

NEWBURY TOWN SCHOOL DISTRICT
FINANCIAL STATEMENTS
Year ended June 30, 2019

NEWBURY TOWN SCHOOL DISTRICT
 AUDIT REPORT AND FINANCIAL STATEMENTS
 JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newbury Town School District
Newbury, 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 Newbury Town 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 7 and the Schedule I pension related information on page 38 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 19, 2020, 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 White & Assoc., LLC

Registration number VT092.0000684
March 19, 2020

NEWBURY TOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Our discussion and analysis of Newbury Town 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 decreased by \$309,851 as a result of this year's operations. In addition, the net position decreased \$179,247 for a prior period adjustment associated with the Grant Fund.
- The cost of all of the School District's programs was \$2,910,627 this year.

Fund Financial Statements:

- The fund balance of the General Fund was a deficit of \$137,784 as of June 30, 2019, after a decrease of \$398,408 in current year operations. The General Fund balance represents the amount of resources available for future budgets.
- The fund balance of the Food Service Fund was a deficit of \$18,638, after an increase of \$379 in current year operations, which included \$21,250 transferred from the General Fund.
- The fund balance of the Capital Projects Fund was a \$235,015, after an increase of \$86,671. The fund balance is committed for future additions, which included \$210,624 transferred from the General Fund.
- 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 \$179,247 being recorded to reclass prior period restricted fund balance to deferred revenue.
- The Trust fund's net position at June 30, 2019 increased \$53 due earnings from investments. At June 30 2018, the fund balance was \$21,366.

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

NEWBURY TOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

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.

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 – All 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 Agency and 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

NEWBURY TOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

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.

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

The School District's combined net position decreased by \$309,851 as a result of this year's operations.

Table 1 – Net Position

	Governmental Activities		Change
	2019	2018	
Long-term liabilities			
Current and other assets	\$ 699,849	\$ 661,626	\$ 38,223
Capital assets	1,323,813	1,350,304	(26,491)
Total assets	<u>2,023,662</u>	<u>2,011,930</u>	<u>11,732</u>
Other liabilities	665,030	132,428	532,602
Long-term liabilities	48,228	80,000	(31,772)
Total liabilities	<u>713,258</u>	<u>212,428</u>	<u>500,830</u>
Net position:			
Unrestricted	97,231	408,968	(311,737)
Restricted	(18,638)	160,230	(178,868)
Invested in capital assets, net of related debt	1,231,811	1,230,304	1,507
Total net position	<u>\$ 1,310,404</u>	<u>\$ 1,799,502</u>	<u>\$ (489,098)</u>

Table 2 – Change in Net Position

	2019	2018	Change
Program revenues:			
Charges for services	\$ 23,663	\$ 26,654	\$ (2,991)
Operating grants and contributions	472,882	477,593	(4,711)
On behalf payments	245,204	86,895	158,309
General revenues:			
Property taxes	1,843,018	1,824,900	18,118
Earning on investments	2,530	424	2,106
Miscellaneous	13,479	6,623	6,856
Total revenues	<u>2,600,776</u>	<u>2,423,089</u>	<u>177,687</u>
Program expenses:			
Educational and general	2,357,561	2,030,147	327,414
Special revenue programs	193,963	217,920	(23,957)
Food service	113,899	108,069	5,830
On behalf payments	245,204	86,895	158,309
Total program expenses	<u>2,910,627</u>	<u>2,443,031</u>	<u>467,596</u>
Change in net position	<u>\$ (309,851)</u>	<u>\$ (19,942)</u>	<u>\$ (289,909)</u>

Table 3 represents the cost of each 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.

NEWBURY TOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

Table 3
Governmental Activities

	2019	
	Total Cost of Services	Net Cost of Services
Education and General expenses	\$ 2,357,561	\$ (2,140,562)
Special revenue programs	193,963	(7,445)
Food service	113,899	(20,871)
On-behalf payments	245,204	-
Totals	\$ 2,910,627	\$ (2,168,878)
	2018	
	Total Cost of Services	Net Cost of Services
Education and General expenses	\$ 2,030,147	\$ (1,817,769)
Special revenue programs	217,920	(20,018)
Food service	108,069	(14,102)
On-behalf payments	86,895	-
Totals	\$ 2,443,031	\$ (1,851,889)

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 \$78,593. Included in this year's total is a fund deficit of (\$137,784) in the School District's General Fund, a fund balance of \$0 in the Grant Fund, a fund deficit of (\$18,638) in the Food Service Fund, and a fund balance of \$235,015 in the Capital Projects Fund.

The School District had budgeted for a deficit of \$33,113, which was to be offset through the use of prior year General Fund Balance, as compared to an actual deficit of \$398,408. 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 and Grant Fund.

Refer to the auditor's report for more details of the changes in the School District's fund activities.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2019, the School District had \$1,323,813 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 \$26,491, over last year. The net decrease is a result of depreciation expenses of \$42,975 exceeding capital additions of \$16,484 for the year ending June 30, 2019.

NEWBURY TOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

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

	2019	2018
Land	\$ 2,000	\$ 2,000
Buildings and improvements	1,277,270	1,309,199
Equipment	44,543	39,105
Totals	\$ 1,323,813	\$ 1,350,304

Debt

At June 30, 2019, the School District had \$80,000 outstanding on a general obligation bond versus \$120,000 on June 30, 2018 – a decrease of \$40,000.

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 –

- Bradford Academy and Graded 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	\$ 608,699	
Accounts receivable	64,637	
Prepaid expenses	26,513	
Capital assets:		
Land	2,000	
Other capital assets - net of accumulated depreciation of \$1,185,265	<u>1,321,813</u>	
Total assets		2,023,662
LIABILITIES		
Accounts payable	1,881	
Accrued payroll and withholdings	85,737	
Deferred revenue	214,787	
Short term obligations	318,779	
Due from Private Purpose Trust Fund	72	
Noncurrent liabilities:		
Capital lease - due in one year	3,774	
Capital lease - due after one year	8,228	
Note payable - due in one year	40,000	
Note payable - due after one year	<u>40,000</u>	
Total liabilities		<u>713,258</u>
NET POSITION		
Unrestricted	97,231	
Restricted	(18,638)	
Invested in capital assets, net of related debt	<u>1,231,811</u>	
Total net position		<u>\$ 1,310,404</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	\$ 2,005,315	\$ -	\$ 216,999	\$ (1,788,316)
Special revenue programs	193,963	-	186,518	(7,445)
General expenses	352,246	-	-	(352,246)
Food service programs	113,899	23,663	69,365	(20,871)
Pension plan expense	245,204	-	245,204	-
Total governmental activities	<u>2,910,627</u>	<u>23,663</u>	<u>718,086</u>	<u>(2,168,878)</u>
General Revenues:				
Act 68 State Aid				1,843,018
Other income				13,479
Interest income				2,530
Total general revenues				<u>1,859,027</u>
Change in net position				(309,851)
Net position - July 1, 2018				1,799,502
Prior Period Adjustments				(179,247)
Net assets - July 1, 2018 (Restated)				<u>1,620,255</u>
Net position - June 30, 2019				<u>1,310,404</u>

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Capital Projects Fund	Grants Fund	Food Service Fund	Totals
ASSETS					
Cash	\$ 449,427	\$ 159,272	\$ -	\$ -	\$ 608,699
Receivables	64,637	-	-	-	64,637
Prepaid expenses	26,513	-	-	-	26,513
Due from other funds	-	75,743	227,640	-	303,383
Total assets	<u>\$ 540,577</u>	<u>\$ 235,015</u>	<u>\$ 227,640</u>	<u>\$ -</u>	<u>\$ 1,003,232</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ 1,881	\$ -	\$ -	\$ -	\$ 1,881
Accrued payroll and withholdings	72,884	-	12,853	-	85,737
Due to other funds	284,817	-	-	18,638	303,455
Short term obligations	318,779	-	-	-	318,779
Deferred revenue	-	-	214,787	-	214,787
Total liabilities	<u>678,361</u>	<u>-</u>	<u>227,640</u>	<u>18,638</u>	<u>924,639</u>
FUND EQUITY					
Fund balances					
Nonspendable	26,513	-	-	-	26,513
Restricted	-	-	-	(18,638)	(18,638)
Committed	-	235,015	-	-	235,015
Assigned for FY 2020 revenues	-	-	-	-	-
Unassigned	(164,297)	-	-	-	(164,297)
Total fund equity	<u>(137,784)</u>	<u>235,015</u>	<u>-</u>	<u>(18,638)</u>	<u>78,593</u>
Total liabilities and fund equity	<u>\$ 540,577</u>	<u>\$ 235,015</u>	<u>\$ 227,640</u>	<u>\$ -</u>	<u>\$ 1,003,232</u>

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

JUNE 30, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	78,593
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>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 \$2,509,078 and the accumulated depreciation is \$1,185,265.</p>		1,323,813
<p>Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds</p>		
<p>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:</p>		
Note payable		(80,000)
<p>Capital leases payable have not been included in the governmental fund financial statements</p>		(12,002)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		\$ 1,310,404

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

YEAR ENDED JUNE 30, 2019

	General Fund	Capital Projects Fund	Grants Fund	Food Service Fund	Total Governmental Funds
REVENUES					
Education spending grant	\$ 1,843,018	\$ -	\$ -	\$ -	\$ 1,843,018
State education/federal grants	216,999	-	186,518	-	403,517
Sales and miscellaneous	6,034	-	7,445	93,028	106,507
Investment earnings	481	2,049	-	-	2,530
On-behalf payments	50,166	-	-	-	50,166
Total revenues	<u>2,116,698</u>	<u>2,049</u>	<u>193,963</u>	<u>93,028</u>	<u>2,405,738</u>
EXPENDITURES					
Current					
Instruction	850,220	126,002	193,963	-	1,170,185
Special education	489,574	-	-	-	489,574
Facilities maintenance	201,487	-	-	-	201,487
Board of education and principal	322,604	-	-	-	322,604
Food service	-	-	-	113,899	113,899
Health services	67,184	-	-	-	67,184
Guidance	72,211	-	-	-	72,211
Technology	62,821	-	-	-	62,821
Media services and library	8,136	-	-	-	8,136
Other support administration	12,890	-	-	-	12,890
Transportation	102,786	-	-	-	102,786
On-behalf payments	50,166	-	-	-	50,166
Debt Service - interest	3,153	-	-	-	3,153
Debt Service - principal	40,000	-	-	-	40,000
Total expenditures	<u>2,283,232</u>	<u>126,002</u>	<u>193,963</u>	<u>113,899</u>	<u>2,717,096</u>
EXCESS REVENUES (EXPENDITURES)	<u>(166,534)</u>	<u>(123,953)</u>	<u>-</u>	<u>(20,871)</u>	<u>(311,358)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	210,624	-	21,250	231,874
Transfers out	(231,874)	-	-	-	(231,874)
Total other financing sources(uses)	<u>(231,874)</u>	<u>210,624</u>	<u>-</u>	<u>21,250</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(398,408)</u>	<u>86,671</u>	<u>-</u>	<u>379</u>	<u>(311,358)</u>
FUND BALANCES - July 1, 2018	<u>260,624</u>	<u>148,344</u>	<u>179,247</u>	<u>(19,017)</u>	<u>569,198</u>
Prior period adjustment	-	-	(179,247)	-	(179,247)
FUND BALANCES - July 1, 2018 (RESTATED)	<u>260,624</u>	<u>148,344</u>	<u>-</u>	<u>(19,017)</u>	<u>389,951</u>
FUND BALANCES - June 30, 2019	<u>\$ (137,784)</u>	<u>\$ 235,015</u>	<u>\$ -</u>	<u>\$ (18,638)</u>	<u>\$ 78,593</u>

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 \$ (311,358)

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 \$42,975 exceeds capital outlays of \$0. (42,975)

Cost of capital lease 4,482

The repayment of certain liabilities consumes current financial resources but has no effect on net assets.

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 40,000

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	50,166
State of Vermont on behalf payment - expense - Exhibit B	(245,204)

State of Vermont on behalf payment - revenue - Exhibit E	(50,166)
State of Vermont on behalf payment - revenue - Exhibit B	245,204

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (309,851)

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			
Education spending grant	\$ 1,864,884	\$ 1,843,018	\$ (21,866)
State education/federal grants	272,921	216,999	(55,922)
Sales and miscellaneous	4,000	6,034	2,034
Investment earnings	250	481	231
Total revenues	<u>2,142,055</u>	<u>2,066,532</u>	<u>(75,523)</u>
EXPENDITURES			
Current expenditures			
Instruction	766,276	850,220	(83,944)
Special education	533,925	489,574	44,351
Facilities maintenance	178,065	201,487	(23,422)
Board of education and principal	304,150	322,604	(18,454)
Food service	-	-	-
Health services	70,699	67,184	3,515
Guidance	73,403	72,211	1,192
Technology	58,927	62,821	(3,894)
Media services and library	8,100	8,136	(36)
Other support administration	11,400	12,890	(1,490)
Transportation	105,132	102,786	2,346
Debt Service - interest	3,900	3,153	747
Debt Service - principal	40,000	40,000	-
Total expenditures	<u>2,153,977</u>	<u>2,233,066</u>	<u>(79,089)</u>
EXCESS REVENUES (EXPENDITURES)	(11,922)	(166,534)	(154,612)
OTHER FINANCING SOURCES (USES)			
Transfer out - Capital projects fund	-	(210,624)	(210,624)
Transfer in (out)	(21,250)	(21,250)	-
Total other financing sources (uses)	<u>(21,250)</u>	<u>(231,874)</u>	<u>(210,624)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (33,172)</u>	<u>(398,408)</u>	<u>\$ (365,236)</u>
FUND BALANCE - JULY 1, 2018		<u>260,624</u>	
FUND BALANCE - JUNE 30, 2019		<u>\$ (137,784)</u>	

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Private Purpose Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 21,294	\$ 13,199
Interfund due from/due to	72	-
	<u> </u>	<u> </u>
Total assets	<u>21,366</u>	<u>13,199</u>
LIABILITIES		
Assets held for student activities	-	13,199
	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>13,199</u>
NET POSITION	<u><u>\$ 21,366</u></u>	<u><u>\$ -</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>\$ 53</u>
Total additions	<u>53</u>
<u>DEDUCTIONS:</u>	
Scholarship and awards	<u>-</u>
Total deductions	<u>-</u>
Change in net position	<u>53</u>
Net position - July 1, 2018	<u>21,313</u>
Net position - June 30, 2019	<u><u>\$ 21,366</u></u>

NEWBURY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Newbury Town School District (the "School District") is organized according to Vermont State Law under the governance of a Board of School Directors to provide public education. Except when noted, the accounting policies conform to generally accepted accounting principles, as applicable to governmental units.

Newbury Town School District, for financial reporting purposes, consists only of the funds of the District. The District's elected Board of Directors has no oversight responsibility for any other governmental entity. Control or dependence on the Board was determined on the basis of budget adoptions, designation of management, influence over operations, and accountability for fiscal matters.

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.

Basic Financial Statements – Government-Wide Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements categorize activities as governmental or business type. All of the School District's activities are classified as governmental activities.

The government-wide Statement of Net Position presents all the School District's activities on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's governmental functions. The functions are also supported by general government revenues (Act 68 state aid/property taxes and other local revenue). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, consisting of operating grants and contributions. Program revenues must be directly associated with the governmental function (regular education, special education, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by governmental function) are normally covered by general revenues (property taxes, earnings on investments, etc.).

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Basic Financial Statements – Fund Financial Statements

The financial transactions of the School District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in either governmental category. GASB No. 34 sets forth minimum criteria for the determination of major funds. The District electively added funds, as major funds, which either had debt outstanding or specific community focus. The School District reports on the following major governmental funds:

Governmental Fund

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

General Fund is the main operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Grants Fund is a special revenue fund used to account for specific restricted revenues and expenditures pursuant to federal, state and local grants.

Food Service Fund is a special revenue fund used to account for specific restricted revenues and expenditures relating to the School District's food service program.

Fiduciary Funds

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

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

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Accrual

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

Modified Accrual

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

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 District 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 District did not have any items that qualified for reporting in this category.

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The School District considers all short-term investments of six months or less to be cash equivalents.

Receivables and Payables

Accounts receivable at year end represent amounts the School District believes to be fully collectible. As such, the School District does not accrue an allowance for uncollectible receivables. The School District does not charge or accrue interest related to these receivables.

Activity between funds represents lending or borrowing arrangements outstanding at the end of the fiscal year, interfund receivables and payables, and is presented as due to/from other funds in the financial statements. The effect of interfund activity between the governmental funds of the School District has been eliminated from the government-wide financial statements.

Capital Assets

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

Buildings and improvements	30 - 50 years
Land and improvements	20 years
Furniture and equipment	5 – 7 years
Vehicles	5 years

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.

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 95 days in the Sick Leave Bank for teachers. The School District does not recognize an accrued liability for the Sick Leave Bank.

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Debt

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type Statement of Position.

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 (e.g. inventories and prepaids) 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. federal and state grants, bondholders, trust and trustee accounts).

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the School Board. 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.

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 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.

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Committed fund balance is established by the voters of the School District by adoption of the budget and/or authorization of articles at the annual meeting of the Town of Newbury held in March of each year.

Assigned fund balance designations, when presented, are established by the School Board of the School District. The School Board does not have a policy regarding the authorization to assign amounts to a specific purpose.

The School District does not have policies regarding the use of classifications of fund balance or net position when amounts are available to be used in more than one category.

The School District does not have a policy regarding a minimum fund balance amount to be maintained.

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:

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

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

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.

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

Budget Adoption

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

The operating budget is prepared at the direction of the School Board with assistance from the Orange East Supervisory Union. The budget includes expenditures by line item. The budget is approved by district voters at the Town of Newbury's annual meeting. The voters authorize a total expense amount and not individual line items presented in these financial statements.

Fund Deficits

The School District has a deficit of \$137,784 in the General Fund, which will be funded through future budgets and \$18,638 in the Food Service Fund, which will be funded by future sales and transfers from the General Fund.

Budgeted Deficit

For the fiscal year ending June 30, 2019, the School District elected to budget expenditures in excess of revenue by \$33,172 in the General Fund in order to reduce the prior year's surplus, which resulted in a budgeted deficit. This is reflected as current year's budgeted deficiency of revenue over expenditures in Exhibit G.

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

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 \$ 623,192

Investments:

Certificates of deposit \$ 20,000

Total cash and investments \$ 643,192

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.

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

	Book	Bank
<u>Cash:</u>	<u>Balance</u>	<u>Balance</u>
Insured (FDIC)	\$ 188,104	\$ 231,811
Entered in repurchase agreement	455,088	455,088
Total cash	<u>\$ 643,192</u>	<u>\$ 686,899</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 a collateralization agreement with a local financial institution to provide for custodial risk for the cash balance associated with the General Fund checking account in excess of the FDIC insurance limits.

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.

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 4 – Cash and Investments (Continued)

Investment Type	Remaining Maturity		Total
	1 to 5 Years	Not Available	
Certificates of deposit	\$ 20,000	-	\$ 20,000
	-	-	-
Total	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>

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.

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 certificates of deposit, that represent more than 5% of total investments.

Note 5 – Capital Assets

The summary of changes in capital assets as of June 30, 2019 is as follows:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Totals	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Capital assets, being depreciated:				
Buildings and improvements	2,379,856	-	-	2,379,856
Equipment	<u>110,738</u>	<u>16,484</u>	<u>-</u>	<u>127,222</u>
Totals	<u>2,490,594</u>	<u>16,484</u>	<u>-</u>	<u>2,507,078</u>
Buildings and improvements	(1,070,656)	(31,930)	-	(1,102,586)
Equipment	<u>(71,634)</u>	<u>(11,045)</u>	<u>-</u>	<u>(82,679)</u>
Totals	<u>(1,142,290)</u>	<u>(42,975)</u>	<u>-</u>	<u>(1,185,265)</u>
Net capital assets, being depreciated	<u>1,348,304</u>	<u>(26,491)</u>	<u>-</u>	<u>1,321,813</u>
Total capital assets, net	<u>\$ 1,350,304</u>	<u>\$ (26,491)</u>	<u>\$ -</u>	<u>\$ 1,323,813</u>

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 5 – Capital Assets (Continued)

Depreciation expense was \$39,679, of which \$31,930 was allocated to buildings operations and maintenance and \$7,749 was allocated to equipment. Depreciation associated with capital lease assets totaled \$5,119 of the total depreciation expense.

Note 6 – Interfund receivables, payables, and transfers

The following is the breakdown of the funds due to/from each other:

Funds	Due From	Due To
General Fund	\$ -	\$ 284,817
Capital Projects Fund	75,743	-
Grant Fund	227,640	-
Food Service Fund	-	18,638
Private Purpose Trust Funds	72	-
	<u>\$ 303,455</u>	<u>\$ 303,455</u>

The School District, for cash management and internal control purposes, maintains a central checking account for purposes of expense disbursements and for most of its revenue receipts.

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

- Transfer of \$21,250 to the Food Service Fund to eliminate prior year deficit
- Transfer of \$210,624 to the Capital Projects Fund to fund future capital expenditures

Note 7 - Long-Term Liabilities

General Obligation Bonds. The School District entered into general obligation bonds to finance the construction and improvements of major capital facilities, renovations and equipment purchases. 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.

The following is a summary of general obligation bonds:

Bond Payable - Vermont Municipal Bond Bank, bond payable with variable interest of 2.32%, principal payments from \$45,000 to \$40,000 beginning November 2016. Final payment in November 2020.	<u>\$80,000</u>
Total long-term debt	<u>\$80,000</u>

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 7 - Long-Term Liabilities (continued)

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

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds payable	\$ 120,000	\$ -	\$ 40,000	\$ 80,000	\$ 40,000

Debt service requirements to maturity are as follows:

Year Ending June 30,	<u>Maturities Bond Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 40,000	\$ 2,390	\$ 40,000	\$ 2,390
2021	40,000	808	40,000	808
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
Thereafter	-	-	-	-
Total	<u>\$ 80,000</u>	<u>\$ 3,198</u>	<u>\$ 80,000</u>	<u>\$ 3,198</u>

Note 8 – Leases

Operating lease:

On August 18, 2016, the School District entered into a lease agreement with De Lage Landen Financial Services, Inc. for the lease of two copiers at \$279 per month for 60 months. Lease payments made under this agreement totaled \$3,350.

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

During the year ending June 30,	2020	\$ 3,350
	2021	3,350
	2022	558
		-
		<u>\$ 7,258</u>

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 8 – Leases (continued)

Capital lease:

On July 15, 2018, the School District entered into a lease agreement with Apple, Inc. for the lease of computers. The total contract amount of \$17,924 is to be paid in four annual installments of \$4,481. Total lease payments made this year under this agreement were \$4,481, which included principal of \$4,481 and interest of \$0.

The following summarizes capital lease obligations:

Year Ending June 30,	Maturities		Totals
	Capital Lease Payable		
	Principal	Interest	Totals
2020	\$ 3,774	\$ 707	\$ 4,481
2021	3,996	485	4,481
2022	4,232	249	4,481
Total	\$ 12,002	\$ 1,441	\$ 13,443

Note 9 – 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.

Governmental fund balances are to be classified as: nonsependable (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.

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 9 – Fund Balances/Net Position (continued)

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 restricted as follows:

Special Revenue Funds:

Food Service Fund Deficit \$ (18,638)

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

<u>Capital Projects Fund</u>				
Committed for capital improvements				<u>\$ 235,015</u>
Total Major Funds				<u>\$ 235,015</u>
Total Assigned/Committed Fund Balances				<u>\$ 235,015</u>

The School District holds agency funds that are due to others and represent amounts restricted for specific purposes for the following student groups:

Restricted for:

5th and 6th Grade	\$ 1,478
T-shirt fundraiser	371
Box tops	2,849
Fundraising	60
Library	2,744
School store	347
Recycled ink	827
FONES	402
Farm Raiser	2,111
Drama	560
Playground	345
Hannafords	633
Miscellaneous	472
Total due to others	<u>\$ 13,199</u>

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 10 - 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 Vermont School Boards Association (Association). The Association has set up two insurance trusts; Vermont School Board Insurance Trust, Inc. (VSBIT) for Workers Compensation, Multi-Line Intermunicipal School Program and Unemployment Compensation Program, and the Vermont Education Health Initiative (VEHI) for medical benefits.

VSBIT and VEHI are non-profit corporations formed to provide insurance and risk management for Vermont schools and is owned by participating districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association. The School District does not participate in the Multi-Line Intermunicipal School Program.

For worker's compensation coverage, VSBIT established a separate trust of funds from member contributions to pay administrative costs and workers compensation coverage. Contributions are based upon formulas applied to payroll expense. At the end of the coverage period, the members will be assessed or refunded any difference between estimate contributions and actual expenses.

To provide unemployment coverage, VSBIT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and to provide excess reinsurance protection. Contributions are based on payroll expense and the previous two year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

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

Note 11 - Defined Benefit Pensions 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.

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 11 - Defined Benefit Pensions Plans (Continued)

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

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% 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

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 11 - Defined Benefit Pensions Plans (Continued)

	<u>Group A</u>	<u>Group C - Group #1*</u>	<u>Group C - Group #2**</u>
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applies plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applies plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applies 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.

Investment rate of return: 7.50%, net of pension plan investment expenses, including inflation

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

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 11 - Defined Benefit Pensions Plans (Continued)

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% for 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.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 11 - Defined Benefit Pensions Plans (Continued)

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 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:

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$ 2,307,160	\$ 1,910,608	\$ 1,513,649

State Teachers' Retirement System of Vermont

The contribution made by the State on behalf of the participants in the State Teachers' Retirement System is \$50,166 and reported on Exhibit E. This amount is based on information provided by the State. For the government wide financials the amount for on School District reports its proportionate share of pension expense, which was \$245,204. Of the School District's total payroll of \$1,191,513, \$854,990 was covered under the Vermont State Teachers' Retirement System.

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 \$1,253 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.

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 12 - Sick Leave

Teachers earn fifteen sick days per year and may accumulate a maximum of 120 days. Full-time non-teaching employees begin each year with a credit of twelve sick days and may accumulate a maximum of 90 days. The District allows for those employees who had earned and not used sick days in excess of the established limits at adoption of this policy to retain those sick days up to a maximum of 120 days until fully used.

Note 13 - Supervisory Union Assessment

The District is billed for its appropriate share of expenses related to the Orange East Supervisory Union. The District paid \$293,080 of such expenses during the year ended June 30, 2019.

Note 14 - 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 11) as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Exhibit E	\$ 2,116,698	\$ 2,283,232
On behalf payments	<u>(50,166)</u>	<u>(50,166)</u>
Exhibit G	<u>\$ 2,066,532</u>	<u>\$ 2,233,066</u>

Note 15 – Budgetary Comparison Schedules

The School District is not legally required to adopt budgets for the Grant and Food Service Funds. Therefore, a budgetary comparison is not presented for those funds.

Note 16 - Concentration of Revenue

The School District receives approximately 78% of its revenue from Act 68 State Aid. This amount of Act 68 State Aid received by the School District is equal to the budgeted expenditures approved by the voters less expected other revenues for the year. Act 68 State Aid is funded with statewide property taxes. The State determines a different education property tax rate for homestead and non-homestead properties based on statewide information. The tax rate for homestead for towns in the School District is adjusted based on the amount of Act 68 State Aid in relation to the number of students in the respective towns. The tax rate for non-homestead property in these towns is not impacted by the amount of the School District's Act 68 State Aid. The State uses a common level of appraisal to equalize property values between communities.

In addition to Act 68, the School District receives grants from the State of Vermont for special education, transportation and other programs.

NEWBURY TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 17 - Contingencies

The School District participates in a number of federally-assisted and State grant programs which are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2019, have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial.

Note 18 – Subsequent Events

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.

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

- Bradford Academy and Graded School District
- Union High School District #30

Note 19 – 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 \$179,247 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	0.12647%	0.11138%	0.13368%
School District's Proportionate Share of the Net Pension Liability	\$ 1,910,608	\$ 1,651,122	\$ 1,750,578
School District's Covered Employee Payroll	\$ 854,990	\$ 736,014	\$ 865,980
Proportionate Share of the Net Pension Liability as a Percentage of Covered - Employee Payroll	223.4655%	224.3330%	202.1499%
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 11 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
Newbury Town School District
Newbury, 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 Newbury Town 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