

Federal Compliance Audit

# Windham Southeast Supervisory Union

June 30, 2021



*Proven Expertise & Integrity*

WINDHAM SOUTHEAST SUPERVISORY UNION

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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, 2021 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.

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, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 4 through 12 and 65 through 76 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, Schedule of Departmental Operations - Food Service Fund and combining and individual nonmajor fund financial statements 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, Schedule of Departmental Operations - Food Service Fund, combining and individual nonmajor fund financial statements 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, combining and individual nonmajor fund financial statements 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 March 14, 2022 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  
March 14, 2022

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**(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, 2021. 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.

*Proprietary Funds:* The Supervisory Union maintains one proprietary fund, the HRA/HSA Plan. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

*Fiduciary Funds:* These funds are used to account for resources held for the benefit of parties outside the 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.

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

The Supervisory Union presents four 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. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The Supervisory Union legally adopted a budget for each of the three major funds and the nonmajor 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 and business-type activities. The Supervisory Union's total net position for governmental activities increased by \$969,951 from a deficit balance of \$75,603 to a balance of \$894,348.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased for governmental activities to a balance of \$374,819 at the end of this year (see Table 1).

**Table 1**  
**Windham Southeast Supervisory Union**  
**Net Position**  
**June 30,**

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets:</b>		
Current Assets	\$ 4,877,534	\$ 3,212,470
Noncurrent Assets - Capital Assets	73,147	33,345
Total Assets	4,950,681	3,245,815
<b>Deferred Outflows of Resources:</b>		
Deferred Outflows Related to Pensions	644,831	460,557
Total Deferred Outflows of Resources	644,831	460,557
<b>Liabilities:</b>		
Current Liabilities	2,430,498	2,188,161
Noncurrent Liabilities	1,595,943	1,213,801
Total Liabilities	4,026,441	3,401,962
<b>Deferred Inflows of Resources:</b>		
Unearned grant revenue	666,700	371,872
Deferred Inflows Related to Pensions	8,023	8,141
Total Deferred Inflows of Resources	674,723	380,013
<b>Net Position:</b>		
Net Investment in Capital Assets	73,147	33,345
Restricted	446,382	205,029
Unrestricted (Deficit)	374,819	(313,977)
Total Net Position	\$ 894,348	\$ (75,603)

### **Revenues and Expenses**

Revenues for the Supervisory Union's governmental activities increased by 13.73%, while total expenses increased by 9.28%. The increase in revenues was due to increases in operating grants and contributions and grants and contributions not restricted to specific programs. The increase in expenses was due to increases in all categories except instruction and unallocated depreciation.

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

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for services	\$ 3,550	\$ 142,333
Operating grants and contributions	19,559,812	17,705,095
<i>General Revenues:</i>		
Grants and contributions not restricted to specific programs	7,991,756	6,319,682
Miscellaneous	181,340	219,986
<b>Total Revenues</b>	<b>27,736,458</b>	<b>24,387,096</b>
<b>Expenses</b>		
Instruction	11,585,120	13,387,422
Student/instructor support	2,919,165	1,974,841
Administration	1,613,565	1,437,482
Fiscal services	1,018,700	964,727
Operations and maintenance	77,109	68,446
Student transportation	1,849,114	1,822,601
State on-behalf payments	4,401,308	3,192,618
Food service	3,289,238	1,632,308
Unallocated depreciation (Note 3)	13,188	13,480
<b>Total Expenses</b>	<b>26,766,507</b>	<b>24,493,925</b>
 Change in Net Position	 969,951	 (106,829)
 Net Position - July 1	 (75,603)	 31,226
 Net Position - June 30	 \$ 894,348	 \$ (75,603)

### **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>2021</u>	<u>2020</u>	<u>Increase/ (Decrease)</u>
Major Funds:			
General Fund:			
Nonspendable	\$ 16,675	\$ 10,175	\$ 6,500
Restricted	446,382	205,029	241,353
Committed	658,728	-	658,728
Unassigned	-	437,233	(437,233)
Special Education Fund:			
Committed	658,551	-	658,551
<b>Total Major Funds</b>	<u><u>\$ 1,780,336</u></u>	<u><u>\$ 652,437</u></u>	<u><u>\$ 1,127,899</u></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 \$27,568. This was due to all revenues being receipted in excess of budgeted amounts except intergovernmental - assessments and intergovernmental - other.

The general fund actual expenditures were under budgeted amounts by \$496,915. This was due to all categories being expended under budgeted amounts with the exception of operations and maintenance.

The special education fund actual revenues were under budgeted amounts by \$1,114,813. This was due to intergovernmental - other being receipted below budget.

The special education fund actual expenditures were under budgeted amounts by \$1,253,353. This was due to all categories being expended under budgeted amounts.

The food service fund actual revenues were under budgeted amounts by \$237,767. This was due to intergovernmental - food service and charges for service being receipted below budgeted amounts.

The food service fund actual expenditures were under budgeted amounts by \$757,778. This was due to all categories being expended under budgeted amounts.

### **Capital Asset and Long-Term Debt Activity**

#### **Capital Assets**

As of June 30, 2021, the Supervisory Union capital assets increased by \$39,802. This increase was due to current year additions of \$52,990 less depreciation expense of \$13,188. Refer to Note 3 of the Notes to Financial Statements for detailed information.

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

	<b>2021</b>	<b>2022</b>
Construction in progress	\$ 9,407	\$ -
Leasehold improvements	22,203	23,250
Machinery and equipment	41,537	10,095
Total	\$ 73,147	\$ 33,345

#### **Debt**

At June 30, 2021, the Supervisory Union had no debt outstanding.

### **Economic Factors and Next Year's Budgets and Rates**

The 2021 - 2022 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, 2021

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,605,422
Accounts receivable (net of allowance for uncollectibles)	14,983
Due from other governments	1,229,212
Prepaid items	16,675
Inventory	11,242
Total current assets	<u>4,877,534</u>
Noncurrent assets - capital assets:	
Construction in progress not being depreciated	9,407
Leasehold improvements, net of accumulated depreciation	22,203
Machinery and equipment, net of accumulated depreciation	41,537
Total noncurrent assets - capital assets	<u>73,147</u>
<b>TOTAL ASSETS</b>	<u>4,950,681</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	644,831
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>644,831</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 5,595,512</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 121,513
Accrued payroll	949,404
Accrued expenses	309,830
Due to other governments	1,049,751
Total current liabilities	<u>2,430,498</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Accrued pension separation benefit	232,000
Net pension liability	1,363,943
Total noncurrent liabilities	<u>1,595,943</u>
<b>TOTAL LIABILITIES</b>	<u>4,026,441</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned grant revenue	666,700
Deferred inflows related to pensions	8,023
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>674,723</u>
<b>NET POSITION</b>	
Net investment in capital assets	73,147
Restricted: Medicaid funds	446,382
Unrestricted	374,819
<b>TOTAL NET POSITION</b>	<u>894,348</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 5,595,512</u>

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

## WINDHAM SOUTHEAST SUPERVISORY UNION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 11,585,120	\$ -	\$ 13,235,778	\$ -	\$ 1,650,658
Student/instructor support	2,919,165	-	-	-	(2,919,165)
Administration	1,613,565	-	-	-	(1,613,565)
Fiscal services	1,018,700	-	-	-	(1,018,700)
Operations and maintenance	77,109	-	-	-	(77,109)
Student transportation	1,849,114	-	501,116	-	(1,347,998)
State on-behalf payments	4,401,308	-	4,401,308	-	-
Food service	3,289,238	3,550	1,421,610	-	(1,864,078)
Unallocated depreciation (Note 3)*	13,188	-	-	-	(13,188)
Total governmental activities	<u>\$ 26,766,507</u>	<u>\$ 3,550</u>	<u>\$ 19,559,812</u>	<u>\$ -</u>	<u>(7,203,145)</u>

STATEMENT B (CONTINUED)  
WINDHAM SOUTHEAST SUPERVISORY UNION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(7,203,145)</u>
General revenues:	
Grants and contributions not restricted to specific programs	7,991,756
Miscellaneous	<u>181,340</u>
Total general revenues	<u>8,173,096</u>
Change in net position	969,951
NET POSITION - JULY 1	<u>(75,603)</u>
NET POSITION - JUNE 30	<u>\$ 894,348</u>

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

## WINDHAM SOUTHEAST SUPERVISORY UNION

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

	General Fund	Special Education Fund	Food Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,605,422	\$ -	\$ -	\$ -	\$ 3,605,422
Accounts receivable (net of allowance for uncollectibles)	14,983	-	-	-	14,983
Due from other governments	465,918	658,551	104,743	-	1,229,212
Prepaid items	16,675	-	-	-	16,675
Inventory	-	-	11,242	-	11,242
<b>TOTAL ASSETS</b>	<b>\$ 4,102,998</b>	<b>\$ 658,551</b>	<b>\$ 115,985</b>	<b>\$ -</b>	<b>\$ 4,877,534</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 121,513	\$ -	\$ -	\$ -	\$ 121,513
Accrued payroll	949,404	-	-	-	949,404
Accrued expenses	309,830	-	-	-	309,830
Due to other governments	953,567	-	96,184	-	1,049,751
<b>TOTAL LIABILITIES</b>	<b>2,334,314</b>	<b>-</b>	<b>96,184</b>	<b>-</b>	<b>2,430,498</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue	646,899	-	19,801	-	666,700
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>646,899</b>	<b>-</b>	<b>19,801</b>	<b>-</b>	<b>666,700</b>
<b>FUND BALANCES</b>					
Nonspendable	16,675	-	-	-	16,675
Restricted	446,382	-	-	-	446,382
Committed	658,728	658,551	-	-	1,317,279
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,121,785</b>	<b>658,551</b>	<b>-</b>	<b>-</b>	<b>1,780,336</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,102,998</b>	<b>\$ 658,551</b>	<b>\$ 115,985</b>	<b>\$ -</b>	<b>\$ 4,877,534</b>

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, 2021

	Total Governmental Funds
Total Fund Balances	\$ 1,780,336
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	73,147
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	644,831
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Accrued pension separation benefit	(232,000)
Net pension liability	(1,363,943)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(8,023)
Net position of governmental activities	\$ 894,348

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, 2021

	General Fund	Special Education Fund	Food Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Intergovernmental revenues	\$ 6,635,026	\$ 13,235,778	\$ 1,421,610	\$ 1,857,846	\$ 23,150,260
Charges for services	-	-	3,550	-	3,550
Interest income	4,270	-	-	-	4,270
State on-behalf payments	980,896	-	-	-	980,896
Miscellaneous	170,838	-	6,232	-	177,070
<b>TOTAL REVENUES</b>	<u>7,791,030</u>	<u>13,235,778</u>	<u>1,431,392</u>	<u>1,857,846</u>	<u>24,316,046</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	2,207,053	9,233,307	-	-	11,440,360
Student/instructor support	917,609	2,001,556	-	-	2,919,165
Administration	930,859	682,706	-	-	1,613,565
Fiscal services	1,018,700	-	-	-	1,018,700
Operations and maintenance	40,820	36,289	-	-	77,109
Student transportation	1,225,745	623,369	-	-	1,849,114
Food service	-	-	1,431,392	1,857,846	3,289,238
State on-behalf payments	980,896	-	-	-	980,896
<b>TOTAL EXPENDITURES</b>	<u>7,321,682</u>	<u>12,577,227</u>	<u>1,431,392</u>	<u>1,857,846</u>	<u>23,188,147</u>
<b>NET CHANGE IN FUND BALANCES</b>	469,348	658,551	-	-	1,127,899
<b>FUND BALANCES - JULY 1</b>	<u>652,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>652,437</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 1,121,785</u>	<u>\$ 658,551</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,780,336</u>

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, 2021

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 1,127,899</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	52,990
Depreciation expense	<u>(13,188)</u>
	<u>39,802</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>184,274</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>118</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	40,000
Net pension liability	<u>(422,142)</u>
	<u>(382,142)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 969,951</u></u>

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

## WINDHAM SOUTHEAST SUPERVISORY UNION

STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
JUNE 30, 2021

	Internal Service Fund <u>HRA/FSA Plan</u>
ASSETS	
Due from other governments	\$ 532,235
TOTAL ASSETS	<u>532,235</u>
LIABILITIES	
Other liabilities	-
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Unrestricted	532,235
TOTAL NET POSITION	<u>532,235</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES AND NET POSITION	<u>\$ 532,235</u>

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



## WINDHAM SOUTHEAST SUPERVISORY UNION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	Internal Service Funds <u>HRA/FSA Plan</u>
REVENUES	
Contributions	\$ 532,235
TOTAL REVENUES	<u>532,235</u>
EXPENDITURES	
Other	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>
NET CHANGE IN FUND BALANCES	532,235
FUND BALANCES - JULY 1	<u>-</u>
FUND BALANCES - JUNE 30	<u>\$ 532,235</u>

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

STATEMENT I

WINDHAM SOUTHEAST SUPERVISORY UNION

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDING JUNE 30, 2021

	Internal Service Fund
	HRA/FSA Plan
CASH FLOWS FROM CUSTOMERS	
Receipts from customers	\$ 532,235
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES)	532,235
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	532,235
CASH AND CASH EQUIVALENTS - JULY 1	-
CASH AND CASH EQUIVALENTS - JUNE 30	\$ 532,235
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 532,235
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 532,235

## WINDHAM SOUTHEAST SUPERVISORY UNION

STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2021

	<u>Private-Purpose Trust Funds</u>	<u>Scholarship Activities</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,140	
<b>TOTAL ASSETS</b>	<u>\$ 2,140</u>	
<b>LIABILITIES</b>		
Due to other governments	<u>\$ -</u>	
<b>TOTAL LIABILITIES</b>	<u>-</u>	
<b>NET POSITION</b>		
Restricted	<u>2,140</u>	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 2,140</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, 2021

	Private-Purpose Trust Funds <u>Scholarship Activities</u>
ADDITIONS	
Investment income	\$ 3
Total additions	<u>3</u>
DEDUCTIONS	
Scholarships	<u>2,210</u>
Total deductions	<u>2,210</u>
Change in net position	(2,207)
NET POSITION - JULY 1	<u>4,347</u>
NET POSITION - JUNE 30	<u><u>\$ 2,140</u></u>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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 of 2020, 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. The state of emergency expired on June 15, 2021.

***Impact on and Results of Operations***

In accordance with Executive Order 1, issued by the Governor of Vermont on July 29, 2020, all public schools were opened for in person or remote classroom

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

instruction on, but not prior to, September 8, 2020.

*Impact on Finances*

The Supervisory Union does not currently anticipate any additional FY 2021 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus Aid Relief and Economic Security (“CARES”) Act, American Rescue Plan Act (“ARPA”) funding and applicable Federal and/or 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 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, 2021, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 84 “Fiduciary Activities”. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 90 "Majority Equity Interests". This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. Management has determined the impact of this Statement is not material to the financial statements.

Statement No 93 "Replacement of Interbank Offered Rates (paragraphs 4-11a)." The primary objectives of paragraphs 4-11a concern hedging derivative instruments (specifically exceptions to termination of hedge accounting, modifications to hedged items, probability of expected transactions and appropriate benchmark interest rates). The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency and comparability of reported information. Management has determined the impact of this Statement is not material to the financial statements.

**Government-Wide and Fund Financial Statements**

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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:



WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Nonmajor Funds

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

2. Proprietary Funds:

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

- a. Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

units of the Supervisory Union on a cost-reimbursement basis. Because the principal users of the internal services are the Supervisory Union's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements.

3. Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the 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.

**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.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

Revenues per budgetary basis	\$ 6,810,134
Add: On-behalf payments	980,896
Total GAAP basis	<u>\$ 7,791,030</u>
Expenditures per budgetary basis	\$ 6,340,786
Add: On-behalf basis	980,896
Total GAAP basis	<u>\$ 7,321,682</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.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deposits and Investments**

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

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

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposit 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, 2021. Accounts receivable netted with allowances for uncollectible accounts were \$1,244,195 for the year ended June 30, 2021.

**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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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".

**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. 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 reported 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.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

**Fund Balance**

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

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

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

**Committed** - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Supervisory Union. The inhabitants of the Supervisory Union through 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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 revenue qualifies for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. 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



WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

**Deposits:**

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

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

At June 30, 2021, the Supervisory Union's cash balance of \$3,607,562 was comprised of bank deposits of \$3,867,064. 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, \$402,013 were fully covered by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining deposits of \$3,465,051 were collateralized with securities held by the financial institution in the School District's name.

Account Type	Bank Balance
Checking accounts	\$ 200,000
Money market accounts	202,013
Repurchase agreement	3,465,051
	<u>\$ 3,867,064</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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2021, 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 repurchase agreements.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	Balance 7/1/20	Additions	Disposals	Balance 6/30/21
<u>Governmental activities:</u>				
Non-depreciated assets:				
Construction in progress	\$ -	\$ 9,407	\$ -	\$ 9,407
	-	9,407	-	9,407
Depreciated assets:				
Leasehold improvements	\$ 26,791	\$ -	\$ -	\$ 26,791
Machinery and equipment	175,867	43,583	-	219,450
	202,658	43,583	-	246,241
Less: accumulated depreciation				
Leasehold improvements	(3,541)	(1,047)	-	(4,588)
Machinery and equipment	(165,772)	(12,141)	-	(177,913)
	(169,313)	(13,188)	-	(182,501)
Net capital assets	\$ 33,345	\$ 39,802	\$ -	\$ 73,147
 <u>Current year depreciation:</u>				
Union-wide				\$ 13,188

NOTE 4 - LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2021 is as follows:

	Balance 7/1/20	Additions	Deletions	Balance 6/30/21	Current Portion
<u>Governmental activities:</u>					
Accrued pension separation benefit	\$ 272,000	\$ 6,500	\$ (46,500)	\$ 232,000	\$ -
Net pension liability	941,801	548,840	(126,698)	1,363,943	-
	\$ 1,213,801	\$ 555,340	\$ (173,198)	\$ 1,595,943	\$ -

Refer to Note 6 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.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 5 - OPERATING LEASES

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

Operating Leases Payable:

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>\$ 10,500</u>
Total operating leases payable	<u><u>\$ 10,500</u></u>

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

Year Ending <u>June 30:</u>	
2022	6,000
2023	4,500
Total minimum lease payments	<u><u>\$ 10,500</u></u>

NOTE 6 - 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, 2021, is \$232,000.

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.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 7 - RESTRICTED NET POSITION AND RESTRICTED FUND BALANCE

At June 30, 2021, the Supervisory Union had the following restricted net position and restricted fund balance:

General fund:	
Medicaid funds	\$ 446,382

NOTE 8 - NONSPENDABLE FUND BALANCES

At June 30, 2021, the Supervisory Union had the following nonspendable fund balances:

General fund:	
Prepaid items	\$ 16,675
	<u>\$ 16,675</u>

NOTE 9 - COMMITTED FUND BALANCE

At June 30, 2021, the Supervisory Union had the following committed fund balance:

General Fund	\$ 658,728
Major fund:	
Special education fund	658,551
	<u>\$ 1,317,279</u>

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 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,

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

2019 (the most recent period available), the retirement system consisted of 22,951 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 Annual Comprehensive Financial Report 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: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](https://www.vermont.gov/finance/annual-comprehensive-financial-report).

**Benefits Provided**

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

<b>VSTRS</b>	<b>Group A</b>	<b>Group C – Group # 1</b>	<b>Group C – Group # 2</b>
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, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

<b>VSTRS</b>	<b>Group A</b>	<b>Group C – Group # 1</b>	<b>Group C – Group # 2</b>
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 \$980,896 or 19.00% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

<b>VSTRS</b>	<b>Group A</b>	<b>Group C – Group # 1</b>	<b>Group C – Group # 2</b>
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 \$282,714 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 \$5,220,186 for the year ended June 30, 2021. Beginning in 2016, school districts 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 year ending June 30, 2021 were \$153,611. The Supervisory Union's total payroll for all



WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

federally funded employees covered under this plan was \$808,480 for the year ended June 30, 2021.

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-alone financial reports, but instead are included as part of the State of Vermont's Annual Comprehensive Financial Report. That report may be viewed on the State's

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Department of Finance and Management website at: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](#).

**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:

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Normal service retirement eligibility	Age 65 with 5 years of service or age 55 with 35 years of service	Age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
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, 2020 are as follows:

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Employee Contributions	3.000% of gross salary	5.375% of gross salary	10.500% of gross salary	11.850% of gross salary
Employer Contributions	4.500% of gross salary	6.000% of gross salary	7.750% of gross salary	10.350% 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, 2021 totaled \$91,825. The Supervisory Union contributed \$126,698 for the year

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

ended June 30, 2021. The Supervisory Union's total payroll for the year ended June 30, 2021 for all employees covered under this plan was \$2,715,859.

**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, 2021. 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		14,111,959
Total	\$	14,111,959

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, 2020, 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, 2020, the Supervisory Union's proportion was 0.72327% which was a decrease of 0.02713% from its proportion measured as of June 30, 2019.

*VMERS Plan*

At June 30, 2021, the Supervisory Union reported a liability of \$1,363,943 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2020 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2019. 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.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

At June 30, 2020, the Supervisory Union's proportion was 0.53916% for VMERS, which was a decrease of 0.00369% from its proportion measured as of June 30, 2019 for VMERS.

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

For the year ended June 30, 2021, the Supervisory Union recognized total pension expense of \$2,448,965 and revenue of \$2,448,965 for support provided by the State of Vermont for the VSTRS plan. In the same period, the Supervisory Union recognized pension expense of \$237,750 for the VMERS plan. At June 30, 2021, 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	\$ -	\$ -	\$ 122,838	\$ 4,043
Changes of assumptions	-	-	182,861	-
Net difference between projected and actual earnings on pension plan investments	-	-	130,450	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	81,984	3,980
Contributions subsequent to the measurement date	-	-	126,698	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 644,831</b>	<b>\$ 8,023</b>

\$126,698 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	VSTRS	VMERS
Plan Year ended June 30:		
2021	\$ -	\$ 169,325
2022	-	157,007
2023	-	107,977
2024	-	75,801
2025	-	-
Thereafter	-	-

**Significant Actuarial Assumptions and Methods**

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using the actuarial assumptions outlined below.

*Investment Rate of Return:* For both plans, 7.00%, net of pension plan investment expenses, including inflation.

*Inflation:* For both plans, 2.30%.

*Salary Increases:* For the VSTRS plan, increases ranging from 3.30% to 10.50%. For the VMERS plan, varying, service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.

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

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, 98% of RP-2006 tables, blended with a 60% Blue Collar Employee and 40% Healthy Employee and Group D with 100% of RP-2006 Blue Collar Employee

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Healthy Retiree - Groups A, B and C with 98% of RP-2006 tables, blended 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:* For both plans, valuation liability equals 100% of accumulated contributions. Inactive who are vested immediately become Deferred Members and the liabilities for all Deferred Members are based on the accrued benefit.

*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 2.40% per annum for Group A members and 1.35% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement). The January 1, 2020 and January 1, 2021 COLAs are 1.60% and 0.00%, respectively, for Group A and 1.00% and 1.10%, respectively, for Group C. For the VMERS plan, this occurs at the rate of 1.20% 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 and January 1, 2021 COLAs are 0.80% and 0.40%, respectively, for all groups.

*Actuarial Cost Method:* For both plans are 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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

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

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

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

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:



WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	29.00%	7.07%
US Equity - Large Cap	4.00%	6.19%
US Equity - Small/Mid Cap	3.00%	6.93%
Non-US Equity - Large Cap	5.00%	7.01%
Non-US Equity - Small Cap	2.00%	7.66%
Emerging Markets Debt	4.00%	3.66%
Core Bonds	20.00%	0.39%
Private and Alternative Credit	10.00%	6.03%
US TIPS	3.00%	-0.20%
Core Real Estate	5.00%	4.06%
Non-Core Real Estate	3.00%	6.43%
Private Equity	10.00%	11.27%
Infrastructure/Farmland	2.00%	5.44%

**Discount Rate**

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.00%	7.00%	8.00%
Supervisory Union's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.00%	7.00%	8.00%
Supervisory Union's proportionate share of the net pension liability	\$ 2,083,829	\$ 1,363,943	\$ 771,629

**Pension Plan Fiduciary Net Position**

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

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

employment. During the year ended June 30, 2019, the Plan consisted of 6,878 retired members or beneficiaries currently receiving benefits and 9,862 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 Annual Comprehensive Financial Report 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: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](http://AnnualComprehensiveFinancialReport|DepartmentofFinanceandManagement.vermont.gov).

**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:

	<b>Retiree Subsidy</b>	<b>Spouse Subsidy*</b>
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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

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

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

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

Retirees pay full cost of dental benefits.

**OPEB Liabilities**

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 75 and the State is treated as a nonemployer to VSTRS. Since the Supervisory Union does not contribute directly to VSTRS, no net OPEB liability was recorded at June 30, 2021. The State's portion of the collective net OPEB liability that was associated with the Supervisory Union was as follows:

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

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>9,055,023</u>
Total	\$	<u>9,055,023</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, 2020, 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, 2020, the Supervisory Union's proportion was 0.71899% which was a decrease of 0.04041% from its proportion measured as of June 30, 2019.

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

For the year ended June 30, 2021, the Supervisory Union recognized total OPEB expense of \$971,477 and revenue of \$971,447 for support provided by the State of Vermont for the Plan. At June 30, 2021, 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, 2021

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	<u>\$ -</u>	<u>\$ -</u>

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

	<u>VSTRS OPEB Plan</u>
Plan year ended June 30:	
2021	\$ -
2022	-
2023	-
2024	-
2025	-
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, 2021

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

	1% Decrease	Discount Rate	1% Increase
VSTRS OPEB Plan:			
Discount rate	1.21%	2.21%	3.21%
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, 2020, 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, 2021

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

*Amortization*

The total OPEB liability of this Plan is amortized on a closed 30-year period. The amortization method is a level percent of payroll 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, 2020, are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.25%
International equity	15.00%	9.00%
Emerging international equity	5.00%	11.25%
Core bonds	60.00%	2.50%
Inflation		2.00%
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, 2020, they are as follows:



WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

Discount Rate	2.21%
Salary Increase Rate	Varies by age
Non-Medicare	6.925 graded to 4.50% over 11 years
Medicare	6.140% graded to 4.50% over 12 years
Retiree Contributions	Equal to health trend
Pre-retirement Mortality	PubT-2010 Teacher Employee Headcount-Weighted Table with generational projection using scale MP-2019
Post-retirement Mortality	Retirees: PubT-2010 Teacher Healthy Retiree Headcount-Weighted Table Spouses: 109 % of the Pub-2010 Contingent Survivor Headcount-Weighted Table, both Retirees and Spouses with generational projection using scale MP-2019

**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-eight years as of July 1, 2020. For the fiscal year ended June 30, 2020, the discount rate was decreased from 3.50% to 2.21%.

**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 Annual Comprehensive Financial Report. That report can be viewed on the State's Department of Finance and Management website at: [Annual](#)

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

Comprehensive Financial Report | Department of Finance and Management (vermont.gov).

NOTE 12 – COMMITMENTS AND 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.

On June 2, 2021, the United States Court of Appeals ruled to invalidate the State of Vermont's prohibition on the use of public funds for tuition to religious schools. In addition, the Vermont Board of Education has determined that Districts may pay tuition at the allowable rate to religiously affiliated schools in fiscal year 2022. There have been no lawsuits or claims to date that management has been made aware of concerning fiscal year 2021 tuition payments. However, management believes that any potential future liabilities concerning fiscal year 2021 tuition payments would not have a materially adverse impact on the Supervisory Union's financial position.

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

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 13 - RISK MANAGEMENT (CONTINUED)

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.

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, 2021

	General Fund				Special Revenue Fund				Total			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final			Original	Final			Original	Final		
Budgetary Fund Balance, July 1	\$ 652,437	\$ 652,437	\$ 652,437	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 652,437	\$ 652,437	\$ 652,437	\$ -
Resources (Inflows):												
Intergovernmental:												
Assessments	3,525,492	3,528,492	3,525,492	(3,000)	-	-	-	-	3,525,492	3,528,492	3,525,492	(3,000)
Other	3,125,128	3,136,970	3,109,534	(27,436)	-	1,857,846	1,857,846	-	3,125,128	4,994,816	4,967,380	(27,436)
Interest income	4,000	4,000	4,270	270	-	-	-	-	4,000	4,000	4,270	270
Miscellaneous	136,757	168,239	170,838	2,599	-	-	-	-	136,757	168,239	170,838	2,599
Amounts Available for Appropriation	<u>7,443,814</u>	<u>7,490,138</u>	<u>7,462,571</u>	<u>(27,567)</u>	<u>-</u>	<u>1,857,846</u>	<u>1,857,846</u>	<u>-</u>	<u>7,443,814</u>	<u>9,347,984</u>	<u>9,320,417</u>	<u>(27,567)</u>
Charges to Appropriations (Outflows):												
Current:												
Instruction	2,246,732	2,347,230	2,207,053	140,177	-	-	-	-	2,246,732	2,347,230	2,207,053	140,177
Student/instructor support	1,072,332	1,021,790	917,609	104,181	-	-	-	-	1,072,332	1,021,790	917,609	104,181
Administration	1,114,882	1,111,250	930,859	180,391	-	-	-	-	1,114,882	1,111,250	930,859	180,391
Fiscal services	1,087,400	1,087,400	1,018,700	68,700	-	-	-	-	1,087,400	1,087,400	1,018,700	68,700
Operations and maintenance	35,121	35,121	40,820	(5,699)	-	-	-	-	35,121	35,121	40,820	(5,699)
Student transportation	1,234,910	1,234,910	1,225,745	9,165	-	-	-	-	1,234,910	1,234,910	1,225,745	9,165
Program expenses	-	-	-	-	-	1,857,846	1,857,846	-	-	1,857,846	1,857,846	-
Total Charges to Appropriations	<u>6,791,377</u>	<u>6,837,701</u>	<u>6,340,786</u>	<u>496,915</u>	<u>-</u>	<u>1,857,846</u>	<u>1,857,846</u>	<u>-</u>	<u>6,791,377</u>	<u>8,695,547</u>	<u>8,198,632</u>	<u>496,915</u>
Budgetary Fund Balance, June 30	<u>\$ 652,437</u>	<u>\$ 652,437</u>	<u>\$ 1,121,785</u>	<u>\$ 469,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 652,437</u>	<u>\$ 652,437</u>	<u>\$ 1,121,785</u>	<u>\$ 469,348</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, 2021

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental:				
Assessments	5,687,763	5,687,763	5,687,763	-
Other	8,635,175	8,662,828	7,548,015	(1,114,813)
Amounts Available for Appropriation	<u>14,322,938</u>	<u>14,350,591</u>	<u>13,235,778</u>	<u>(1,114,813)</u>
Charges to Appropriations (Outflows):				
Current:				
Instruction	10,183,957	10,213,351	9,233,307	980,044
Student/instructor support	2,170,285	2,194,395	2,001,556	192,839
Administration	770,602	744,751	682,706	62,045
Operations and maintenance	36,300	36,300	36,289	11
Student transportation	641,783	641,783	623,369	18,414
Total Charges to Appropriations	<u>13,802,927</u>	<u>13,830,580</u>	<u>12,577,227</u>	<u>1,253,353</u>
Budgetary Fund Balance, June 30	<u>\$ 520,011</u>	<u>\$ 520,011</u>	<u>\$ 658,551</u>	<u>\$ 138,540</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, 2021

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental:				
Food Service	1,620,613	1,620,613	1,421,610	(199,003)
Charges for services	47,046	47,046	3,550	(43,496)
Interest income	-	-	-	-
Miscellaneous	1,500	1,500	6,232	4,732
Amounts Available for Appropriation	<u>1,669,159</u>	<u>1,669,159</u>	<u>1,431,392</u>	<u>(237,767)</u>
Charges to Appropriations (Outflows):				
Current:				
Food service	<u>2,189,170</u>	<u>2,189,170</u>	<u>1,431,392</u>	<u>757,778</u>
Total Charges to Appropriations	<u>2,189,170</u>	<u>2,189,170</u>	<u>1,431,392</u>	<u>757,778</u>
Budgetary Fund Balance, June 30	<u><u>\$ (520,011)</u></u>	<u><u>\$ (520,011)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 520,011</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\*

	2021	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	0.72%	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	14,111,959	11,710,923	10,970,229	10,620,659	9,477,714	8,893,673	\$ 3,228,979	\$ 3,930,302
Total	<u>\$ 14,111,959</u>	<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	\$ 5,162,608	\$ 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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	50.00%	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%	0.54%	0.34%	0.20%	0.17%	0.13%	0.12%
	\$ 1,363,943	\$ 941,801	\$ 756,638	\$ 408,931	\$ 258,079	\$ 131,802	\$ 11,711	\$ 42,537
Covered payroll	\$ 2,528,314	\$ 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	53.95%	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	74.52%	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\*

	2021	2020	2019	2018	2017	2016	2015	2014
<u>VSTRS:</u>								
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,220,186	\$ 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%	0.00%
<u>VMERS:</u>								
Contractually required contribution	\$ 126,698	\$ 111,744	\$ 104,300	\$ 94,209	\$ 55,120	\$ 27,056	\$ 23,897	\$ 16,553
Contributions in relation to the contractually required contribution	(126,698)	(111,744)	(104,300)	(94,209)	(55,120)	(27,056)	(23,897)	(16,553)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,715,859	\$ 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	4.67%	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\*

	2021	2020	2019	2018
<u>VSTRS OPEB Plan:</u>				
Proportion of the net OPEB liability	0.72%	0.76%	0.73%	0.00%
Supervisory Union's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Supervisory Union	9,055,023	7,903,719	10,970,229	-
Total	<u>\$ 9,055,023</u>	<u>\$ 7,903,719</u>	<u>\$ 10,970,229</u>	<u>\$ -</u>
Covered payroll	\$ 5,162,608	\$ 5,156,247	\$ 4,909,135	\$ 4,734,328
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	0.69%	0.03%	-2.85%	-2.94%

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

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

## WINDHAM SOUTHEAST SUPERVISORY UNION

SCHEDULE OF CONTRIBUTIONS - OPEB  
LAST 10 FISCAL YEARS\*

	2021	2020	2019	2018
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>VSTRS OPEB Plan:</u>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,220,186	\$ 5,162,608	\$ 5,156,247	\$ 4,909,135
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

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

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

## 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%
2021	9,519	46,500	36,981	2,012,506	2.31%

Note: The amounts for 2017-2019 included WSESU and all member districts. The 2021-2022 amounts are only for the Supervisory Union. 2021 Covered Valuation Payroll amount only includes vested WSESU employees.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021

**Changes of Assumptions**

VSTRS Pension Plan:

- The investment return assumption was lowered from 7.50% to 7.00%.
- The inflation assumption was lowered from 2.50% to 2.30%.
- The COLA assumption was lowered from 2.55% to 2.40% for Group A members and from 1.40% to 1.35% for Group C members.
- The mortality assumptions were updated as follows with generational projection using scale MP-2019:
  - Pre-Retirement: PubT-2010 Teacher Employee Table.
  - Healthy Post-Retirement – Retirees: PubT-2010 Teacher Healthy Retiree Table.
  - Healthy Post-Retirement – Beneficiaries: 109% of the Pub-2010 Contingent Survivor Table.
  - Disabled Retirees: PubNS-2010 Non-Safety Disabled Retiree Mortality Table.
- There were minor increases to the merit and seniority (and productivity) portion of individual salary increases for members between age 20-59 and minor decreases for members age 60 and older plus the revised inflation assumption.
- The active retirement assumptions were updated as follows:
  - For Group A and Group C-Grandfathered: One set of age-based rates for members eligible for unreduced benefits and one set of age-based rates for all other members.
  - For Group C-Non-grandfathered: A rate of 30% for members during the first year of unreduced eligibility, one set of age-based rates for members

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021

after the first year of unreduced eligibility and one set of age-based rates for all members.

- The inactive retirement assumptions were updated as follows:
  - For Group A and Group C-Grandfathered: Add a rate of 10% from ERA for each year until NRA, then 100% at NRA.
  - Group C-Nongrandfathered: A rate of 50% from age 62-69, then 100% at age 70.
- The liability load of accumulated contributions for Inactive Members was removed. Liabilities for Inactive Members are now based on 100% of the accumulated contributions. Inactive members who are vested immediately become Deferred Members and the liabilities for all Deferred members are based on accrued benefit.
- There were major reductions to all rates of termination.
- The disability retirement rates were increased by 5% for females and decreased by 10% for males.

VMERS Pension Plan:

- The investment return assumption was lowered from 7.50% to 7.00%.
- The inflation assumption was lowered from 2.50% to 2.30%.
- The COLA assumption was lowered from 1.15% to 1.10% for Group A members and from 1.30% to 1.20% for Groups B, C and D members.
- The mortality assumptions were updated as follows with generational projection using scale MP-2019:

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021

- Pre- Retirement – Groups A/B/C - 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, Group D - PubG-2010 General Employee above-median
- Healthy Post Retirement – Retirees – Groups A/B/C - 104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree
- Healthy Post-Retirement – Beneficiaries – Groups A/B/C - 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor. Group D – Pub-2010 Contingent Survivor.
- Disabled Retirees – All Groups – PubNS-2010 Non-Safety Disabled Retiree Mortality Table.
- The salary scale assumption was revised for varying service based rates from 0-10 years of service, then a single rate of 2.20% for all subsequent years, plus revised inflation of 2.30%.
- The active retirement rates were updated as follows:
  - Group A - Decreased the rates throughout all ages.
  - Group B – For females, slightly decreased the rates at younger ages and then increase the rates at later ages. For males, slightly decreased the rates at most ages.
  - Group C – Simplified the assumption to a unisex table that more accurately aligns with the actual experience for both males and females.
  - Group D – For members with less than 20 years of service, increased the rates for ages 55-59.
- The inactive retirement assumption was updated to add a rate of 10% from early retirement age for each year until normal retirement age, then 100% at normal retirement age.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021

- The liability load of accumulated contributions for Inactive Members was removed. Liabilities for Inactive Members are now based on 100% of the accumulated contributions. Inactive Members who are vested immediately become Deferred Members and the liabilities for all Deferred Members are based on the accrued benefit.
- The termination rates were simplified for females to one set of slightly reduced rates for all females.

VSTRS OPEB Plan:

The discount rate was decreased from 3.50% to 2.21%.

The excise tax was repealed on December 20, 2020.

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

The assumed health trend rates were modified.

The assumed salary scale, mortality rates, disability rates, withdrawal rates and retirement rates were modified.

The percentage of terminated vested participants who are eligible for a subsidy assumed to elect coverage was decreased from 60% to 50%.

The percentage of current retirees who have not elected coverage and are eligible for a subsidy and have retired within the past year assumed to elect coverage was increased from 40% to 60%.

The percentage of future retirees who elect to continue their health coverage at retirement assumed to have an eligible spouse who also opts for health coverage was decreased from 60% to 40% for males and 50% to 25% for females.



## 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
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds

## WINDHAM SOUTHEAST SUPERVISORY UNION

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND REVENUES  
 FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental Revenues:				
Assessments	\$ 3,525,492	\$ 3,528,492	\$ 3,525,492	\$ (3,000)
Transportation Aid	390,000	390,000	501,116	111,116
Title I Grants	1,467,110	1,346,067	1,346,067	-
Title IV SSAE	202,967	322,500	249,200	(73,300)
Title IIA	309,148	340,500	298,731	(41,769)
Medicaid	502,796	502,796	478,098	(24,698)
Other	253,107	235,107	236,322	1,215
Interest Income	4,000	4,000	4,270	270
Other Receipts	136,757	168,239	170,838	2,599
Amounts Available for Appropriation	<u>\$ 6,791,377</u>	<u>\$ 6,837,701</u>	<u>\$ 6,810,134</u>	<u>\$ (27,567)</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, 2021

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental Revenues:				
Assessments	\$ 5,687,763	\$ 5,687,763	\$ 5,687,763	\$ -
Mainstream Block Grant	942,361	942,361	942,361	-
Intensive Reimbursement	5,570,954	5,570,954	4,733,209	(837,745)
Extraordinary Reimbursement	512,744	512,744	457,228	(55,516)
State Placed Reimbursement	-	-	10,303	10,303
IDEA-B Flow Thru	933,481	968,912	956,184	(12,728)
Excess Costs	448,764	448,764	187,284	(261,480)
Essential Early Education	204,159	204,159	204,159	-
Other	22,712	14,934	57,287	42,353
Amounts Available for Appropriation	<u>\$ 14,322,938</u>	<u>\$ 14,350,591</u>	<u>\$ 13,235,778</u>	<u>\$ (1,114,813)</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, 2021

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental Revenues:				
Food Service	\$ 1,620,613	\$ 1,620,613	\$ 1,421,610	\$ (199,003)
Charges for services:				
Food Service Sales	47,046	47,046	3,550	(43,496)
Miscellaneous:				
Other Receipts	1,500	1,500	6,232	4,732
Amounts Available for Appropriation	<u>\$ 1,669,159</u>	<u>\$ 1,669,159</u>	<u>\$ 1,431,392</u>	<u>\$ (237,767)</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, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Instruction -				
General education	\$ 2,226,732	\$ 2,347,230	\$ 2,207,053	\$ 140,177
Adult education	20,000	-	-	-
	<u>2,246,732</u>	<u>2,347,230</u>	<u>2,207,053</u>	<u>140,177</u>
Student/instructor support -				
Curriculum development	224,446	227,373	141,295	86,078
Improvement of instruction	636,725	604,867	586,589	18,278
Technology	167,550	172,550	155,064	17,486
Other support services	43,611	17,000	34,661	(17,661)
	<u>1,072,332</u>	<u>1,021,790</u>	<u>917,609</u>	<u>104,181</u>
Administration -				
Board of Education	550	550	139	411
Office of Superintendent	766,773	766,443	633,975	132,468
Office of Principal	144,616	145,361	138,210	7,151
Grants administration	202,943	198,896	158,535	40,361
	<u>1,114,882</u>	<u>1,111,250</u>	<u>930,859</u>	<u>180,391</u>
Fiscal services	<u>1,087,400</u>	<u>1,087,400</u>	<u>1,018,700</u>	<u>68,700</u>
Operations and maintenance	<u>35,121</u>	<u>35,121</u>	<u>40,820</u>	<u>(5,699)</u>
Student transportation	<u>1,234,910</u>	<u>1,234,910</u>	<u>1,225,745</u>	<u>9,165</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 6,791,377</u>	<u>\$ 6,837,701</u>	<u>\$ 6,340,786</u>	<u>\$ 496,915</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, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Instruction -				
Special education	\$ 10,183,957	\$ 10,213,351	\$ 9,233,307	\$ 980,044
	<u>10,183,957</u>	<u>10,213,351</u>	<u>9,233,307</u>	<u>980,044</u>
Student/instructor support -				
Health services	27,100	27,100	27,798	(698)
Psychological services	443,216	603,200	456,112	147,088
Speech services	1,185,118	1,063,162	1,058,558	4,604
Occupational therapy services	243,360	243,360	251,268	(7,908)
Physical therapy/IEP services	95,864	95,864	91,261	4,603
Improvement of instruction	37,667	27,880	18,631	9,249
Technology	-	1,750	1,750	-
Other support services	137,960	132,079	96,178	35,901
	<u>2,170,285</u>	<u>2,194,395</u>	<u>2,001,556</u>	<u>192,839</u>
Administration -				
Special education administration	762,602	736,751	674,268	62,483
Grants administration	8,000	8,000	8,438	(438)
	<u>770,602</u>	<u>744,751</u>	<u>682,706</u>	<u>62,045</u>
Operations and maintenance	<u>36,300</u>	<u>36,300</u>	<u>36,289</u>	<u>11</u>
Student transportation	<u>641,783</u>	<u>641,783</u>	<u>623,369</u>	<u>18,414</u>
<b>TOTAL DEPARTMENTAL OPERATIONS</b>	<u><u>\$ 13,802,927</u></u>	<u><u>\$ 13,830,580</u></u>	<u><u>\$ 12,577,227</u></u>	<u><u>\$ 1,253,353</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, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Food service -				
Salaries and benefits	\$ 668,092	\$ 656,297	\$ 131,947	\$ 524,350
Food	174,289	160,212	173,206	(12,994)
Equipment and supplies	40,583	43,083	88,774	(45,691)
Management	1,303,771	1,327,143	1,034,268	292,875
Other	2,435	2,435	3,197	(762)
	<u>2,189,170</u>	<u>2,189,170</u>	<u>1,431,392</u>	<u>757,778</u>
 TOTAL DEPARTMENTAL OPERATIONS	 <u>\$ 2,189,170</u>	 <u>\$ 2,189,170</u>	 <u>\$ 1,431,392</u>	 <u>\$ 757,778</u>

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

## WINDHAM SOUTHEAST SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -
Due from other funds	-	-
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>		
Due to other funds	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>		
Nonspendable	-	-
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	-	-
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>

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



WINDHAM SOUTHEAST SUPERVISORY UNION

COMBINING REVENUE, EXPENDITURE AND CHANGES IN  
 FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u>                    </u>	<u>                    </u>
REVENUES		
Intergovernmental	\$ 1,857,846	\$ 1,857,846
TOTAL REVENUES	<u>1,857,846</u>	<u>1,857,846</u>
EXPENDITURES		
Other	1,857,846	1,857,846
TOTAL EXPENDITURES	<u>1,857,846</u>	<u>1,857,846</u>
NET CHANGE IN FUND BALANCES	-	-
FUND BALANCES - JULY 1	<u>-</u>	<u>-</u>
FUND BALANCES - JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

## Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

WINDHAM SOUTHEAST SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2021

	ESSER I	CRF LEA	CRF Summer Food	CRF Child Nutrition	Total
<b>ASSETS</b>					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

	ESSER I	CRF LEA	CRF Summer Food	CRF Child Nutrition	Total
<b>REVENUES</b>					
Intergovernmental	\$ 722,065	\$ 1,010,443	\$ 14,644	\$ 110,694	\$ 1,857,846
Charges for services	-	-	-	-	-
Other income	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>722,065</u>	<u>1,010,443</u>	<u>14,644</u>	<u>110,694</u>	<u>1,857,846</u>
<b>EXPENDITURES</b>					
Other	722,065	1,010,443	14,644	110,694	1,857,846
<b>TOTAL EXPENDITURES</b>	<u>722,065</u>	<u>1,010,443</u>	<u>14,644</u>	<u>110,694</u>	<u>1,857,846</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	-	-
<b>FUND BALANCES - JULY 1</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

WINDHAM SOUTHEAST SUPERVISORY UNION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2021

Federal Grantor Pass-through Grantor Program/Cluster Title	Federal AL 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:				
Summer Food Service Program	10.559	4455S0482100	\$ 1,190,000	\$ -
Subtotal Child Nutrition Cluster			<u>1,190,000</u>	<u>-</u>
Child and Adult Care Food Program	10.558	4453S0482100	4,034	-
Child and Adult Care Food Program	10.558	4454S0482100	102,739	-
			<u>106,773</u>	<u>-</u>
Fresh Fruit and Vegetable Program	10.582	4449S0482101	59,845	-
Total U.S. Department of Agriculture			<u>1,356,618</u>	<u>-</u>
U.S. Department of the Treasury				
Passed through State of Vermont - Agency of Education:				
Coronavirus Relief Fund - Child Nutrition Equipment	21.019	4596S0482101	110,694	-
Coronavirus Relief Fund - LEA Grant	21.019	4592S0482100	1,010,443	580,941
Coronavirus Relief Fund - Summer Food	21.019	4593S0482101	14,644	-
Total U.S. Department of the Treasury			<u>1,135,781</u>	<u>580,941</u>
U.S. Department of Education				
Passed through State of Vermont - Agency of Education:				
Title I-Grants to Local Education Agencies	84.010	4250S0482101	1,346,067	1,076,725
Special Education Cluster (IDEA):				
Special Education-Grants to States	84.027	4226S0482101	935,574	-
Special Education-Preschool Grants	84.173	4228S0482101	20,610	-
Subtotal Special Education Cluster (IDEA)			<u>956,184</u>	<u>-</u>
Twenty-First Century Community Learning Centers	84.287	4611S0482101	42,446	42,221
Supporting Effective Instruction State Grants (Formerly Title II Improving Teacher Quality State Grant)	84.367	4651S0482101	298,731	26,368
Title IV - Student Support and Academic Enrichment Program	84.424	4570S0482101	249,200	99,267
Education Stabilization Fund (Formerly Education Stabilization Fund under the Coronavirus Relief and Economic Security Act - ESSER I)	84.425D	4590S0482101	722,065	471,871
Total U.S. Department of Education			<u>3,614,693</u>	<u>1,716,452</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	03420-08311	57,100	57,100
Total U.S. Department of Health and Human Services			<u>57,100</u>	<u>57,100</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 6,164,192</u>	<u>\$ 2,354,493</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, 2021

#### 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, 2021. 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.

WINDHAM SOUTHEAST SUPERVISORY UNION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

4. Expenditures to Subrecipients

CFDA Number	Windham Southeast School District	Vernon School District	Total
21.019	\$ 542,843	\$ 38,098	\$ 580,941
84.010	1,074,295	2,430	1,076,725
84.287	42,221	-	42,221
84.367	24,785	1,583	26,368
84.424	99,267	-	99,267
84.425D	471,871	-	471,871
93.959	57,100	-	57,100
	\$ 2,312,382	\$ 42,111	\$ 2,354,493



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, 2021 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 March 14, 2022.

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 February 17, 2022.

#### 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  
March 14, 2022



## 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, 2021. 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.

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, 2021.

### 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  
March 14, 2022

WINDHAM SOUTHEAST SUPERVISORY UNION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021

**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>AL Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.559	Summer Food Service Program
21.019	Coronavirus Relief Fund - Child Nutrition
84.425D	ESSER

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