7.50%, net of pension plan investment expenses, including inflation.

Inflation: For both plans, 2.50%.

Salary Increases: For the VSTRS plan, increases ranging from 3.75% to 9.09%. For the VMERS plan, increases are 5.00% per year.

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Mortality rates for pre-retirement, healthy retirees and disabled retirees in the VMERS plan for Groups A, B, C and D were based variations of RP-2006 Tables with generational improvement using Scale SSA-2017 as follows:

Pre-retirement - Groups A, B and C blended with a 60% Blue Collar Employee and 40% Healthy Employee and Group D with a Blue Collar Annuitant Table

Healthy Retiree - Groups A, B and C with a 60% Blue Collar Annuitant and 40% Healthy Annuitant and Group D with a Blue Collar Annuitant Table

Disabled Retiree - All Groups with a RP-2006 Disabled Mortality Table

Inactive Members: Valuation liability for the VSTRS plan equals 250.0% of accumulated contributions and 200% for the VMERS plan.

Future Administrative Expenses: No provisions were made for the VSTRS plan as Systems expenses are paid for by the State. For the VMERS plan, an expense adjustment based on actual expenses for the previous year is reflected in the development of recommended employer contribution levels.

Unknown Data for Participants: For both plans, they are the same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

Percent Married: For both plans, 85% of male members are assumed to be married. 35% of female members for the VSTRS plan and 50% of female members for the VMERS plan are assumed to be married.

Spouse's Age: For both plans, husbands are assumed to be three years older than their wives.

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Cost-of-Living Adjustments: Adjustments for both plans are assumed to occur on January 1 following one year of retirement. For the VSTRS plan this occurs at the rate of 2.55% per annum for Group A members and 1.40% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement). The January 1, 2020 COLA is assumed to be 1.60% for Group A and 1.00% for Group C. For the VMERS plan, this occurs at the rate of 1.15% per annum for Group A members and 1.30% per annum for Groups B, C and D members (beginning Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for Group A, B and D members who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2020 COLA is 0.80% for all groups.

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

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

A smoothing *asset valuation method* was used for funding purposes in the VMERS plan, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the VSTRS plan and the VMERS plan. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy which exceeds the actuarially determined contribution rate. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

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

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.50%	7.50%	8.50%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.50%	7.50%	8.50%
School District's proportionate share of the net pension liability	\$ 165,406	\$ 100,867	\$ 47,440

Pension Plan Fiduciary Net Position

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

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

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

The plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State special education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2019, the Plan consisted of 184 participating employers and at June 30, 2018 (the most recent period available), the plan consisted of 6,713 retired members or beneficiaries currently receiving benefits and 9,892 active members.

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Vermont Statute Title 16 Chapter 55 assigns the authority to VSTRS to establish and amend the benefits provisions of the Plan and to establish maximum obligations of the Plan members to contribute to the Plan. Management of the Plan is vested in the Vermont State Teachers' Retirement System Board of Trustees, which consists of the Secretary of Education (ex-officio) the State Treasurer (ex-officio) the Commissioner of Financial Regulation (ex-officio) two trustees and one alternate who are members of the system (each elected by the system under rules adopted by the Board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

All assets of the Plan are held in a single trust and are available to pay OPEB benefits to all members. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance & Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

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

Contributions

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	Retiree Subsidy		Spouse Subsidy*	
Retired before June 30, 2010	At least ten years of service- 80% of premium Less than ten years of service- 0% of premium		0% of premium	
Retired after June 30, 2010	10 years or more of service at June 30, 2010-80% of premium		Years of service at June 30, 2010-80% of premium if meet the following years of service at retirement requirement:	
	Less than 10 years of service at June 30, 2010:			
	Less than 15 years at retirement	0% of premium	Less than 10 years	25 years at retirement
	15-19.99 years at retirement	60% of premium	10-14.99 years	25 years at retirement
	20-24.99 years at retirement	70% of premium	15-24.99 years	10 additional years from June 30, 2010
	25 years or more at retirement	80% of premium	25-29.99 years	35 years at retirement
		30 or more years	5 additional years from June 30, 2010	

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

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

Retirees pay full cost of dental benefits.

OPEB Liabilities

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 75 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net OPEB liability was recorded at June 30, 2020. The State’s portion of the collective net OPEB liability that was associated with the School District was as follows:

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

School District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the School District		<u>1,752,649</u>
Total	<u>\$</u>	<u>1,752,649</u>

The State of Vermont's proportionate share of the net OPEB liability associated with the School District is equal to the collective net OPEB liability, actuarially measured as of June 30, 2019, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2019, the School District's proportion was 0.1684% which was an increase of 0.00646% from its proportion measured as of June 30, 2018.

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

For the year ended June 30, 2020, the School District recognized total OPEB expense of \$101,077 and revenue of \$101,077 for support provided by the State of Vermont for the Plan. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	<u>VSTRS OPEB Plan</u>	
Plan year ended June 30:		
2020	\$	-
2021		-
2022		-
2023		-
2024		-
Thereafter		-

Discount Rate

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
VSTRS OPEB Plan: Discount rate	2.50%	3.50%	4.50%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Healthcare Trend Rate

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

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2019, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

Amortization

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

Asset Valuation Method

The Asset Valuation Method used is market value as of the measurement date.

The long-term expected rate of return on OPEB plan investments are developed for each major asset class. These returns 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.

The target allocation, long-term expected rates of return for each major asset class and expected inflation, as of June 30, 2019, are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.50%
International equity	15.00%	7.75%
Emerging international equity	5.00%	9.25%
Core bonds	60.00%	4.37%
Inflation		2.75%
Total	100.00%	

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Assumptions

The actuarial assumptions used to calculate the actuarially determined contribution rates can be found in the Report on the Actuarial Valuation of Post-Retirement Benefits of the Vermont State Teachers' Retirement System Prepared as of June 30, 2016 completed by Buck Consulting. As of June 30, 2019, they are as follows:

Discount Rate	3.50%
Salary Increase Rate	Varies by age
Non-Medicare	7.15% graded to 4.50% over 12 years
Medicare	7.15% graded to 4.50% over 12 years
Retiree Contributions	Equal to health trend
Pre-retirement Mortality	98% of RP-2006 White Collar Employee with generational projection using Scale SSA-2018.
Post-retirement Mortality	98% of RP-2006 White Collar Annuitant with generational projection using Scale SSA-2018.

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2019 with the following exceptions:

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period remaining was twenty-nine years as of July 1, 2019. For the fiscal year ended June 30, 2019, the discount rate was decreased from 3.87% to 3.50%.

OPEB Plan Fiduciary Net Position

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets errors and omissions and natural disasters for which the School District carries commercial insurance or participates in a public entity and self-insured risk pool.

Based on the coverage provided by the insurance purchased, the School District is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2020. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

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

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

Windham Southeast Supervisory Union and its member districts procure property, inland marine and boiler and machinery, crime, commercial general liability, automobile and educators legal liability insurance through Liberty Mutual Insurance Company.

VERNON TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 - CONTINGENCIES

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

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

NOTE 14 - RELATED ORGANIZATION

The School 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 School District's assessment can be increased to cover a share of any prior year deficits and decreased to share in any prior year surpluses. Separate financial statements for Windham Southeast Supervisory Union are available from Windham Southeast Supervisory Union.

NOTE 15 - COMPARATIVE DATA/RECLASSIFICATIONS

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

Required Supplementary Information

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

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

VERNON TOWN SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 667,919	\$ 667,919	\$ 667,919	\$ -
Resources (Inflows):				
Intergovernmental:				
State support	5,384,673	5,384,673	5,384,673	-
Other	200,311	200,311	157,653	(42,658)
Interest income	750	750	2,152	1,402
Miscellaneous	227,716	227,716	232,209	4,493
Amounts Available for Appropriation	<u>6,481,369</u>	<u>6,481,369</u>	<u>6,444,606</u>	<u>(36,763)</u>
Charges to Appropriations (Outflows):				
Regular instruction	4,595,612	4,595,612	4,604,118	(8,506)
Special education	305,902	305,902	305,902	-
Food service	43,500	43,500	43,500	-
Operations and maintenance	348,454	348,454	336,334	12,120
Transportation	205,267	205,267	145,151	60,116
School administration	414,715	414,715	405,790	8,925
Transfers to other funds	50,000	50,000	50,000	-
Total Charges to Appropriations	<u>5,963,450</u>	<u>5,963,450</u>	<u>5,890,795</u>	<u>72,655</u>
Budgetary Fund Balance, June 30	<u>\$ 517,919</u>	<u>\$ 517,919</u>	<u>\$ 553,811</u>	<u>\$ 35,892</u>
Utilization of unassigned fund balance	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ (150,000)</u>

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

VERNON TOWN SCHOOL DISTRICT

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>VSTRS:</u>						
Proportion of the net pension liability School District's proportionate share of the net pension liability	0.17%	0.15%	0.02%	0.16%	0.02%	0.02%
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District Total	<u>2,605,921</u>	<u>2,326,838</u>	<u>2,441,299</u>	<u>2,147,763</u>	<u>2,127,650</u>	<u>1,692,458</u>
	<u>\$ 2,605,921</u>	<u>\$ 2,326,838</u>	<u>\$ 2,441,299</u>	<u>\$ 2,147,763</u>	<u>\$ 2,127,650</u>	<u>\$ 1,692,458</u>
Covered payroll	\$ 1,147,371	\$ 1,041,251	\$ 1,088,248	\$ 1,062,460	\$ 1,087,924	\$ 1,000,985
Proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	54.96%	54.81%	53.98%	55.31%	58.22%	64.02%
<u>VMERS:</u>						
Proportion of the net pension liability Proportionate share of the net pension liability	0.06%	0.04%	0.00%	0.00%	0.00%	0.00%
	\$ 100,867	\$ 61,861	\$ 49,100	\$ 71,321	\$ 41,773	\$ 3,907
Covered payroll	\$ 270,803	\$ 192,569	\$ 165,465	\$ 210,568	\$ 189,352	\$ 138,066
Proportionate share of the net pension liability as a percentage of its covered payroll	37.25%	32.12%	29.67%	33.87%	22.06%	2.83%
Plan fiduciary net position as a percentage of the total pension liability	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

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

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

VERNON TOWN SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	2020	2019	2018	2017	2016	2015
<u>VSTRS:</u>						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,215,034	\$ 1,147,371	\$ 1,041,251	\$ 1,088,248	\$ 1,062,460	\$ 1,087,924
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>VMERS:</u>						
Contractually required contribution	\$ 13,334	\$ 11,171	\$ 7,702	\$ 6,618	\$ 8,422	\$ 7,574
Contributions in relation to the contractually required contribution	<u>(13,334)</u>	<u>(11,171)</u>	<u>(7,702)</u>	<u>(6,618)</u>	<u>(8,422)</u>	<u>(7,574)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 313,735	\$ 270,803	\$ 192,569	\$ 165,465	\$ 210,568	\$ 189,352
Contributions as a percentage of covered payroll	4.25%	4.13%	4.00%	4.00%	4.00%	4.00%

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

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

VERNON TOWN SCHOOL DISTRICT

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>VSTRS OPEB Plan:</u>			
Proportion of the net OPEB liability School District's proportionate share of the net OPEB liability	0.17%	0.16%	0.16%
	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the School District Total	<u>1,752,649</u> <u>\$ 1,752,649</u>	<u>1,156,422</u> <u>\$ 1,156,422</u>	<u>1,113,161</u> <u>\$ 1,113,161</u>
Covered payroll	\$ 1,147,371	\$ 1,041,251	\$ 1,088,248
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	0.03%	-2.85%	-2.94%

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

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

VERNON TOWN SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>VSTRS OPEB Plan:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,215,034	\$ 1,147,371	\$ 1,041,251
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

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

VERNON TOWN SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSION SEPARATION BENEFITS
LAST 10 FISCAL YEARS*

FY Ending June 30	Actuarily Determined Contribution	Actual Contributions	Contributions Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution As a % of Covered Valuation Payroll
2017	\$ 101,875	\$ 119,500	\$ 17,625	\$ 21,398,735	0.56%
2018	105,407	30,200	(75,207)	22,040,697	0.14%
2019	107,322	84,265	(23,057)	22,701,918	0.37%
2020	5,311	18,000	12,689	1,123,502	1.60%

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

2017-2019 amounts include Windham Southeast Supervisory Union and all its member districts. The 2020 amount is for Vernon Town School District only.

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

VERNON TOWN SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

Changes of Assumptions

VSTRS Pension Plan:

There have been no changes in actuarial assumptions since the last measurement date.

VMERS Pension Plan:

There have been no changes in actuarial assumptions since last valuation.

VSTRS OPEB Plan:

The discount rate was decreased from 3.87% to 3.50%.

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

The assumed health trend rates were modified.

The percentage of future retirees not eligible for a subsidy assumed to elect coverage was increased from 10% to 15%.

60% of terminated vested participants who are eligible for a subsidy and 0% of those not eligible for a subsidy were assumed to elect coverage. Previously 30% of future terminated vested participants who are eligible for a subsidy and 10% of those not eligible for a subsidy were assumed to elect coverage and 30% of current terminated vested participants were assumed to elect coverage.

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

Other Supplementary Information

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

- Budgetary Comparison Schedule - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund

VERNON TOWN SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
State support	\$ 5,384,673	\$ 5,384,673	\$ 5,384,673	\$ -
Transportation aid	87,106	87,106	-	(87,106)
Tech ed support grant	101,348	101,348	98,630	(2,718)
Medicaid	9,657	9,657	41,807	32,150
Schoolwide programs	2,200	2,200	1,625	(575)
CRF-LEA Grant	-	-	15,591	15,591
Interest income	750	750	2,152	1,402
Miscellaneous:				
Other receipts	250	250	4,743	4,493
Rentals	227,466	227,466	227,466	-
Amounts Available for Appropriation	<u>\$ 5,813,450</u>	<u>\$ 5,813,450</u>	<u>\$ 5,776,687</u>	<u>\$ (36,763)</u>

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

SCHEDULE B

VERNON TOWN SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Regular instruction -				
Preschool	\$ 167,276	\$ 167,276	\$ 174,886	\$ (7,610)
Elementary	1,779,505	1,779,505	1,823,639	(44,134)
Secondary-tuition	2,187,000	2,187,000	2,161,411	25,589
Summer school	3,000	3,000	-	3,000
COVID-19	-	-	15,603	(15,603)
Vocational	205,000	205,000	184,470	20,530
Guidance	85,033	85,033	85,063	(30)
Health	73,530	73,530	74,176	(646)
Library	85,889	85,889	79,243	6,646
One Percent program	7,335	7,335	4,127	3,208
Title I	2,044	2,044	1,500	544
	<u>4,595,612</u>	<u>4,595,612</u>	<u>4,604,118</u>	<u>(8,506)</u>
Special education -				
Assessment	305,902	305,902	305,902	-
	<u>305,902</u>	<u>305,902</u>	<u>305,902</u>	<u>-</u>
Food service	43,500	43,500	43,500	-
	<u>43,500</u>	<u>43,500</u>	<u>43,500</u>	<u>-</u>
School administration -				
WSESU Assessment	188,349	188,349	188,349	-
School Board	26,666	26,666	20,062	6,604
Principal	199,700	199,700	197,379	2,321
	<u>414,715</u>	<u>414,715</u>	<u>405,790</u>	<u>8,925</u>
Operations and maintenance -				
Buildings and grounds	348,454	348,454	336,334	12,120
	<u>348,454</u>	<u>348,454</u>	<u>336,334</u>	<u>12,120</u>
Transportation -				
Assessment	199,267	199,267	141,821	57,446
Field trips	6,000	6,000	3,330	2,670
	<u>205,267</u>	<u>205,267</u>	<u>145,151</u>	<u>60,116</u>
Transfers to other funds -				
Capital projects	50,000	50,000	50,000	-
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 5,963,450</u></u>	<u><u>\$ 5,963,450</u></u>	<u><u>\$ 5,890,795</u></u>	<u><u>\$ 72,655</u></u>

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



Proven Expertise & Integrity

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

School Board
Vernon Town School District
Brattleboro, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of the Vernon Town School District as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Vernon Town School District's basic financial statements and have issued our report thereon dated March 1, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vernon Town School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to the management of Vernon Town School District in a separate letter dated February 1, 2021.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
March 1, 2021