

Federal Compliance Audit

Windham Southeast Supervisory Union

June 30, 2020



Proven Expertise & Integrity

WINDHAM SOUTHEAST SUPERVISORY UNION

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JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Windham Southeast Supervisory Union
Brattleboro, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Windham Southeast Supervisory Union as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Supervisory Union's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Windham Southeast Supervisory Union 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 11 and 59 through 67 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 Windham Southeast Supervisory Union's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Special Education Fund Revenues, Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Food Service Fund Revenues Schedule of Departmental Operations - General Fund, Schedule of Departmental Operations - Special Education Fund and Schedule of Departmental Operations - Food Service Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost*

Principles and Audit Requirements for Federal Awards and is also not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Special Education Fund Revenues, Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Food Service Fund Revenues Schedule of Departmental Operations - General Fund, Schedule of Departmental Operations - Special Education Fund and Schedule of Departmental Operations - Food Service Fund and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Special Education Fund Revenues, Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Food Service Fund Revenues Schedule of Departmental Operations - General Fund, Schedule of Departmental Operations - Special Education Fund and Schedule of Departmental Operations - Food Service Fund and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021 on our consideration of Windham Southeast Supervisory Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Windham Southeast Supervisory Union's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
January 29, 2021

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

(UNAUDITED)

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

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the above mentioned financial statements have one separate column for the one type of Supervisory Union activities. The type of activity presented for the Supervisory Union is:

- *Governmental activities* - The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). All of the Supervisory Union's basic services are reported in governmental activities, which include instruction, student/instructor support, administration, fiscal services, operations and maintenance, student transportation and food service.

Fund Financial Statements

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

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

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

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

The Supervisory Union presents three columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Supervisory Union's three major funds are the general fund, the special education fund and the food service fund. There are no nonmajor funds.

The Supervisory Union legally adopted a budget for each of the three major funds. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Special Education Fund and the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Food Service Fund provide a comparison of the original and final budget and the actual expenditures for the current year.

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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Special Education Fund, a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Food Service 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 Benefit and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining 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 Supervisory Union's governmental activities. The Supervisory Union's total net position for governmental activities decreased by \$106,829 from \$31,226 to a deficit balance of \$75,603.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased for governmental activities to a deficit balance of \$313,977 at the end of this year (see Table 1).

Table 1
Windham Southeast Supervisory Union
Net Position
June 30,

	Governmental Activities	
	2020	2019
Assets:		
Current Assets	\$ 3,212,470	\$ 2,676,724
Noncurrent Assets - Capital Assets	33,345	43,562
Total Assets	3,245,815	2,720,286
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	460,557	523,448
Total Deferred Outflows of Resources	460,557	523,448
Liabilities:		
Current Liabilities	2,188,161	2,191,281
Noncurrent Liabilities	1,213,801	866,329
Total Liabilities	3,401,962	3,057,610
Deferred Inflows of Resources:		
Unearned grant revenue	371,872	142,799
Deferred Inflows Related to Pensions	8,141	12,099
Total Deferred Inflows of Resources	380,013	154,898
Net Position:		
Net Investment in Capital Assets	33,345	43,562
Restricted	205,029	205,029
Unrestricted (Deficit)	(313,977)	(217,365)
Total Net Position	\$ (75,603)	\$ 31,226

Revenues and Expenses

Revenues for the Supervisory Union's governmental activities increased by 22.60%, while total expenses increased by 18.94%. The increase in revenues was due to increases in operating grants and contributions. The increase in expenses was due to increases in all categories except administration, fiscal services, operations and maintenance and unallocated depreciation.

Table 2
Windham Southeast Supervisory Union
Change in Net Position
For the Years Ended June 30,

	Governmental Activities	
	2020	2019
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 142,333	\$ 644,917
Operating grants and contributions	17,705,095	12,386,901
<i>General Revenues:</i>		
Grants and contributions not restricted to specific programs	6,319,682	6,320,764
Miscellaneous	219,986	539,772
Total Revenues	<u>24,387,096</u>	<u>19,892,354</u>
Expenses		
Instruction	13,387,422	12,449,905
Student/instructor support	1,974,841	1,440,954
Administration	1,437,482	1,657,692
Fiscal services	964,727	1,025,535
Operations and maintenance	68,446	70,142
Student transportation	1,822,601	1,706,953
State on-behalf payments	3,192,618	812,109
Food service	1,632,308	1,415,494
Unallocated depreciation (Note 4)	13,480	14,786
Total Expenses	<u>24,493,925</u>	<u>20,593,570</u>
Change in Net Position	(106,829)	(701,216)
Net Position - July 1	<u>31,226</u>	<u>732,442</u>
Net Position - June 30	<u>\$ (75,603)</u>	<u>\$ 31,226</u>

Financial Analysis of the Supervisory Union's Fund Statements

Governmental funds: The financial reporting focus of the Supervisory Union's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information may be useful in assessing the Supervisory Union's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year and the net resources available for spending (see Table 3).

Table 3
Windham Southeast Supervisory Union
Fund Balances - Governmental Funds
June 30,

	<u>2020</u>	<u>2019</u>	<u>Increase/ (Decrease)</u>
Major Funds:			
General Fund:			
Nonspendable	\$ 10,175	\$ 20,798	\$ (10,623)
Restricted	205,029	205,029	-
Unassigned	437,233	116,817	320,416
Total Major Funds	<u>\$ 652,437</u>	<u>\$ 342,644</u>	<u>\$ 309,793</u>

The change to total fund balances for the general fund occurred due to the regular activity of operations.

Budgetary Highlights

There were minor differences between the original and final budgets for the general fund, special education fund and food service fund.

The general fund actual revenues were under budgeted amounts by \$58,127. This was due to all revenues being receipted in excess of budgeted amounts except intergovernmental - assessments.

The general fund actual expenditures were under budgeted amounts by \$367,920. This was due to all categories being expended under budgeted amounts with the exception of student transportation.

The special education fund actual revenues exceeded budgeted amounts by \$773,857. This was due to all revenues being receipted in excess of budgeted amounts.

The special education fund actual expenditures exceeded budgeted amounts by \$773,857. This was due to all categories being expended in excess of budgeted amounts with the exception of operations and maintenance and student transportation.

The food service fund actual revenues exceeded budgeted amounts by \$157,709. This was due to all revenues being receipted in excess of budgeted amounts except interest income.

The food service fund actual expenditures exceeded budgeted amounts by \$157,709. This was due to all categories being expended in excess of budgeted amounts.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2020, the Supervisory Union capital assets decreased by \$10,217. This decrease was due to current year depreciation expense of \$13,480 less capital additions of \$3,263.

Table 4
Windham Southeast Supervisory Union
Capital Assets (Net of Depreciation)
June 30,

	2020	2019
Leasehold improvements	\$ 23,250	\$ 24,297
Machinery and equipment	10,095	19,265
Total	\$ 33,345	\$ 43,562

Debt

At June 30, 2020, the Supervisory Union had no debt outstanding.

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.

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 Supervisory Union. 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 Supervisory Union.

Contacting the Supervisory Union's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Supervisory Union's finances and to show the Supervisory Union's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Frank Rucker, Business Administrator, Windham Southeast Supervisory Union at 53 Green Street, Brattleboro, Vermont 05301 or by phone, (802) 254-3730 x18.

WINDHAM SOUTHEAST SUPERVISORY UNION

STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,232,522
Accounts receivable (net of allowance for uncollectibles)	191,906
Due from other governments	1,771,529
Prepaid items	10,175
Inventory	6,338
Total current assets	<u>3,212,470</u>
Noncurrent assets - capital assets:	
Leasehold improvements, net of accumulated depreciation	23,250
Machinery and equipment, net of accumulated depreciation	10,095
Total noncurrent assets - capital assets	<u>33,345</u>
TOTAL ASSETS	<u>3,245,815</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	460,557
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>460,557</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,706,372</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 363,374
Accrued payroll	970,035
Accrued expenses	575,420
Due to other governments	279,332
Total current liabilities	<u>2,188,161</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Accrued pension separation benefit	272,000
Net pension liability	941,801
Total noncurrent liabilities	<u>1,213,801</u>
TOTAL LIABILITIES	<u>3,401,962</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned grant revenue	371,872
Deferred inflows related to pensions	8,141
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>380,013</u>
NET POSITION	
Net investment in capital assets	33,345
Restricted: Medicaid funds	205,029
Unrestricted (deficit)	<u>(313,977)</u>
TOTAL NET POSITION	<u>(75,603)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 3,706,372</u>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Instruction	\$ 13,387,422	\$ -	\$ 12,644,558	\$ -	\$ (742,864)
Student/instructor support	1,974,841	-	-	-	(1,974,841)
Administration	1,437,482	-	-	-	(1,437,482)
Fiscal services	964,727	-	-	-	(964,727)
Operations and maintenance	68,446	-	-	-	(68,446)
Student transportation	1,822,601	-	378,374	-	(1,444,227)
State on-behalf payments	3,192,618	-	3,192,618	-	-
Food service	1,632,308	142,333	1,489,545	-	(430)
Unallocated depreciation (Note 4)*	13,480	-	-	-	(13,480)
Total governmental activities	\$ 24,493,925	\$ 142,333	\$ 17,705,095	\$ -	(6,646,497)

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

STATEMENT B (CONTINUED)
WINDHAM SOUTHEAST SUPERVISORY UNION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(6,646,497)</u>
General revenues:	
Grants and contributions not restricted to specific programs	6,319,682
Miscellaneous	<u>219,986</u>
Total general revenues	<u>6,539,668</u>
Change in net position	(106,829)
NET POSITION - JULY 1	<u>31,226</u>
NET POSITION - JUNE 30	<u><u>\$ (75,603)</u></u>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	General Fund	Special Education Fund	Food Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,232,522	\$ -	\$ -	\$ 1,232,522
Accounts receivable (net of allowance for uncollectibles)	191,906	-	-	191,906
Due from other governments	1,631,217	-	140,312	1,771,529
Prepaid items	10,175	-	-	10,175
Inventory	-	-	6,338	6,338
Due from other funds	85,825	-	-	85,825
TOTAL ASSETS	\$ 3,151,645	\$ -	\$ 146,650	\$ 3,298,295
LIABILITIES				
Accounts payable	\$ 363,374	\$ -	\$ -	\$ 363,374
Accrued payroll	970,035	-	-	970,035
Accrued expenses	575,420	-	-	575,420
Due to other governments	279,332	-	-	279,332
Due to other funds	-	-	85,825	85,825
TOTAL LIABILITIES	2,188,161	-	85,825	2,273,986
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	311,047	-	60,825	371,872
TOTAL DEFERRED INFLOWS OF RESOURCES	311,047	-	60,825	371,872
FUND BALANCES				
Nonspendable	10,175	-	6,338	16,513
Restricted	205,029	-	-	205,029
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	437,233	-	(6,338)	430,895
TOTAL FUND BALANCES	652,437	-	-	652,437
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,151,645	\$ -	\$ 146,650	\$ 3,298,295

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

WINDHAM SOUTHEAST SUPERVISORY UNION

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

	Total Governmental Funds
Total Fund Balances	\$ 652,437
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	33,345
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	460,557
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Accrued pension separation benefit	(272,000)
Net pension liability	(941,801)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(8,141)
Net position of governmental activities	\$ (75,603)

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

WINDHAM SOUTHEAST SUPERVISORY UNION

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

	General Fund	Special Education Fund	Food Service Fund	Total Governmental Funds
REVENUES				
Intergovernmental revenues	\$ 6,698,056	\$ 12,644,558	\$ 1,489,545	\$ 20,832,159
Charges for services	-	-	142,333	142,333
Interest income	9,455	-	5	9,460
State on-behalf payments	988,639	-	-	988,639
Miscellaneous	210,101	-	425	210,526
TOTAL REVENUES	7,906,251	12,644,558	1,632,308	22,183,117
EXPENDITURES				
Current:				
Instruction	3,432,736	9,551,544	-	12,984,280
Student/instructor support	293,522	1,681,319	-	1,974,841
Administration	699,318	738,164	-	1,437,482
Fiscal services	964,727	-	-	964,727
Operations and maintenance	32,164	36,282	-	68,446
Student transportation	1,185,352	637,249	-	1,822,601
Food service	-	-	1,632,308	1,632,308
State on-behalf payments	988,639	-	-	988,639
TOTAL EXPENDITURES	7,596,458	12,644,558	1,632,308	21,873,324
NET CHANGE IN FUND BALANCES	309,793	-	-	309,793
FUND BALANCES - JULY 1	342,644	-	-	342,644
FUND BALANCES - JUNE 30	\$ 652,437	\$ -	\$ -	\$ 652,437

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

WINDHAM SOUTHEAST SUPERVISORY UNION

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

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 309,793</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	3,263
Depreciation expense	<u>(13,480)</u>
	<u>(10,217)</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>(62,891)</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>3,958</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued pension separation benefit	(162,309)
Net pension liability	<u>(185,163)</u>
	<u>(347,472)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (106,829)</u></u>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Private-Purpose Trust Funds</u>
	<u>Scholarship Activities</u>
ASSETS	
Cash and cash equivalents	\$ <u>13,027</u>
TOTAL ASSETS	<u>\$ 13,027</u>
LIABILITIES	
Due to other governments	\$ <u>8,680</u>
TOTAL LIABILITIES	<u>8,680</u>
NET POSITION	
Restricted	<u>4,347</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 13,027</u>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

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

	Private-Purpose Trust Funds <u>Scholarship Activities</u>
ADDITIONS	
Investment income	\$ 10
Total additions	<u>10</u>
DEDUCTIONS	
Scholarships	<u>3,975</u>
Total deductions	<u>3,975</u>
Change in net position	(3,965)
NET POSITION - JULY 1	<u>8,312</u>
NET POSITION - JUNE 30	<u>\$ 4,347</u>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Supervisory Union was incorporated under the laws of the State of Vermont. The Supervisory Union operates under a Board of Directors-superintendent form of government and provides the following services: instruction, student/instructor support, administration, operations, miscellaneous and program expenses.

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

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

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 15, 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.

WINDHAM SOUTHEAST SUPERVISORY UNION

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 Supervisory Union ceased in-house operations and moved to remote learning systems. The Supervisory Union 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 Supervisory Union 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 Supervisory Union 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 Supervisory Union expects that if those actions are necessary, that the Supervisory Union would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

Conclusion

The ongoing effects of COVID-19, including the financial impact to the Supervisory Union, 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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

overall financial position of the Supervisory Union. 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 Supervisory Union.

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.

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.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize all primary activities as governmental.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Supervisory Union's functions (instruction, student/instructor support, administration, operations, food service, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (assessments, certain intergovernmental revenues and interest income, etc.).

The Supervisory Union does not allocate indirect costs. All costs are charged directly to the corresponding departments.

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

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the Supervisory Union are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Supervisory Union:

1. Governmental Funds:

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

Major Funds

- a. The General Fund is the general operating fund of the Supervisory Union. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Special Education Fund is the special revenue fund used to account for special education expenditures incurred by the Supervisory Union that are subsequently reimbursed through grant funding administered by the State of Vermont.
- c. The Food Service Fund is the special revenue fund used to account for funding provided to the Supervisory Union by the state and federal government and charges for services for the purpose of providing food and nutrition services.

2. 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 Supervisory Union'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 Supervisory Union's fiduciary funds are presented in the fiduciary fund financial statements by type (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.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

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

Budget

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

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues per budgetary basis	\$ 6,917,612
Add: On-behalf payments	988,639
Total GAAP basis	<u>\$ 7,906,251</u>
Expenditures per budgetary basis	\$ 6,607,819
Add: On-behalf basis	988,639
Total GAAP basis	<u>\$ 7,596,458</u>

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

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

Deposits and Investments

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

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Windham Southeast Supervisory Union has no formal investment policy but instead follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2020. Accounts receivable netted with allowances for uncollectible accounts were \$1,963,435 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.

Inventories

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

Interfund Receivables and Payables

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions Between Funds

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

Capital Assets

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

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated 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:

Leasehold improvements	20 - 50 years
Machinery and equipment	3 - 20 years

Long-term Obligations

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

All long-term obligations to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term obligations consist of accrued pension separation benefit 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 the proprietary fund is the same in the fund statements as it is in the government-wide statements.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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

OPEB

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

Net Position

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

Fund Balance

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Deferred Outflows and Inflows of Resources

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Program Revenues

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

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

At June 30, 2020, the Supervisory Union's cash balance of \$1,245,549 was comprised of bank deposits of \$1,391,793. The variance between the bank balances presented and the cash balances are reconciling items (i.e. deposits in transit, uncleared checks, etc.). Of these bank deposits, \$263,027 were fully covered by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining deposits of \$1,128,766 were collateralized with securities held by the financial institution in the School District's name.

Checking accounts	\$ 201,272
Money market accounts	186,123
Repurchase agreement	<u>1,004,398</u>
	<u>\$ 1,391,793</u>

Investments:

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

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

At June 30, 2020, the Supervisory Union did not have any investments.

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2020 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 85,825	\$ -
Food Service Fund	-	85,825
	\$ 85,825	\$ 85,825

The result of amounts owed between funds are considered to be in the course of normal operations by the Supervisory Union. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during 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>				
Depreciated assets:				
Leasehold improvements	\$ 26,791	\$ -	\$ -	\$ 26,791
Machinery and equipment	174,073	3,263	(1,469)	175,867
	200,864	3,263	(1,469)	202,658
Less: accumulated depreciation				
Leasehold improvements	(2,494)	(1,047)	-	(3,541)
Machinery and equipment	(154,808)	(12,433)	1,469	(165,772)
	(157,302)	(13,480)	1,469	(169,313)
Net capital assets	\$ 43,562	\$ (10,217)	\$ -	\$ 33,345
<u>Current year depreciation:</u>				
Union-wide				\$ 13,480

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - LONG-TERM OBLIGATIONS

A summary of 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
<u>Governmental activities:</u>					
Accrued pension separation benefit	\$ 109,691	\$ 204,809	\$ (42,500)	\$ 272,000	\$ -
Net pension liability	756,638	359,798	(174,635)	941,801	-
	<u>\$ 866,329</u>	<u>\$ 564,607</u>	<u>\$ (217,135)</u>	<u>\$ 1,213,801</u>	<u>\$ -</u>

Refer to Note 7 of Notes to Financial Statements for detailed accrued pension separation benefit information. Refer to Note 10 of Notes to Financial Statements for detailed net pension liability information.

NOTE 6 - OPERATING LEASES

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

Windham Southeast Supervisory Union entered into an operating lease, effective March, 2018, payable to Canon Financial Services for copiers. Quarterly payments of \$1,500, ending March of 2023.	<u>\$ 16,500</u>
Total operating leases payable	<u>\$ 16,500</u>

The following is a summary of outstanding operating lease requirements for the fiscal years ending June 30:

Year Ending <u>June 30:</u>	
2021	\$ 6,000
2022	6,000
2023	4,500
Total minimum lease payments	<u>\$ 16,500</u>

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - ACCRUED PENSION SEPARATION BENEFIT

The Supervisory Union's negotiated agreements with the Teacher's and Support Staff 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 Supervisory Union. The support staff agreement also has a separation benefit of \$6,500 at age fifty-five (55) with fifteen (15) years of service within the Supervisory Union of \$4,500 at age fifty-five (55) with ten (10) years of service in the Supervisory Union. The estimated accrual for this liability as of June 30, 2020, is \$272,000.

The Supervisory Union 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 8 - NONSPENDABLE FUND BALANCE

At June 30, 2020, the Supervisory Union had the following nonspendable fund balance:

General fund:	
Prepaid items	\$ 10,175
Food Service Fund:	
Inventory	6,338
	<u>\$ 16,513</u>

NOTE 9 - RESTRICTED NET POSITION AND FUND BALANCES

At June 30, 2020, the Supervisory Union had the following restricted net position and fund balances:

General fund:	
Medicaid funds	\$ 205,029

NOTE 10 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the Supervisory Union participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

day school and nonsectarian private Union teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 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 alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

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

Benefits Provided

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

contains members who were at least 57 years of age or had at least 25 years of service and Group #2 contains members who were less than 57 years of age and had less than 25 years of service.

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

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Normal service retirement eligibility (no reduction)	Age 60 or 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula – normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 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:

WINDHAM SOUTHEAST SUPERVISORY UNION

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
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pay full premium	Members pay full premium	Members pay full premium

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the Supervisory Union but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the Supervisory Union has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the Supervisory Union's employees included in the teacher's retirement plan which approximates \$988,639 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 \$276,888 during the year and were paid by the Supervisory Union to the State of Vermont. The Supervisory Union has no other liability under the plan. The Supervisory Union's total payroll for all employees covered under this plan was \$5,162,608 for the year ended June 30, 2020. Beginning in 2016, Supervisory Unions that pay for teachers with federal dollars are required to include costs of pensions in the federal grant, lowering the liability for the State. Federally funded pension costs reimbursed to the State by the Supervisory Union for the fiscal

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

year ending June 30, 2020 were \$270,501. The Supervisory Union's total payroll for all federally funded employees covered under this plan was \$1,412,539 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 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-

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance and Management website at:
http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

The pension plan is divided into four membership groups:

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

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

VMERS	Group A	Group B	Group C	Group D
Normal service retirement eligibility	Age 65 with 5 years of service or age 55 with 35 years of service	Age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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, 2019 are as follows:

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 Supervisory Union and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2020 totaled \$79,428. The Supervisory Union contributed \$111,744 for the year ended June 30, 2020. The Supervisory Union's total payroll for the year ended June 30, 2020 for all employees covered under this plan was \$2,528,314.

Pension Liabilities

VSTRS Plan

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

Supervisory Union's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Supervisory Union		<u>11,710,923</u>
Total	<u>\$</u>	<u>11,710,923</u>

The State of Vermont's proportionate share of the net pension liability associated with the Supervisory Union is equal to the collective net pension liability, actuarially measured as of June 30, 2019, multiplied by the Supervisory Union's proportionate share percentage. The Supervisory Union's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2019, the Supervisory Union's proportion was 0.75040% which was an increase of 0.02420% from its proportion measured as of June 30, 2018.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VMERS Plan

At June 30, 2020, the Supervisory Union reported a liability of \$941,801 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 Supervisory Union's proportion of the net pension liabilities were based on a projection of the Supervisory Union's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2019, the Supervisory Union's proportion was 0.54285% for VMERS, which was an increase of 0.00495% 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 Supervisory Union recognized total pension expense of \$1,656,046 and revenue of \$1,656,046 for support provided by the State of Vermont for the VSTRS plan. In the same period, the Supervisory Union recognized pension expense of \$244,096 for the VMERS plan. At June 30, 2020, the Supervisory Union reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 122,020	\$ 8,141
Changes of assumptions	-	-	31,444	-
Net difference between projected and actual earnings on pension plan investments	-	-	64,147	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	131,202	-
Contributions subsequent to the measurement date	-	-	111,744	-
Total	\$ -	\$ -	\$ 460,557	\$ 8,141

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

\$111,744 reported as deferred outflows of resources related to pensions resulting from Supervisory Union contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS		VMERS
Plan Year ended June 30:			
2020	\$	-	\$ 132,911
2021		-	93,828
2022		-	81,544
2023		-	32,390
2024		-	-
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.

Deaths After Retirement: The VSTRS plan used 98% of the RP-2006 White Collar Employee with generational projection using Scale SSA-2018 for pre-retirement, 98% of the RP-2006 White Collar Annuitant with generational projection using Scale SSA-2018 for healthy retirees and the RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2018 for disabled retirees.

Mortality rates for pre-retirement, healthy retirees and disabled retirees in the VMERS plan for Groups A, B, C and D were based on variations of RP-2006 Tables with generational improvement using Scale SSA-2018 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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 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%

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Discount Rate

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

Sensitivity of the Supervisory Union's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.50%	7.50%	8.50%
Supervisory Union's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.50%	7.50%	8.50%
Supervisory Union's proportionate share of the net pension liability	\$ 1,544,412	\$ 941,801	\$ 442,951

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

employers. VSTRS and VMERS do not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

NOTE 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 Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2019, the Plan consisted of 184 participating employers 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.

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

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Benefits Provided

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

Contributions

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

	Retiree Subsidy		Spouse Subsidy*	
Retired before June 30, 2010	At least ten years of service - 80% of premium Less than ten years of service - 0% of premium		0% of premium	
Retired after June 30, 2010	10 years or more of service at June 30, 2010 - 80% of premium		Years of service at June 30, 2010 - 80% of premium 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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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 Supervisory Union 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 Supervisory Union was as follows:

Supervisory Union's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the Supervisory Union		<u>7,903,719</u>
Total	\$	<u><u>7,903,719</u></u>

The State of Vermont's proportionate share of the net OPEB liability associated with the Supervisory Union is equal to the collective net OPEB liability, actuarially measured as of June 30, 2019, multiplied by the Supervisory Union's proportionate share percentage. The Supervisory Union's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2019, the Supervisory Union's proportion was 0.75940% which was an increase of 0.03323% 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 Supervisory Union recognized total OPEB expense of \$547,933 and revenue of \$547,933 for support provided by the State of Vermont for the Plan. At June 30, 2020, the Supervisory Union reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

	<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	\$ -	\$ -

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

	<u>VSTRS OPEB Plan</u>
Plan year ended June 30:	
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:

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

	1% Decrease	Discount Rate	1% Increase
VSTRS OPEB Plan:			
Discount rate	2.50%	3.50%	4.50%
Supervisory Union's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Healthcare Trend Rate

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2020 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers and CPI statistics published by the Bureau of Labor Statistics. The sensitivity of net OPEB liability to changes in healthcare trend rates are as follows:

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

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 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.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Amortization

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

Asset Valuation Method

The Asset Valuation Method used 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%	

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:

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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-2017.
Post-retirement Mortality	98% of RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017.

Changes in Net OPEB Liability

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

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period 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 and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

NOTE 12 - CONTINGENCIES

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

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

NOTE 13 - RISK MANAGEMENT

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

The VSBA 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 School 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.

The Windham Southeast Supervisory Union and 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.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 - RELATED ORGANIZATIONS

Windham Southeast Supervisory Union provides services to the following School Districts: Windham Southeast School District and Vernon School District. Each School District has an ongoing financial responsibility to the Supervisory Union as defined in GASB 14, paragraph 71.

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 Supervisory Union's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

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
- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual – Special Education Fund
- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual – Food Service 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 Benefit
- Notes to Required Supplementary Information

WINDHAM SOUTHEAST SUPERVISORY UNION

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	\$ 342,644	\$ 342,644	\$ 342,644	\$ -
Resources (Inflows):				
Intergovernmental:				
Assessments	3,843,779	3,843,779	3,463,779	(380,000)
Other	2,503,751	2,924,532	3,234,277	309,745
Interest income	5,000	5,000	9,455	4,455
Miscellaneous	202,428	202,428	210,101	7,673
Amounts Available for Appropriation	<u>6,897,602</u>	<u>7,318,383</u>	<u>7,260,256</u>	<u>(58,127)</u>
Charges to Appropriations (Outflows):				
Current:				
Instruction	3,145,917	3,566,698	3,432,736	133,962
Student/instructor support	360,306	360,306	293,522	66,784
Administration	757,634	757,634	699,318	58,316
Fiscal services	1,073,930	1,073,930	964,727	109,203
Operations and maintenance	33,520	33,520	32,164	1,356
Student transportation	1,183,651	1,183,651	1,185,352	(1,701)
Total Charges to Appropriations	<u>6,554,958</u>	<u>6,975,739</u>	<u>6,607,819</u>	<u>367,920</u>
Budgetary Fund Balance, June 30	<u>\$ 342,644</u>	<u>\$ 342,644</u>	<u>\$ 652,437</u>	<u>\$ 309,793</u>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

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

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental:				
Assessments	4,320,368	4,320,368	4,507,578	187,210
Other	7,559,557	7,550,333	8,136,980	586,647
Amounts Available for Appropriation	<u>11,879,925</u>	<u>11,870,701</u>	<u>12,644,558</u>	<u>773,857</u>
Charges to Appropriations (Outflows):				
Current:				
Instruction	8,804,390	8,782,927	9,551,544	(768,617)
Student/instructor support	1,662,496	1,666,327	1,681,319	(14,992)
Administration	727,711	736,119	738,164	(2,045)
Operations and maintenance	36,300	36,300	36,282	18
Student transportation	649,028	649,028	637,249	11,779
Total Charges to Appropriations	<u>11,879,925</u>	<u>11,870,701</u>	<u>12,644,558</u>	<u>(773,857)</u>
Budgetary Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

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

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental:				
Food Service	1,230,711	1,245,711	1,489,545	243,834
Charges for services	228,796	228,796	142,333	(86,463)
Interest income	92	92	5	(87)
Miscellaneous	-	-	425	425
Amounts Available for Appropriation	<u>1,459,599</u>	<u>1,474,599</u>	<u>1,632,308</u>	<u>157,709</u>
Charges to Appropriations (Outflows):				
Current:				
Food service	<u>1,459,599</u>	<u>1,474,599</u>	<u>1,632,308</u>	<u>(157,709)</u>
Total Charges to Appropriations	<u>1,459,599</u>	<u>1,474,599</u>	<u>1,632,308</u>	<u>(157,709)</u>
Budgetary Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

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

	2020	2019	2018	2017	2016	2015	2014
<u>VSTRS:</u>							
Proportion of the net pension liability Supervisory Union's proportionate share of the net pension liability	0.75%	0.73%	0.72%	0.72%	0.75%	0.34%	0.39%
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Supervisory Union	11,710,923	10,970,229	10,620,659	9,477,714	8,893,673	\$ 3,228,979	\$ 3,930,302
Total	<u>\$ 11,710,923</u>	<u>\$ 10,970,229</u>	<u>\$ 10,620,659</u>	<u>\$ 9,477,714</u>	<u>\$ 8,893,673</u>	<u>\$ 3,228,979</u>	<u>\$ 3,930,302</u>
Covered payroll	\$ 5,156,247	\$ 4,909,135	\$ 4,734,328	\$ 4,688,455	\$ 4,180,409	\$ 1,909,743	\$ 2,191,092
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%	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%	64.02%
<u>VMERS:</u>							
Proportion of the net pension liability Proportionate share of the net pension liability	0.54%	0.54%	0.34%	0.20%	0.17%	0.13%	0.12%
	\$ 941,801	\$ 756,638	\$ 408,931	\$ 258,079	\$ 131,802	\$ 11,711	\$ 42,537
Covered payroll	\$ 2,427,620	\$ 2,254,544	\$ 1,280,429	\$ 584,765	\$ 597,435	\$ 413,825	N/A
Proportionate share of the net pension liability as a percentage of its covered payroll	38.80%	33.56%	31.94%	44.13%	22.06%	2.83%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%	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.

WINDHAM SOUTHEAST SUPERVISORY UNION

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	2020	2019	2018	2017	2016	2015	2014
<u>VSTRS:</u>							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,162,608	\$ 5,156,247	\$ 4,909,135	\$ 4,734,328	\$ 4,688,455	\$ 4,180,409	\$ 1,909,743
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>VMERS:</u>							
Contractually required contribution	\$ 111,744	\$ 104,300	\$ 94,209	\$ 55,120	\$ 27,056	\$ 23,897	\$ 16,553
Contributions in relation to the contractually required contribution	<u>(111,744)</u>	<u>(104,300)</u>	<u>(94,209)</u>	<u>(55,120)</u>	<u>(27,056)</u>	<u>(23,897)</u>	<u>(16,553)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,528,314	\$ 2,427,620	\$ 2,254,544	\$ 1,280,429	\$ 584,765	\$ 597,435	\$ 413,825
Contributions as a percentage of covered payroll	4.42%	4.30%	4.18%	4.30%	4.63%	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.

WINDHAM SOUTHEAST SUPERVISORY UNION

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

	<u>2020</u>	<u>2019</u>
<u>VSTRS OPEB Plan:</u>		
Proportion of the net OPEB liability	0.76%	0.73%
Supervisory Union's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Supervisory Union	7,903,719	10,970,229
Total	<u>\$ 7,903,719</u>	<u>\$ 10,970,229</u>
Covered payroll	\$ 5,156,247	\$ 4,909,135
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	0.03%	-2.85%

* 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.

WINDHAM SOUTHEAST SUPERVISORY UNION

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2020</u>	<u>2019</u>
<u>VSTRS OPEB Plan:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,162,608	\$ 5,156,247
Contributions as a percentage of covered payroll	0.00%	0.00%

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

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

WINDHAM SOUTHEAST SUPERVISORY UNION

SCHEDULE OF CONTRIBUTIONS - PENSION SEPARATION BENEFIT
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	27,871	42,500	14,629	5,895,513	0.72%

Note: The amounts for 2017-2019 included WSESU and all member districts. The 2020 amounts are only for the Supervisory Union.

WINDHAM SOUTHEAST SUPERVISORY UNION

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 - Budgetary Basis - Budget and Actual - General Fund Revenues
- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Special Education Fund Revenues
- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Food Service Fund Revenues
- Schedule of Departmental Operations - General Fund
- Schedule of Departmental Operations - Special Education Fund
- Schedule of Departmental Operations - Food Service Fund

WINDHAM SOUTHEAST SUPERVISORY UNION

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:				
Assessments	\$ 3,843,779	\$ 3,843,779	\$ 3,463,779	\$ (380,000)
Transportation Aid	-	-	378,374	378,374
Title I Grants	1,339,090	1,590,985	1,590,985	-
Title IV SSAE	151,160	274,935	169,688	(105,247)
Title IIA	321,904	373,517	339,956	(33,561)
Medicaid	450,848	450,848	469,577	18,729
Other	240,749	234,247	285,697	51,450
Interest Income	5,000	5,000	9,455	4,455
Miscellaneous:				
Private Grants	177,125	177,125	162,696	(14,429)
Other Receipts	25,303	25,303	47,405	22,102
Amounts Available for Appropriation	<u>\$ 6,554,958</u>	<u>\$ 6,975,739</u>	<u>\$ 6,917,612</u>	<u>\$ (58,127)</u>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

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

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental Revenues:				
Assessments	\$ 4,320,368	\$ 4,320,368	\$ 4,507,578	\$ 187,210
Mainstream Block Grant	935,986	935,986	913,739	(22,247)
Intensive Reimbursement	4,704,479	4,704,479	4,847,808	143,329
Extraordinary Reimbursement	270,412	270,412	513,649	243,237
State Placed Reimbursement	51,480	51,480	43,975	(7,505)
IDEA-B Flow Thru	883,401	877,965	849,189	(28,776)
Excess Costs	-	-	238,166	238,166
Essential Early Education	699,299	699,299	693,011	(6,288)
Other	14,500	10,712	37,443	26,731
Amounts Available for Appropriation	<u>\$ 11,879,925</u>	<u>\$ 11,870,701</u>	<u>\$ 12,644,558</u>	<u>\$ 773,857</u>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

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

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental Revenues:				
Food Service	\$ 1,230,711	\$ 1,245,711	\$ 1,489,545	\$ 243,834
Charges for services:				
Food Service Sales	228,796	228,796	142,333	(86,463)
Interest Income	92	92	5	(87)
Miscellaneous:				
Other Receipts	-	-	425	425
Amounts Available for Appropriation	<u>\$ 1,459,599</u>	<u>\$ 1,474,599</u>	<u>\$ 1,632,308</u>	<u>\$ 157,709</u>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Instruction -				
General education	\$ 3,126,223	\$ 3,546,698	\$ 3,422,590	\$ 124,108
Adult education	19,694	20,000	10,146	9,854
	<u>3,145,917</u>	<u>3,566,698</u>	<u>3,432,736</u>	<u>133,962</u>
Student/instructor support -				
Curriculum development	199,805	199,805	135,597	64,208
Technology	160,501	160,501	157,925	2,576
	<u>360,306</u>	<u>360,306</u>	<u>293,522</u>	<u>66,784</u>
Administration -				
Board of Education	550	550	-	550
Office of Superintendent	757,084	757,084	699,318	57,766
	<u>757,634</u>	<u>757,634</u>	<u>699,318</u>	<u>58,316</u>
Fiscal services	<u>1,073,930</u>	<u>1,073,930</u>	<u>964,727</u>	<u>109,203</u>
Operations and maintenance	<u>33,520</u>	<u>33,520</u>	<u>32,164</u>	<u>1,356</u>
Student transportation	<u>1,183,651</u>	<u>1,183,651</u>	<u>1,185,352</u>	<u>(1,701)</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 6,554,958</u>	<u>\$ 6,975,739</u>	<u>\$ 6,607,819</u>	<u>\$ 367,920</u>

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

SCHEDULE E

WINDHAM SOUTHEAST SUPERVISORY UNION

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Instruction -				
Special education	\$ 8,804,390	\$ 8,782,927	\$ 9,551,544	\$ (768,617)
	<u>8,804,390</u>	<u>8,782,927</u>	<u>9,551,544</u>	<u>(768,617)</u>
Student/instructor support -				
Health services	27,100	27,100	22,900	4,200
Psychological services	412,975	412,692	347,224	65,468
Speech services	949,078	948,702	1,033,269	(84,567)
Occupational therapy services	180,329	180,329	177,803	2,526
Physical therapy/IEP services	78,603	78,603	87,988	(9,385)
Improvement of instruction	14,411	18,901	12,135	6,766
	<u>1,662,496</u>	<u>1,666,327</u>	<u>1,681,319</u>	<u>(14,992)</u>
Administration -				
Special education administration	719,511	719,026	721,266	(2,240)
Grants administration	8,200	17,093	16,898	195
	<u>727,711</u>	<u>736,119</u>	<u>738,164</u>	<u>(2,045)</u>
Operations and maintenance	<u>36,300</u>	<u>36,300</u>	<u>36,282</u>	<u>18</u>
Student transportation	<u>649,028</u>	<u>649,028</u>	<u>637,249</u>	<u>11,779</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 11,879,925</u></u>	<u><u>\$ 11,870,701</u></u>	<u><u>\$ 12,644,558</u></u>	<u><u>\$ (773,857)</u></u>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Food service -				
Salaries and benefits	\$ 110,856	\$ 110,856	\$ 136,805	\$ (25,949)
Food	59,400	59,400	195,925	(136,525)
Equipment	14,500	14,500	-	14,500
Management	1,268,900	1,268,900	1,270,423	(1,523)
Other	5,943	20,943	29,155	(8,212)
	<u>1,459,599</u>	<u>1,474,599</u>	<u>1,632,308</u>	<u>(157,709)</u>
 TOTAL DEPARTMENTAL OPERATIONS	 <u>\$ 1,459,599</u>	 <u>\$ 1,474,599</u>	 <u>\$ 1,632,308</u>	 <u>\$ (157,709)</u>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor Pass-through Grantor Program/Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture				
Passed through State of Vermont - Agency of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	4452S0482000	\$ 186,175	\$ -
National School Lunch Program	10.555	4450S0482000	339,900	-
National School Lunch Program	10.555	4456S0482001	80,022	-
Summer Food Service Program	10.559	4455S0482000	472,623	-
Subtotal Child Nutrition Cluster			<u>1,078,720</u>	<u>-</u>
Child and Adult Care Food Program	10.558	4453S0352000	7,490	-
Child and Adult Care Food Program	10.558	4454S0352000	107,665	-
			<u>115,155</u>	<u>-</u>
NSLP Equipment Assistance	10.579	4446S0482001	15,000	-
Fresh Fruit & Vegetable Program	10.582	4449S0482000	74,179	-
Total U.S. Department of Agriculture			<u>1,283,054</u>	<u>-</u>
U.S. Department of the Treasury				
Passed through State of Vermont - Agency of Education:				
CARES	21.019	4592S0482100	33,767	-
Total U.S. Department of the Treasury			<u>33,767</u>	<u>-</u>
U.S. Department of Education				
Passed through State of Vermont - Agency of Education:				
Title I-Grants to Local Education Agencies	84.010	4250S0482001	1,590,985	1,318,744
Special Education Cluster (IDEA):				
Special Education-Grants to States	84.027	4226S0482001	828,978	-
Special Education-Preschool Grants	84.173	4228S0482001	20,211	-
Subtotal Special Education Cluster (IDEA)			<u>849,189</u>	<u>-</u>
Twenty-First Century Community Learning Centers	84.287	4611S0352000	52,315	52,014
Title II - Improving Teacher Quality State Grants	84.367A	4651S0482001	339,956	29,213
Title IV - Student Support and Academic Enrichment Program	84.424A	4570S0482001	169,688	9,514
Total U.S. Department of Education			<u>3,002,133</u>	<u>1,409,485</u>
U.S. Department of Health and Human Services				
Passed through State of Vermont - Agency of Education:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	03420-08092	42,716	42,716
Total U.S. Department of Health and Human Services			<u>42,716</u>	<u>42,716</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 4,361,670</u>	<u>\$ 1,452,201</u>

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Windham Southeast Supervisory Union under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Windham Southeast Supervisory Union, it is not intended to and does not present the financial position, changes in net position or cash flows of the Windham Southeast Supervisory Union.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The U.S. Department of Education (USED) has delegated to the State of Vermont Agency of Education the authority to issue indirect cost rates to all Local Education Agencies (LEAs) based on a plan approved by the USED. Therefore, the Windham Southeast Supervisory Union does not use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

3. Noncash Awards

The Windham Southeast Supervisory Union reports U.S. Department of Agriculture (USDA) Foods consumed on the Schedule at the fair value [or entitlement value]. The State of Vermont allocated USDA Foods to the respective program(s) that benefitted from the use of those USDA Foods.

4. Expenditures to Subrecipients

CFDA Number	Windham Southeast School District	Vernon School District	Brattleboro Area Middle School	Brattleboro Union High School	Total
84.010	\$ 1,318,744	\$ -	\$ -	\$ -	\$ 1,318,744
84.287	9,514	-	-	-	9,514
84.367	27,588	1,625	-	-	29,213
84.424	-	-	52,014	-	52,014
93.959	-	-	21,358	21,358	42,716
	<u>\$ 1,355,846</u>	<u>\$ 1,625</u>	<u>\$ 73,372</u>	<u>\$ 21,358</u>	<u>\$ 1,452,201</u>



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

Board of Directors
Windham Southeast Supervisory Union
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 and each major fund of Windham Southeast Supervisory Union, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Windham Southeast Supervisory Union's basic financial statements and have issued our report thereon dated January 29, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or 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 Windham Southeast Supervisory Union's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of Windham Southeast Supervisory Union in a separate letter dated January 15, 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 organization's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization'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
January 29, 2021



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of School Directors
Windham Southeast Supervisory Union
Brattleboro, Vermont

Report on Compliance for Each Major Federal Program

We have audited Windham Southeast Supervisory Union's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Windham Southeast Supervisory Union's major federal programs for the year ended June 30, 2020. Windham Southeast Supervisory Union's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to each of its major federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Windham Southeast Supervisory Union's major federal programs based on our audit of the type of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Windham Southeast Supervisory Union's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Windham Southeast Supervisory Union's compliance.

Opinion on Each Major Federal Program

In our opinion, Windham Southeast Supervisory Union, complied in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Windham Southeast Supervisory Union is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Windham Southeast Supervisory Union internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Windham Southeast Supervisory Union's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance requirements of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
January 29, 2021

WINDHAM SOUTHEAST SUPERVISORY UNION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
In accordance with § 200.516 of Uniform Guidance? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

None