

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
FINANCIAL STATEMENT
Year ended June 30, 2019

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
 AUDIT REPORT AND FINANCIAL STATEMENTS
 JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bradford Academy and Graded School District
Bradford, Vermont

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bradford Academy and Graded School District (the "School District"), as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budget comparison for the General Fund and Various Grant Funds 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 Management's Discussion and Analysis on pages 3 through 8 and the Schedule I pension related information on page 46 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2019, on our consideration of the School'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Wichita Went & Assoc., LLC

Registration number VT092.0000684
March 19, 2020

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Our discussion and analysis of Bradford Academy and Graded School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the School District's financial statements which begin on Exhibit A.

Financial Highlights

Government-Wide Financial Statements:

- The School District's net position increased by \$174,703 as a result of this year's operations. In addition, the net position decreased \$115,307 for a prior period adjustment associated with the Grant Fund.
- The cost of all of the School District's programs was \$4,571,234 this year.

Fund Financial Statements:

- The General Fund reported revenues in excess of expenditures this year of \$135,263. At June 30, 2019, the fund balance was \$45,801.
- The Capital Projects Fund reported an increase in fund balance of \$12,460. At June 30, 2019 the fund balance was \$24,445, all of which was restricted for future additions.
- The Grant Fund reported expenditures in excess of revenues this year of \$0. During the year ending June 30, 2019, a change in accounting occurred which resulted in a prior period adjustment of \$115,307 being recorded to reclass prior period restricted fund balance to deferred revenue.
- The Food Service Fund reported expenditures in excess revenues of \$22,917. At June 30, 2019 the fund deficit was (\$43,670).

Using This Annual Report

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

Reporting the School District as a Whole

Our analysis of the School District as a whole begins on Exhibit A. One of the most important questions asked about the School District's finances is, "Is the School District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

These two statements report the School District's net position and changes in them. You can think of the School District's net position – the difference between assets and liabilities – as one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position is one indicator of whether its financial health is improving or deteriorating.

You will need to consider other non-financial factors, however, such as changes in the School District's property tax base and the condition of the School District's capital assets, to assess the overall health of the School District.

Governmental activities – Most of the School District's basic services are reported here. They include regular and special education for Kindergarten through 8th grade, High School costs, support services, administrative services, transportation, interest on long-term debt and other activities. Property taxes and state grants finance most of these activities.

Reporting the School District's Most Significant Funds

The Financial Statements of the School District's major governmental funds are reflected on Exhibit C through Exhibit E. The fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The School District's funds use the following accounting approaches:

Governmental funds – Most of the School District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method focus called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs.

We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Exhibits D and Exhibit F that follow the financial statements.

The School District as Agent

The School District is the fiscal agent for funds held for various school related activities. All of the School District's fiduciary activities are Private Purpose Trust Funds and are reported in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position on Exhibits H and I. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

The School District as a Whole (*Government-Wide Financial Statement Analysis*)

The School District's combined net position increased by \$174,703 as a result of this year's operations.

Table 1 – Net Position

	Governmental Activities		Change
	2019	2018	
Current and other assets	\$ 1,061,410	\$ 579,643	\$ 481,767
Capital assets	3,631,672	3,745,539	(113,867)
Total assets	<u>4,693,082</u>	<u>4,325,182</u>	<u>367,900</u>
Long-term liabilities	820,040	980,000	(159,960)
Other liabilities	950,143	481,679	468,464
Total liabilities	<u>1,770,183</u>	<u>1,461,679</u>	<u>308,504</u>
Net position:			
Unrestricted	271,227	147,657	123,570
Restricted	0	115,307	(115,307)
Invested in capital assets, net of related debt	2,651,672	2,600,539	51,133
Total net position	<u>\$ 2,922,899</u>	<u>\$ 2,863,503</u>	<u>\$ 59,396</u>

Table 2 – Change in Net Position

REVENUES	2019	2018	Change
General revenues:			
Act 68 property taxes	\$ 3,575,179	\$ 3,535,914	\$ 39,265
Tax interest and penalties	32,232	26,777	5,455
Interest income	1,345	0	1,345
Program revenues:			
On behalf payments	453,224	392,418	60,806
Charges for services	35,335	38,801	(3,466)
Operating grants and contributions	648,622	602,134	46,488
Total revenues	<u>4,745,937</u>	<u>4,596,044</u>	<u>149,893</u>
Program expenses:			
Regular instruction and related	1,948,579	1,979,293	(30,714)
Special education and related	455,137	480,782	(25,645)
Buildings and grounds	497,965	502,881	(4,916)
Administrative support services	480,907	469,607	11,300
Support services - student based	386,916	410,177	(23,261)
Food service	229,410	213,053	16,357
Transportation	65,574	69,148	(3,574)
Interest on long-term debt	53,522	59,813	(6,291)
On behalf payments	453,224	392,418	60,806
Total program expenses	<u>4,571,234</u>	<u>4,577,172</u>	<u>(5,938)</u>
Change in net position	<u>\$ 174,703</u>	<u>\$ 18,872</u>	<u>\$ 155,831</u>

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

Table 3 represents the cost of the School District's largest programs as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the School District's taxpayers by each of these functions.

Table 3
Governmental Activities

	2019	
	Total Cost of Services	Net Cost of Services
Education	\$ 3,888,600	\$ 3,360,299
Food service	229,410	73,754
Totals	\$ 4,118,010	\$ 3,434,053
	2018	
	Total Cost of Services	Net Cost of Services
Education	\$ 3,971,701	\$ 3,482,894
Food service	213,053	60,925
Totals	\$ 4,184,754	\$ 3,543,819

The School District's Funds (*Fund Financial Statement Analysis*)

As the School District completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$26,576. Included in this year's total is a fund balance of \$45,801 in the School District's General Fund, a fund balance of \$0 in the Grant Fund, a fund deficit of (\$43,670) in the Food Service Fund, and a fund balance of \$24,445 in the Capital Projects Fund.

Fund Budgetary Highlights

Please see Exhibit G for a comparison of actual to budget that shows where the favorable and unfavorable variances arose during the year for the General Fund.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

The largest variances to budget are as follows:

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE			
SPED Intensive Grant	\$ 266,210	\$ 192,458	\$ (73,752)
SPED EEE	33,688	-	(33,688)
Tax penalty and interest	-	32,232	32,232
EXPENDITURES			
Regular Instruction K-6:			
Salaries	1,003,325	1,078,716	(75,391)
Health insurance	305,435	318,484	(13,049)
Dental	12,760	26,028	(13,268)
Special Education:			
Health insurance	178,080	132,668	45,412
OESU assessment	262,820	114,745	148,075
EEE Programs:			
OESU assessment	59,777	25,151	34,626
facilities:			
Property insurance	44,139	20,204	23,935

Budget variances were primarily due to an increase in the collection of delinquent property taxes, a reduction in anticipated SPED grant revenue, changes in salaries associated with staffing turnover, and OESU taking over special education expenditures.

Over the course of the year, the School District's management monitored actual to budget closely. Quarterly financial reports reviewed by the Board of School Directors served as the vehicle for monitoring the budget for the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2018, the School District had \$3,631,672 invested in a broad range of capital assets, including school buildings, furniture and equipment. (See Table 4 below) This amount represents a net decrease of \$113,867, over last year. The net decrease is a result of depreciation expenses of \$129,002 exceeding capital lease additions of \$15,135 for the year ending June 30, 2019.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

Table 4
Capital Assets at Year-End
(Net of Accumulated Depreciation)

	2018	2017
Land	\$ 1,000	\$ 1,000
Buildings and improvements	3,607,331	3,834,609
Equipment	23,341	34,263
Totals	\$ 3,631,672	\$ 3,869,872

Debt

At June 30, 2019, the School District had \$980,000 outstanding on a general obligation bond versus \$1,145,000 on June 30, 2018 – a decrease of \$165,000.

During the year ending June 30, 2019, the School District had borrowed \$860,000 on a short term obligation line of credit, which was repaid in its entirety at June 30, 2019.

Economic Factors and Next Year's Budgets and Rates

The School District's elected and appointed officials considered many factors when setting the fiscal year 2018 budget for school operations.

Effective July 1, 2019, the School District merged with the following schools to form the Oxbow Unified Union School District –

- Newbury Town School District
- Union High School District #30

The FY 2019-2020 budget for the merged school district was approximately \$16,313,000.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Administration Office at Orange East Supervisory Union, located at 530 Waits River Road, Bradford, Vermont.

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Governmental Activities</u>	
ASSETS		
Cash	\$ 672,154	
Restricted cash		
Receivables	334,447	
Prepaid expenses	27,278	
Inventory	4,006	
Due from Member Districts	13,918	
Due from Private Purpose Trust Funds	9,607	
Capital assets:		
Land	1,000	
Other Capital Assets - net of accumulated depreciation of \$2,262,746	<u>3,630,672</u>	
Total assets		4,693,082
LIABILITIES		
Accounts payable	721	
Accrued payroll and withholdings	464,799	
Deferred revenue	314,845	
Noncurrent liabilities:		
Capital lease - due in one year	4,778	
Capital lease - due after one year	5,040	
Note payable - due in one year	165,000	
Note payable - due after one year	<u>815,000</u>	
Total liabilities		<u>1,770,183</u>
NET POSITION		
Unrestricted	271,227	
Invested in capital assets, net of related debt	<u>2,651,672</u>	
Total net position		<u>\$ 2,922,899</u>

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charge for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
Primary Government:				
Governmental Activities:				
Education	\$ 3,888,600	\$ -	\$ 528,301	\$ (3,360,299)
Food service	229,410	35,335	120,321	(73,754)
Pension plan expense	453,224	-	453,224	-
Total governmental activities	<u>\$ 4,571,234</u>	<u>\$ 35,335</u>	<u>\$ 1,101,846</u>	<u>\$ (3,434,053)</u>
General Revenues:				
Property taxes				3,575,179
Interest and penalties on delinquent taxes				32,232
Interest income				1,345
Total general revenues				<u>3,608,756</u>
Change in net position				174,703
Net position - July 1, 2018				2,863,503
Prior Period Adjustments				(115,307)
Net assets - July 1, 2018 (Restated)				<u>2,748,196</u>
Net position - June 30, 2019				<u>\$ 2,922,899</u>

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Capital Projects Fund	Special Revenue Fund	Food Service Fund	Totals
ASSETS					
Cash	\$ 672,154	\$ -	\$ -	\$ -	\$ 672,154
Receivables	43,961	-	-	18,999	62,960
Property taxes, interest and penalties receivable	271,487	-	-	-	271,487
Prepaid expenses	27,278	-	-	-	27,278
Inventory	-	-	-	4,006	4,006
Due from Orange East Supervisory Union	-	-	13,918	-	13,918
Due from other funds	-	24,445	123,283	-	147,728
Total assets	<u>\$ 1,014,880</u>	<u>\$ 24,445</u>	<u>\$ 137,201</u>	<u>\$ 23,005</u>	<u>\$ 1,199,531</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ 721	\$ -	\$ -	\$ -	\$ 721
Accrued payroll and withholdings	445,544	-	16,671	2,584	464,799
Due to other funds	84,102	-	-	54,019	138,121
Deferred property taxes, interest and penalties	254,469	-	-	-	254,469
Deferred revenue	184,243	-	120,530	10,072	314,845
Total liabilities	<u>969,079</u>	<u>-</u>	<u>137,201</u>	<u>66,675</u>	<u>1,172,955</u>
FUND EQUITY					
Fund balances					
Nonspendable	27,278	-	-	4,006	31,284
Assigned	-	24,445	-	-	24,445
Unassigned	18,523	-	-	(47,676)	(29,153)
Total fund equity	<u>45,801</u>	<u>24,445</u>	<u>-</u>	<u>(43,670)</u>	<u>26,576</u>
Total liabilities and fund equity	<u>\$ 1,014,880</u>	<u>\$ 24,445</u>	<u>\$ 137,201</u>	<u>\$ 23,005</u>	<u>\$ 1,199,531</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 26,576
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets are \$5,894,418, and the accumulated depreciation is \$2,262,746.	3,631,672
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	254,469
Capital leases payable have not been included in the governmental fund financial statements	(9,818)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Note payable	<u>(980,000)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,922,899</u></u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	General Fund	Capital Projects Fund	Special Revenue Fund	Food Service Fund	Total Governmental Funds
REVENUES					
Property Taxes	\$ 3,566,597	\$ -	\$ -	\$ -	\$ 3,566,597
Transportation aid	37,765	-	-	-	37,765
SPED Intensive Grant	192,458	-	-	-	192,458
Tax Penalty and Interest	32,232	-	-	-	32,232
Interest income/net investment income	1,345	-	-	-	1,345
After school Program	34,912	-	-	-	34,912
CFP Schoolwide Program Grant	-	-	124,316	-	124,316
VSBIT Grant	-	-	7,638	-	7,638
Medicaid Grant	-	-	47,976	-	47,976
EPSDT	-	-	4,854	-	4,854
Summer food	-	-	294	37,482	37,776
Summertime theatre	-	-	3,192	-	3,192
Winter activity program	-	-	5,729	-	5,729
Food Sales	-	-	-	23,814	23,814
Food program grants	-	-	-	120,321	120,321
Miscellaneous Income	5,772	-	2,411	11,521	19,704
VT Dept of Public Safety	-	-	23,502	-	23,502
On behalf payments	75,039	-	-	-	75,039
Total revenues	<u>3,946,120</u>	<u>-</u>	<u>219,912</u>	<u>193,138</u>	<u>4,359,170</u>
EXPENDITURES					
Current					
Regular instruction K-6	1,550,658	-	219,912	-	1,770,570
Pre-k	138,164	-	-	-	138,164
Special education	455,137	-	-	-	455,137
EEE programs	34,375	-	-	-	34,375
Student activities	5,470	-	-	-	5,470
Guidance	164,031	-	-	-	164,031
Health services	84,277	-	-	-	84,277
Professional development	18,275	-	-	-	18,275
Library services	34,539	-	-	-	34,539
Technology	86,066	-	-	-	86,066
School Board	33,200	-	-	-	33,200
Superintendent's office	186,951	-	-	-	186,951
Principal's office	259,127	-	-	-	259,127
Fiscal services	1,629	-	-	-	1,629
Facilities	349,823	-	-	-	349,823
Transportation	65,574	-	-	-	65,574
Repairs	-	27,540	-	-	27,540
Food service expenses	-	-	-	226,055	226,055
On behalf payments	75,039	-	-	-	75,039
Debt service:					
Interest	53,522	-	-	-	53,522
Principal	165,000	-	-	-	165,000

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	General Fund	Capital Projects Fund	Special Revenue Fund	Food Service Fund	Total Governmental Funds
Total expenditures	3,760,857	27,540	219,912	226,055	4,234,364
EXCESS REVENUES (EXPENDITURES)	185,263	(27,540)	-	(32,917)	124,806
OTHER FINANCING SOURCES (USES)					
Transfers in	-	40,000	-	10,000	50,000
Transfers out	(50,000)	-	-	-	(50,000)
Total other financing sources(uses)	(50,000)	40,000	-	10,000	-
NET CHANGE IN FUND BALANCE	135,263	12,460	-	(22,917)	124,806
FUND BALANCES - July 1, 2018	(89,462)	11,985	115,307	(20,753)	17,077
Prior period adjustment	-	-	(115,307)	-	(115,307)
FUND BALANCES - July 1, 2018 (RESTATED)	(89,462)	11,985	-	(20,753)	(98,230)
FUND BALANCES - June 30, 2019	\$ 45,801	\$ 24,445	\$ -	\$ (43,670)	\$ 26,576

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 124,806

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of \$129,002 exceeds capital outlays of \$0. (129,002)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 8,582

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 165,000

Cost of capital lease 5,317

On behalf payments related to the Vermont State Teachers Retirement system is not recognized in the governmental funds and does not require the use of current financial resources. The net effect of the current year's net assets is zero.

State of Vermont on behalf payment - expense - Exhibit E 75,039
State of Vermont on behalf payment - expense - Exhibit B (453,224)

State of Vermont on behalf payment - revenue - Exhibit E (75,039)
State of Vermont on behalf payment - revenue - Exhibit B 453,224

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 174,703

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2019

	Approved Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property Taxes	\$ 3,587,483	\$ 3,566,597	\$ (20,886)
Transportation aid	34,410	37,765	3,355
SPED Intensive Grant	266,210	192,458	(73,752)
SPED EEE	33,688	-	(33,688)
Tax Penalty and Interest	-	32,232	32,232
Interest income/net investment income	300	1,345	1,045
After School Program	35,000	34,912	(88)
Miscellaneous Income	-	5,772	5,772
Total revenues	<u>3,957,091</u>	<u>3,871,081</u>	<u>(86,010)</u>
EXPENDITURES			
Current expenditures			
Regular Instruction K-6:			
Salaries	1,003,325	1,078,716	(75,391)
Health insurance	305,435	318,484	(13,049)
FICA	76,755	78,751	(1,996)
Life Insurance	2,214	2,579	(365)
Dental	12,760	26,028	(13,268)
Disability insurance	3,574	3,862	(288)
Retirement/Annuity Match	658	2,506	(1,848)
Workers' compensation	9,030	9,708	(678)
Unemployment compensation	3,900	740	3,160
Purchased services	1,000	-	1,000
VSTRS	2,506	3,825	(1,319)
Course assessment	1,000	1,000	-
Instructional materials	26,000	19,331	6,669
Books	3,000	4,026	(1,026)
Travel	-	778	(778)
Classes/tuition	-	180	(180)
Equipment	500	144	356
Dues and fees	250	-	250
Total regular instruction K-6	<u>1,451,907</u>	<u>1,550,658</u>	<u>(98,751)</u>
Pre-k:			
Salaries	39,093	37,254	1,839
Health insurance	17,657	9,139	8,518
FICA	2,991	2,714	277
Life Insurance	162	108	54

Pre-k (continued):

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2019

	Approved Budget	Actual	Variance Favorable (Unfavorable)
Dental	925	570	355
Disability insurance	149	141	8
Tuition	88,984	85,053	3,931
Retirement/Annuity Match	180	-	180
Workers' compensation	352	319	33
Instructional materials	3,000	1,473	1,527
Lunches	-	1,393	(1,393)
	<u>153,493</u>	<u>138,164</u>	<u>15,329</u>
Special Education:			
Salaries	207,224	192,039	15,185
Health insurance	178,080	132,668	45,412
FICA	15,860	12,361	3,499
Life Insurance	1,092	975	117
Annuity	2,610	1,764	846
Dental	6,300	(1,672)	7,972
Disability insurance	756	641	115
Workers' compensation	1,866	1,616	250
OESU assessment	262,820	114,745	148,075
Total special education	<u>676,608</u>	<u>455,137</u>	<u>221,471</u>
EEE Programs:			
Salaries	9,594	8,498	1,096
FICA	734	650	84
Workers' compensation	86	76	10
OESU Assessment	59,777	25,151	34,626
Total EEE programs	<u>70,191</u>	<u>34,375</u>	<u>35,816</u>
Student activities	<u>8,000</u>	<u>5,470</u>	<u>2,530</u>
Guidance:			
Salaries	128,785	128,951	(166)
Health insurance	21,917	18,101	3,816
FICA	9,852	12,580	(2,728)
Life Insurance	216	216	-
Dental	1,300	688	612
Disability insurance	489	489	-
Workers' compensation	1,159	1,224	(65)
VSTRS new hire fee	1,253	1,275	(22)
Guidance (continued):			
Instructional materials	500	366	134
Books	<u>100</u>	<u>141</u>	<u>(41)</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2019

	Approved Budget	Actual	Variance Favorable (Unfavorable)
Total guidance	165,571	164,031	1,540
Health Services:			
Salaries	63,322	62,922	400
Health insurance	14,387	13,887	500
FICA	4,844	4,602	242
Life Insurance	108	108	-
Dental	747	747	-
Disability insurance	231	231	-
Workers' compensation	570	566	4
Purchased services	2,500	-	2,500
Repairs and maintenance	-	-	-
Travel	200	-	200
Supplies	1,000	1,194	(194)
Books	150	20	130
Equipment	300	-	300
Total health services	88,359	84,277	4,082
Psychological Services:			
Purchased services	3,000	-	3,000
Total psychological services	3,000	-	3,000
Professional Development:			
Tuition reimbursement	11,000	17,383	(6,383)
Purchased services	1,000	708	292
Supplies	2,400	-	2,400
Books	150	184	(34)
Total professional development	14,550	18,275	(3,725)
Library Services:			
Salaries	22,628	22,708	(80)
Health insurance	5,318	4,718	600
FICA	1,731	1,506	225
Life Insurance	108	108	-
Dental	390	303	87
Disability insurance	86	86	-
Workers' compensation	204	204	-
VSTRS new hire fee	1,253	1,275	(22)
Library Services (continued):		-	
Instructional materials	500	-	500
Books	3,000	3,167	(167)
Audio-visual	250	-	250
Equipment	1,000	-	1,000

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2019

	Approved Budget	Actual	Variance Favorable (Unfavorable)
Dues and fees	100	464	(364)
Total library services	<u>36,568</u>	<u>34,539</u>	<u>2,029</u>
Technology:			
Salaries	46,935	45,483	1,452
Health insurance	12,606	11,605	1,001
FICA	3,591	3,067	524
Life Insurance	71	72	(1)
Dental	424	436	(12)
Disability insurance	164	173	(9)
Workers' compensation	422	432	(10)
Purchased services	2,000	4,001	(2,001)
Repairs and maintenance	5,000	-	5,000
Instructional materials	2,000	3,264	(1,264)
Software	2,210	2,479	(269)
Equipment	15,000	15,014	(14)
Dues and fees	-	40	(40)
Total technology	<u>90,423</u>	<u>86,066</u>	<u>4,357</u>
School Board:			
Board stipend	7,800	7,800	-
Board clerk	960	830	130
FICA	670	660	10
Workers' compensation	79	78	1
Tax bills	10,600	8,143	2,457
Legal	2,000	1,382	618
Audit	8,250	7,750	500
Advertising	2,000	1,527	473
Printing	2,400	1,951	449
Supplies	200	128	72
Board meeting expense	200	125	75
Dues and fees	1,800	2,826	(1,026)
Total school board	<u>36,959</u>	<u>33,200</u>	<u>3,759</u>
Superintendent's Office:			
OESU - Superintendent's office assessment	170,474	170,374	100
OESU - Arts assessment	3,429	3,200	229
OESU - English language learner assessment	13,377	13,377	-
Total superintendent's office	<u>187,280</u>	<u>186,951</u>	<u>329</u>

Principal's Office:

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2019

	Approved Budget	Actual	Variance Favorable (Unfavorable)
Salaries	160,471	153,871	6,600
Health insurance	60,928	50,722	10,206
FICA	12,276	11,081	1,195
Life Insurance	432	324	108
Dental	1,850	1,806	44
Disability insurance	610	581	29
Annuity	2,637	2,874	(237)
Workers' compensation	1,444	1,383	61
Unemployment compensation	-	1,275	(1,275)
Tuition reimbursement	1,500	2,165	(665)
Repairs and maintenance	6,907	6,251	656
Communications/postage	2,800	1,747	1,053
Travel	1,000	1,619	(619)
Supplies	7,000	4,076	2,924
Dues and fees	6,500	19,352	(12,852)
Total principal's office	<u>266,355</u>	<u>259,127</u>	<u>7,228</u>
Fiscal Services:			
Stipend	1,500	1,500	-
FICA	115	115	-
Workers' compensation	14	14	-
Supplies	100	-	100
Sweep account interest and fees	2,600	-	2,600
Total fiscal services	<u>4,329</u>	<u>1,629</u>	<u>2,700</u>
Facilities:			
Salaries	103,359	102,515	844
Health insurance	43,190	42,053	1,137
FICA	7,716	7,363	353
Life Insurance	324	324	-
Dental	1,800	575	1,225
Disability insurance	383	382	1
Annuity	1,538	1,997	(459)
Facilities(continued):			
Workers' compensation	908	922	(14)
Workshops/conferences	150	45	105
Water and sewer	3,583	2,724	859
Rubbish/recycling/compost	5,642	5,519	123
Plowing and sanding	14,000	22,061	(8,061)
Lawn care	7,698	3,693	4,005
Repairs and maintenance	53,293	55,847	(2,554)
Property insurance	44,139	20,204	23,935

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2019

	Approved Budget	Actual	Variance Favorable (Unfavorable)
Communications/phone	3,362	2,494	868
Travel	450	-	450
Supplies	15,279	13,627	1,652
Electricity	36,000	27,190	8,810
Oil and gas	30,000	39,238	(9,238)
Equipment	862	1,050	(188)
Total facilities	<u>373,676</u>	<u>349,823</u>	<u>23,853</u>
Transportation:			
Purchased services	65,777	65,574	203
Total transportation	<u>65,777</u>	<u>65,574</u>	<u>203</u>
Debt Service			
Interest	49,045	53,522	(4,477)
Principal	<u>165,000</u>	<u>165,000</u>	<u>-</u>
Total expenditures	<u>3,907,091</u>	<u>3,685,818</u>	<u>221,273</u>
EXCESS REVENUES (EXPENDITURES)	50,000	185,263	135,263
OTHER FINANCING SOURCES (USES)			
Transfer out - Capital projects fund	(40,000)	(40,000)	-
Transfer out - Food service fund	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	135,263	<u>\$ 135,263</u>
FUND BALANCE - JULY 1, 2018		<u>(89,462)</u>	
FUND BALANCE - JUNE 30, 2019		<u>\$ 45,801</u>	

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	<u>Private Purpose Trust Funds</u>
ASSETS	
Cash	\$ 35,521
Receivables	-
Investments	<u>379,425</u>
Total assets	<u><u>\$ 414,946</u></u>
LIABILITIES	
Due to other funds	<u>9,607</u>
Total Liabilities	<u>9,607</u>
NET POSITION	
Held in trust for various projects	<u><u>\$ 405,339</u></u>
Total net position and liabilities	<u><u>\$ 414,946</u></u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Net Investment Income	<u>\$ 28,598</u>
Total Additions	28,598
<u>DEDUCTIONS:</u>	
Scholarship and Awards	<u>7,607</u>
Total Deductions	<u>7,607</u>
Change in net assets	20,991
Net position - July 1, 2018	<u>384,348</u>
Net position - June 30, 2019	<u><u>\$ 405,339</u></u>

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

The Bradford Academy and Graded School District (the “School District”) is organized, according to Vermont State Law, under the governance of the Board of School Directors, to provide public education to the Town of Bradford, Vermont.

The School District, for financial purposes, includes all of the funds and account groups relevant to operations of the School District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Bradford Academy and Graded School District.

Note 1 – Summary of Significant Accounting Policies

The School District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the School District are discussed below.

Reporting Entity

The School District’s basic financial statements include the accounts of all School operations. The criteria for including organizations as component units within the School District’s reporting entity are set forth in GASB 14 as amended by GASB 39 and Section 2100 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards.

Based on the criteria, the School District has no component units.

Basis of Presentation

The accounts of the School District are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which the spending activities are controlled.

The basic financial statements of the School District include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District’s major funds). The focus of the government-wide statements is on reporting the operating results and financial position of the School District as a whole and presents a longer-term view of the School District’s finances. The focus of the fund financial statements is on reporting results and the financial position of the most significant funds of the School District and presents a shorter-term view of how operations were financed and what remains available for spending.

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, the School District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of activities between funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore are clearly identifiable to a particular function or program. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund financial statements: The fund financial statements provide information about the School District's funds, including fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

The School District reports on the following major governmental funds:

General Fund - This is the School District's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Capital Projects Fund - This fund accounts for financial resources to be used for the acquisition or construction of major capital projects.

Grants Fund - This fund is used to account for specific restricted revenues and expenditures pursuant to federal, state and local revenues.

Food Service Fund - This fund accounts for specific revenues and expenditures relating to the School District's food service program.

Additionally, the School District reports the following fund type:

Private Purpose Trust Funds - These funds are used to report trust arrangements under which resources are to be used for the benefit of various student programs. All investment earnings, and in some case the principal of these funds, may be used to support these activities.

Measurement Focus

The accounting and financial treatment applied to a fund is determined by its measurement focus. Government-wide financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of the funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Fund equity (i.e. net total assets) is segregated into investment in capital assets, net of related debt, restricted net assets, and unrestricted net assets. Operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include assessments, grants, and donations. On the accrual basis, revenue from assessments is recognized in the fiscal year for which the assessments are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “Available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty (60) days or shortly thereafter year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the School District’s policy to first consider restricted amounts to have been spent, followed by committed, assigned and finally unassigned amounts.

Under the terms of the grant agreements, the School District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School District’s policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

The government-wide financial statements follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 Accounting Principles Board (APB) Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the School District has elected not to apply FASB Standards issued after November 30, 1989.

Deferred Outflows/Inflows of Resources

Effective June 30, 2013, the School District implemented Governmental Accounting Standards Board ("GASB") Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, introduced and defined in GASB Concepts Statement No. 4. This statement amends the net asset reporting requirements in Statement No. 34, *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. The separate financial statement, "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 (expenses/expenditures) until then. The School did not have any items that qualified for reporting in this category.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources", represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School did not have any items that qualified for reporting in this category.

Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are not capitalized. The School District does not own major infrastructure assets.

The School District does not capitalize their library books because they are not considered a collection.

Capital assets reported in the governmental-wide financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated useful lives, generally using the straight-line method of calculating depreciation.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

The capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) is \$5,000 for individual items and the estimated useful lives of capital assets are as follows:

	<u>Estimated Useful Life</u>
Land	N/A
Buildings and Building Improvements	40 Years
Furniture and equipment	3 – 10 years

Capital assets are not recorded in the governmental fund type financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

Cash and Cash Equivalents

The School District considers all short-term investments of ninety (90) days or less to be cash equivalents.

Investments

The School District invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

Receivables

The School District uses the allowance method for delinquent receivables. They have evaluated the receivables and have deemed the receivables to be collectible. Therefore, no allowance for doubtful accounts is necessary. The allowance for doubtful accounts at June 30, 2019 is \$0.

Inventories and Prepaid Expenses

Purchased cafeteria inventory is valued at cost (first-in, first-out method) and consists of expendable supplies held for consumption. Commodity expense are recognized when the commodities are used. All other supplies inventory are expensed when purchased.

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Prepaid expenses and inventories of governmental funds in the financial statements are offset by a nonspendable fund balance as they are not in spendable form.

Compensated Absences

District policies does not allow teachers to receive paid vacations. Teachers are paid only for the number of days they are required to work each year. Administrative and support personnel are granted vacation in varying amounts. The School District does not recognize an accrued liability for unused vacation balances, accrued vacation is lost at the end of each year.

District policies permit employees to accumulate earned but unused sick pay benefits. Such sick leave benefits do not vest under District policies and must be used during employment. Since these amounts do not vest with employees and are subject to future illnesses, the District has elected to not recognize a liability for these balances in their financial statements.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

District policies also establish a Sick Leave Bank. Employees are required as a condition of employment to sacrifice sick days that the School District accrues and holds for long-term use when required for a long-term illness or family emergency. The School District has a committee to review requests for use of the Sick Leave Bank. At year end, the School District held 786 days in the Sick Leave Bank for teachers and 107 for educational support staff. The School District does not recognize an accrued liability for the Sick Leave Bank.

Long-term Liabilities

Long-term liabilities include bonds payable and severance incentive program payments. Long-term liabilities are reported in the government-wide financial statements. Governmental fund type financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

Government-Wide Net Position

Net position represents the difference between assets and liabilities in the Statement of Net Position. Government-wide net position are divided into three components:

Invested in capital assets, net of related debt - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position - consist of assets that are restricted by the school's creditors, enabling legislation, by grantors, and by other contributors.

Unrestricted net position - all other net asset position is reported in this category.

The School District first utilizes restricted resources to finance qualifying activities.

Fund Equity

GASB 54 Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. creditors, grantors, donors, and federal and state grants).

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the School District. Formal action must be taken prior to the end of the fiscal year (e.g. capital projects, compensated absences). The same formal action must be taken to remove or change the limitations placed on the funds.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the School District Board or body or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Activities

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted in the preparation of the government-wide financial statements.

On Behalf Payments

On behalf payments are contributions made by the State of Vermont to the State Teachers' Retirement System on behalf of the School District's teaching employees. The General Fund budget does not include on behalf payments as a revenue or expense.

Note 2 – Explanation of Difference between Governmental Fund and Government-Wide Statements

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and the accrual basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because the governmental funds report revenues only when they are considered “available”, whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified basis of accounting, whereas government-wide statements report expenses using the accrual basis.

Capital related differences arise because governmental funds report outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as another financing source, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expenses.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 2 – Explanation of Difference between Governmental Fund and Government-Wide Statements (continued)

Long-term debt transaction differences arise because governmental funds report proceeds as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities.

Note 3 – Stewardship, Compliance and Accountability

Budgetary Information

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

The operating budget is prepared by the School District’s administration with the direction from the School Board and assistance from the Superintendent and Business Manager of the Orange East Supervisory Union and approved by the Bradford Academy and Graded School District Board at a properly warned meeting for the presentation to the voters. The budget includes proposed expenditures by line item and the means of financing them. The budget is approved by the School District voters at a properly warned annual meeting.

Fund Deficits

The School District has a deficit balance of \$43,670 in the Food Service Fund as of June 30, 2019, respectively. This deficit will be funded by future sales and transfers from the General Fund.

Note 4 – Cash and Investments

The School District's cash and investments as of June 30, 2019 are as follows:

Cash:

Cash with financial institutions	\$ 707,675
Cash on hand	-
Total cash	707,675

Investments:

Cash equivalent with broker	\$ 19,685
Mutual funds - fixed income	159,517
Mutual funds - equities	195,316
Real assets	4,907
Total investments	379,425
Total cash and investments	\$ 1,087,100

The School District does not have an investment policy that addresses credit risk, interest rate risk, custodial risk, concentration of credit risk or foreign currency risk.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 4 – Cash and Investments (continued)

Custodial Credit Risk

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

The following table shows the custodial credit risk of the School District’s deposits.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured - FDIC	\$ 3,633	\$ 67,532
Invested in repurchase agreement	704,042	704,042
Total bank balance at June 30, 2019	<u>\$ 707,675</u>	<u>\$ 771,574</u>

The difference between the book balance and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

The School District has entered into a repurchase agreement whereby amounts on deposit in the School District’s accounts are, at the close of each business day, used to purchase AAA rated securities or obligations issued by the United States Government, GNMA, FNMA or FHLMC Agency Securities. All government securities held on behalf of the School District are redeemed and credit to the School District’s account the next business day. The government securities are not obligations of the bank and are not insured by the Federal Deposit Insurance Corporation, however, they are backed by the full faith and credit of the United States Government.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The School District does not have a policy to limit the exposure to interest rate risk. Information about the sensitivity of the fair values of the School District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the School District’s investments by maturity. Mutual funds are shown at their weighted average maturity (if available) and the government bonds are shown at their actual maturity.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 4 – Cash and Investments (continued)

<u>Investment Type</u>	<u>Remaining Maturity</u>		<u>Total</u>
	<u>1 to 5 Years</u>	<u>Not Available</u>	
Money Market Funds	\$ -	\$ 19,685	\$ 19,685
Mutual Funds	\$ -	354,833	\$ 354,833
Real Assets	-	4,907	4,907
 Total	 \$ -	 \$ 379,425	 \$ 379,425

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The equity mutual funds and fixed income mutual funds are exempt from credit risk disclosure. The School District does not have a policy to limit the exposure to credit risk.

Security Investment Protection Corporation (SIPC) insures investments up to \$500,000, including up to an additional \$250,000 in cash, in the event of broker/dealer failure. At June 30, 2019, all investments were insured by the SIPC. The government actively monitors its investment allocation with its broker to ensure no excess credit risk occurs in a single investment activity.

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the School District’s investments are held within one security. The School District does not have any limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer, other than mutual funds, that represent more than 5% of total investments.

Note 5 – Receivables

The receivables at June 30, 2019, as reported in the statement of net position, is as follows:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Property taxes, interest and penalties	\$ 271,487	\$ -	\$ 271,487
Student/adult meal payments	-	18,999	18,999
Other receivables	43,961	-	43,961
 Total Receivables	 \$ 315,448	 \$ 18,999	 \$ 334,447

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 6 – Capital Assets

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

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Totals	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Capital assets, being depreciated:				
Land improvements	68,755	-	-	68,755
Building	126,213	-	-	126,213
Building improvements	5,494,396	-	-	5,494,396
Furniture and equipment	188,919	15,135	-	204,054
Totals	<u>5,878,283</u>	<u>15,135</u>	<u>-</u>	<u>5,893,418</u>
Land improvements	(46,751)	(2,750)	-	(49,501)
Building	(116,876)	(623)	-	(117,499)
Building improvements	(1,804,767)	(110,266)	-	(1,915,033)
Furniture and equipment	(165,350)	(15,363)	-	(180,713)
Totals	<u>(2,133,744)</u>	<u>(129,002)</u>	<u>-</u>	<u>(2,262,746)</u>
Net capital assets, being depreciated	<u>3,744,539</u>	<u>(113,867)</u>	<u>-</u>	<u>3,630,672</u>
Total capital assets, net	<u>\$ 3,745,539</u>	<u>\$ (113,867)</u>	<u>\$ -</u>	<u>\$ 3,631,672</u>

Depreciation was charged as follows:

Governmental Activities:

Education	\$ 120,602
Food service	3,355
Technology	<u>5,045</u>
Total depreciation expense - Governmental activities	<u>\$ 129,002</u>

Note 7 – Deferred Revenue

Deferred revenue in the General Fund totaled \$438,712, which consists of \$254,469 of property taxes and related interest and penalties not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities and \$184,243 associated with special education funds received in advance of expenditures. Deferred revenue in the Special Revenue Fund totaled \$120,530 and Food Service Fund totaled \$10,072, which represent grant funds received in advance of expenditures.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

8 – Interfund Balances and Activity

The composition of interfund balances at June 30, 2019 is as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ -	\$ 84,102
Capital Projects Fund	24,445	-
Grants Fund	123,283	-
Food Service Fund	-	54,019
Private Purpose Trust Funds	-	9,607
	<u> </u>	<u> </u>
Total	<u>\$ 147,728</u>	<u>\$ 147,728</u>

The following details interfund transfers from the General Fund for the year ended June 30, 2019:

- Transfer of \$10,000 to the Food Service Fund to eliminate prior year deficit.
- Transfer of \$40,000 to the Capital Projects Fund to fund future capital expenditures.

Note 9 - Long-Term Liabilities

General Obligation Bonds. The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for general governmental activities. Bonds are reported in governmental activities if the debt is expected to be repaid by governmental revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the School District. New bonds generally are issued as 10 to 20 year bonds. Refunding bonds are issued for various terms based on the debt service refunded.

Severance Incentive Programs. The School Board has the discretion, on an annual basis, to offer or not offer the severance incentive program and the discretion to specify the number of teachers to whom it will be offered.

To be eligible the teacher must have taught in the School District providing the program for ten (10) consecutive years.

The teacher shall receive a total cash payment equivalent to sixty-six percent (66%) of his/her teaching salary during his/her final year of employment at the School District. This figure shall be based only upon the annual teaching salary figure and shall not include extra compensation which may have been given for extra-curricular activities, per diem, or any other additional compensation.

The cash payment will be made in three equal installments on September 15 during the first three years following the teacher’s resignation. The School District will deduct any applicable state and federal taxes from the payments to teachers.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 - Long-Term Liabilities (continued)

On or before September 15 each year, the Board will provide written notice to the Association and the teachers as to whether or not it intends to offer the program. This notice shall specify the number of teachers to whom the program will be offered.

Applications for this program must be submitted by the teacher to the Superintendent by October 15.

If a greater number of teachers apply than the number authorized by the Board, seniority will be used to select the teachers who will be selected for the program. Teachers will be notified whether or not they have been selected by December 1. Teachers notified must then submit a letter of resignation to the Superintendent by December 15 and said resignation will be irrevocable.

A teacher who accepts this program will not be eligible for any other severance or retirement benefit provided in the collective bargaining agreement.

This program shall be considered an addendum to the current agreement, and should a dispute arise as to the interpretation of its provisions, the enforcement procedures of the grievance and arbitration provisions of the agreement shall apply.

The amount outstanding for the remaining note payable as of June 30, 2019 was \$0.

Long-term debt outstanding as of June 30, 2019 was as follows:

Bond Payable - Vermont Municipal Bond Bank, interest ranging from 1.87% to 5.09%, currently at 4.929%, due June 1st and December 1st of each year through 2024, principal payments of \$165,000 are due December 1st of each year until 2022, then \$160,000 each year until 2024.	<u>\$980,000</u>
Total long-term debt	<u>\$980,000</u>

Changes in all long-term debt liabilities during the year were as follows:

	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019	Due Within One Year
General obligation bonds payable	\$ 1,145,000	\$ -	\$ 165,000	\$ 980,000	\$ 165,000
Severance incentive program	-	-	-	-	-
	<u>\$ 1,145,000</u>	<u>\$ -</u>	<u>\$ 165,000</u>	<u>\$ 980,000</u>	<u>\$ 165,000</u>

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 - Long-Term Liabilities (continued)

Debt service requirements to maturity are as follows:

Year Ending June 30,	Maturities				Total	
	Bond Payable		Severance Incentive Payable		Principal	Interest
	Principal	Interest	Principal	Interest		
2020	\$ 165,000	44,202	\$ -	\$ -	\$ 165,000	\$ 44,202
2021	165,000	36,340	-	-	165,000	36,340
2022	165,000	28,362	-	-	165,000	28,362
2023	165,000	20,260	-	-	165,000	20,260
2024	160,000	12,160	-	-	160,000	12,160
Thereafter	160,000	4,072	-	-	160,000	4,072
Total	\$ 980,000	\$ 145,396	\$ -	\$ -	\$ 980,000	\$ 145,396

Note 10 - Short-Term Debt

During the year ending June 30, 2019, the School District received short term borrowings of \$860,000 from Community Bank, N.A., which charged interest at 1.95%. The balance was paid in full during June 2019.

The short-term debt activity during the year was as follows:

Beginning balance	\$ -
Proceeds from tax anticipation note	860,000
Repayment of tax anticipation note	<u>(860,000)</u>
Ending balance	<u><u>\$ -</u></u>

Total interest expense for all debt during the year included in the education expenses on Exhibit B is \$53,522.

Note 11 – Fund Balances/Net Position

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 11 – Fund Balances/Net Position (continued)

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Board of School Director’s intended use of the resources); and unassigned.

Special Revenue Funds are created only to report a revenue (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special Revenue Funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstance or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The School District does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The School District does not have any minimum fund balance policies.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the School District’s policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The fund balances in the following funds are nonspendable as follows:

Nonspendable Fund Balance:

General Fund:

Nonspendable general prepaid expenses	\$ 27,278
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Food Service Fund:

Nonspendable inventory	<u>4,006</u>
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Total Nonspendable Fund Balance	<u><u>\$ 31,284</u></u>
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BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 11 – Fund Balances/Net Position (continued)

The fund balances in the following funds are assigned as follows:

<u>Capital Projects Fund</u>	
Assigned for capital improvements	24,445
Total Major Funds	\$ 24,445
Total Assigned Fund Balances	\$ 24,445

Note 12 - Net Assets Held in trust for Various Purposes

The net assets held in trust for various purposes of the School District as of June 30, 2019 consisted of the following:

<u>Private Purpose Trust Funds:</u>	
Restricted for Scholarships	\$ 379,425
Total Restricted Fund Balances	\$ 379,425

Note 13 – Defined Benefit Plans

Vermont State Teachers' Retirement System of Vermont

Plan description. The State of Vermont contributes on behalf of the School District to the Vermont State Teachers Retirement System (VSTRS) which is a cost sharing, multiple-employer defined benefit pension plan with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2018, the retirement system consisted of 225 participating employers.

The plan was created in 1947, and is governed by Title 16, V.S.A. Chapter 55.

Management of the plan is vested in the VSTRS 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).

The Pension Plan is divided into the following membership groups:

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

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 13 – Defined Benefit Plans (continued)

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

	<u>Group A</u>	<u>Group C - Group #1*</u>	<u>Group C - Group #2**</u>
Normal service retirement eligibility (no reduction)	Age 60 or with 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula - normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 6/30/90 x AFC plus 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 6/30/90 x AFC plus 1.67% x service after 7/1/90 x AFC, 2.0% x AFC after attaining 20 years
Maximum Benefit payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%, minimum of 1% after 12 months of normal retirement or age 65
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction
Disability Benefits	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently

*Group #1 are members who were within 5 years of normal retirement (age 62 or 30 years of service) on June 30, 2010

**Group #2 are members who were less than 57 years of age or had less than 25 years of service on June 30, 2010

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

Significant Actuarial Assumptions and Methods

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

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 13 – Defined Benefit Plans (continued)

Investment rate of return: 7.50%

Salary Increases: Ranging from 3.75% to 9.09%. Representative values of the assumed annual rates of future salary increases are as follows:

Age	Annual rate of Salary Increase
20	9.09%
25	7.78%
30	6.47%
35	5.60%
40	4.92%
45	4.43%
50	4.09%
55	3.85%
60	3.75%

Mortality:

Pre-retirement: 98% of RP-2006 White Collar Employee with generational projection using Scale SSA-2017

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

Disabled Post-retirement: RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017

Inflation: 2.5%

Spouse's Age: Females three years younger than males

Cost of Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 2.55% per annum for Group A members and 1.30% per 2019 Group C members.

Inactive Members: Valuation liability equals 250% of accumulated contributions. Previously, this liability was assumed to equal 332.5% of accumulated contributions.

Actuarial Cost Method: 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 Actuarial Accrued Liability are calculated on an individual basis and allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

Actuarial Valuation of Assets: The amount of the assets for valuation purposes 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.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 13 – Defined Benefit Plans (continued)

Long-term expected rate of return:

The long-term expected rate of return on pension plan investments was determined using a building block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These 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 pension plan’s target asset allocation as of June 30, 2018 are summarized in the following table:

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

Discount Rate

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

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%) than the current rate:

1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
\$3,864,604	\$3,200,361	\$2,535,435

State Teachers’ Retirement System of Vermont

The contribution made by the State on behalf of the participants in the State Teachers’ Retirement System is \$75,039 and is reported on Exhibit E. This amount is based on information provided by the State. For the government wide financials, the School District reports its proportionate share of pension expense of \$453,224. Of the School District’s total payroll of \$2,049,983, \$1,432,149 was covered under the Vermont State Teachers’ Retirement System.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 13 – Defined Benefit Plans (continued)

Plan Fiduciary Net Position - Detailed information about the Plan's fiduciary net position is available in the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website.

Special Funding Situation

The State of Vermont is the nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the School District. Therefore the School District is considered to be in a special funding situation as defined in GASB No. 68 and the State of Vermont is treated as a nonemployer contributing entity to VSTRS. Effective July 1, 2015, the State is assessing a \$1,275 annual charge for teacher's health care for all new teachers hired during the year. The total amount paid by the School District was \$7,650 for the year ended June 30, 2019. Since the School District does not contribute directly to VSTRS, no net pension liability is recorded by the School District. However, the notes to the financial statements of the School District must disclose the portion of the State's share of the collective net pension liability that is associated with the School District. In addition, each School District recognizes its portion of the collective pension expense as both revenue and pension expense.

403(b) Annuity Plan

A 403(b) tax deferred annuity plan through the Hartford Group is available to administrative and clerical employees who choose to participate. The School District will match up to 2% of the employee's salary. The total amount contributed to the plan during the year was \$9,140.

Note 14 – Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The School District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

In addition, the School District is a member of the Vermont Educational Health Initiative (VEHI). VEHI is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont school districts and School Districts and owned by the participating members. The agreement does not permit VEHI to make additional assessments to its members.

Note 15 - Reconciliation of Exhibit E to Exhibit G

Amounts recorded in the Statement of Revenues, Expenditures and Change in Fund Balance Budget to Actual – General Fund (Exhibit G) are reported on the basis budgeted by the School District. Amounts recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit E) for the General Fund were adjusted for on behalf payments of fringe benefits (see Notes 1 and 13) as follows:

	Revenues	Expenditures
Exhibit E	\$ 3,946,120	\$ 3,760,857
On behalf payments	(75,039)	(75,039)
Exhibit G	\$ 3,871,081	\$ 3,685,818

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 16 – Operating Leases

On February 10, 2014, the School District entered into a lease agreement with Leaf Capital Funding, LLC for the lease of a copier at \$110 per month for 60 months. Lease payments made under this lease agreement totaled \$1,252.

On November 24, 2015, the School District entered into a lease agreement with Wells Fargo Financial Leasing, Inc. for the lease of a copier at \$109 per month for 48 months. Lease payments made under this lease agreement totaled \$1,199.

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

During the year ending June 30,	2020	\$	2,733	
			-	
			<u>2,733</u>	
			<u>\$ 2,733</u>	

Note 17 – Capital Leases

On July 13, 2018, the School District entered into a lease agreement with Apple, Inc. for the lease of computers for use by employees and students. The total contract amount of \$15,951 is to be paid in 3 annual installments of \$5,317, maturing July 2020. Lease payments made under this lease agreement totaled \$5,317, which included \$5,317 of principal and \$0 of interest.

The following summarizes capital lease obligations:

Year Ending June 30,	Capital Lease Payable			Totals
	Principal	Interest		
2020	\$ 4,778	\$ 539	\$ 5,317	
2021	<u>5,040</u>	<u>277</u>	<u>5,317</u>	
Total	<u>\$ 9,818</u>	<u>\$ 816</u>	<u>\$ 10,634</u>	

Note 18 - Supervisory Union Assessment

The District is billed for its appropriate share of expenses related to the Orange East Supervisory Union. The District paid \$327,846 of such expenses during the year ended June 30, 2019.

Note 19 - Concentrations

The School District received the majority of its revenue from State and Federal Grants.

BRADFORD ACADEMY AND GRADED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 20 – Subsequent Events

On July 5, 2019, the School District entered into a lease agreement with Leaf Capital Funding, LLC for the lease of a copier at \$117 per month for 60 months.

Effective July 1, 2019, the School District merged with the following schools to form the Oxbow Unified Union School District –

- Newbury Town School District
- Union High School District #30

Management has evaluated subsequent events through March 19, 2020, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.

Note 21 – Prior Period Adjustment

During the year ending June 30, 2019, the School District reclassified unspent grant funds received from restricted fund balance to deferred revenue. The change was made to better track the unspent funds internally. The result was an adjustment to beginning fund balance of \$115,307 in the Grant Fund.

VERMONT STATE TEACHERS RETIREMENT SYSTEM
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

AS OF MEASUREMENT DATE JUNE 30,

	2018	2017	2016
Total Plan Net Pension Liability	\$ 1,510,705,475	\$ 1,482,403,515	\$ 1,309,523,451
School District's Proportion of the Net Pension Liability	0.21185%	0.19886%	0.23324%
School District's Proportionate Share of the Net Pension Liability	\$ 3,200,361	\$ 2,947,910	\$ 3,054,365
School District's Covered Employee Payroll	\$ 1,432,149	\$ 1,314,078	\$ 1,510,940
Proportionate Share of the Net Pension Liability as a Percentage of Covered - Employee Payroll	223.4656%	224.3330%	202.1500%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.81% as of June 30, 2018	53.98% as of June 30, 2017	55.31% as of June 30, 2016

Notes to Schedule:

Benefit Changes: None.

Significant Actuarial Assumptions: Refer to Note 13 for a description of the significant actuarial assumptions and other relevant information of the plan.

INDEPENDENT AUDITOR’S 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*

To the Board of Directors
Bradford Academy and Graded School District
Bradford, 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, each major fund, and the aggregate remaining fund information of Bradford Academy and Graded School District (the “School District”), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 19, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Wichita Went & Assoc, LLC

Registration number VT092.0000684
March 19, 2020