

UNION HIGH SCHOOL DISTRICT #30
FINANCIAL STATEMENTS
Year ended June 30, 2019

UNION HIGH SCHOOL DISTRICT #30
 AUDIT REPORT AND FINANCIAL STATEMENTS
 JUNE 30, 2019

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UNION HIGH SCHOOL DISTRICT #30
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Union High School District #30
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 Union High School District #30 (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 Schedules III through V on pages 40 – 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying financial information listed in Schedules I and II are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the accompanying Schedules I and II are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 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 Went & Assoc, LLC

Registration number VT092.0000684
March 19, 2020

UNION HIGH SCHOOL DISTRICT #30
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Our discussion and analysis of Union High School District #30's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2019. 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 \$137,755 as a result of this year's operations. In addition, the net position decreased \$148,625 for prior period adjustments associated with the Vocational and High School Grant Funds, as well as the Riverbend Endowment Fund.
- The cost of all the School District's programs was \$9,569,160 for this fiscal year.

Fund Financial Statements:

- The fund balance of the General Fund was \$193,731 as of June 30, 2019, after an increase of \$203,725 in current year operations. The General Fund balance represents the amount of resources available for future budgets.
- The fund balance for the Technical Education Fund was a deficit of (\$77,858) as of June 30, 2019, after a decrease of \$52,272.
- The non-major government funds consisted of the following: Special Revenue Funds = 1) Food Services Fund - deficit balance of (\$101,631), 2) Vocational Grants Fund - fund balance of \$0, 3) Capital Improvements Fund - fund balance of \$25,080, 4) High School Grants Fund - fund balance of \$0 and 5) Riverbend Endowment = fund balance of \$0.
- The Private Purpose Trust fund balance at June 30, 2019 increased \$21,775 due to earnings from investments, contributions and fundraising efforts. At June 30 2019, the fund balance of the Private Purpose Trust Fund was \$337,167, and the Agency Fund had a balance of \$109,648.

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.

UNION HIGH SCHOOL DISTRICT #30
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 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 G and H. 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.

UNION HIGH SCHOOL DISTRICT #30
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 \$137,755 as a result of this year's operations.

Table 1 – Net Position

| | 2019 | 2018 | Change |
|--|---------------------|---------------------|---------------------|
| Long-term liabilities | | | |
| Current and other assets | \$ 719,698 | \$ 343,549 | \$ 376,149 |
| Capital assets | 1,466,436 | 1,516,824 | (50,388) |
| Total assets | <u>2,186,134</u> | <u>1,860,373</u> | <u>325,761</u> |
| Other liabilities | 729,276 | 343,745 | 385,531 |
| Long-term liabilities | 399,000 | 27,900 | 371,100 |
| Total liabilities | <u>1,128,276</u> | <u>371,645</u> | <u>756,631</u> |
| Net position: | | | |
| Nonspendable | 23,500 | 650 | 22,850 |
| Unrestricted | (452,665) | (235,772) | (216,893) |
| Restricted | 25,080 | 173,625 | (148,545) |
| Invested in capital assets, net of related debt | 1,461,943 | 1,550,225 | (88,282) |
| Total net position | <u>\$ 1,057,858</u> | <u>\$ 1,488,728</u> | <u>\$ (430,870)</u> |

Table 2 – Change in Net Position

| | 2019 | 2018 | Change |
|------------------------------------|-------------------|---------------------|-------------------|
| REVENUES | | | |
| General revenues: | | | |
| Tuition | \$ 1,554,723 | \$ 1,570,111 | \$ (15,388) |
| State and local education | 6,428,370 | 6,232,255 | 196,115 |
| Interest income | 1,996 | 862 | 1,134 |
| Miscellaneous | 11,883 | 37,431 | (25,548) |
| Program revenues: | | | |
| On behalf payments | 857,194 | 35,739 | 821,455 |
| Charges for services | 46,227 | 690,784 | (644,557) |
| Operating grants and contributions | 806,522 | 640,395 | 166,127 |
| Total revenues | <u>9,706,915</u> | <u>9,207,577</u> | <u>499,338</u> |
| Program expenses: | | | |
| Regular instruction | 4,587,600 | 4,690,591 | (102,991) |
| Special education | 742,837 | 1,086,000 | (343,163) |
| Support services | 3,368,418 | 3,224,892 | 143,526 |
| Interest expense | 13,111 | 2,761 | 10,350 |
| On behalf payments | 857,194 | 640,395 | 216,799 |
| Total program expenses | <u>9,569,160</u> | <u>9,644,639</u> | <u>(75,479)</u> |
| Change in net position | <u>\$ 137,755</u> | <u>\$ (437,062)</u> | <u>\$ 574,817</u> |

UNION HIGH SCHOOL DISTRICT #30
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

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.

Table 3
Governmental Activities

| | 2019 | |
|---------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services |
| Regular instruction | \$ 4,587,600 | \$ 4,130,815 |
| Special education | 742,837 | 508,931 |
| Support services | 3,360,655 | 206,360 |
| Totals | <u>\$ 8,691,092</u> | <u>\$ 4,846,106</u> |
| | 2018 | |
| | Total Cost of Services | Net Cost of Services |
| Regular instruction | \$ 4,690,591 | \$ 4,243,412 |
| Special education | 1,086,000 | 806,656 |
| Support services | 3,224,892 | 3,224,892 |
| Totals | <u>\$ 9,001,483</u> | <u>\$ 8,274,960</u> |

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 \$39,322. Included in this year's total is a fund balance of \$193,731 in the School District's General Fund, a fund deficit of (\$77,858) in the Technical Education Fund, and a total fund deficit of (\$76,551) in other non-major governmental funds.

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, 2018, the School District had \$1,466,436 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 \$50,388, over last year. The net decrease is a result of depreciation expenses of \$151,760 exceeding capital additions of \$101,372 for the year ending June 30, 2019.

UNION HIGH SCHOOL DISTRICT #30
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 | \$ 160,200 | \$ 160,200 |
| Land Improvements | 9,535 | 14,273 |
| Buildings and improvements | 1,059,626 | 1,121,635 |
| Furniture and equipment | 232,507 | 213,808 |
| Vehicles | 4,568 | 6,908 |
| Totals | \$ 1,466,436 | \$ 1,516,824 |

Debt

At June 30, 2019, the School District had \$420,000 outstanding on a general obligation bond versus \$0 on June 30, 2018 – an increase of \$420,000.

During the year ending June 30, 2019, the School District had borrowed \$945,000 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 2019 budget for school operations. The budget anticipated some staffing and other operational costs be paid through traditional funding sources, inclusive of state and local education funds, tuition, grants and other sources.

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
- Newbury Town School District

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 | \$ 622,558 | |
| Accounts receivable | 58,358 | |
| Interfund receivable | 15,282 | |
| Prepaid expenses | 23,500 | |
| Capital assets: | | |
| Land | 160,200 | |
| Other Capital Assets - net of accumulated depreciation of \$5,877,754 | <u>1,306,236</u> | |
| Total assets | | 2,186,134 |
| LIABILITIES | | |
| Accounts payable | 73,052 | |
| Deferred revenue | 419,502 | |
| Accrued expenses | 187,822 | |
| Noncurrent liabilities: | | |
| Capital lease - due in one year | 27,900 | |
| Note payable - due in one year | 21,000 | |
| Note payable - due after one year | <u>399,000</u> | |
| Total liabilities | | <u>1,128,276</u> |
| NET POSITION | | |
| Invested in capital assets, net of related debt | 1,461,943 | |
| Restricted | | |
| Temporarily restricted | 25,080 | |
| Nonspendable | 23,500 | |
| Unrestricted | <u>(452,665)</u> | |
| Total net position | | <u>\$ 1,057,858</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: | | | | |
| Regular instruction | \$ 4,587,600 | \$ 46,227 | \$ 410,558 | \$ (4,130,815) |
| Special education | 742,837 | - | 233,906 | (508,931) |
| Support services | 3,368,418 | - | 162,058 | (3,206,360) |
| Interest on capital lease | 13,111 | - | - | (13,111) |
| Pension plan expense | 857,194 | - | 857,194 | - |
| Total governmental activities | <u>\$ 9,569,160</u> | <u>\$ 46,227</u> | <u>\$ 1,663,716</u> | <u>\$ (7,859,217)</u> |
| General Revenues: | | | | |
| Tuition | | | | 1,554,723 |
| State and local education | | | | 6,428,370 |
| Interest income | | | | 1,996 |
| Miscellaneous | | | | 11,883 |
| Total general revenues | | | | <u>7,996,972</u> |
| Change in net position | | | | 137,755 |
| Net position - July 1, 2018 | | | | 1,488,728 |
| Prior Period Adjustments | | | | (148,625) |
| Net assets - July 1, 2018 (Restated) | | | | <u>1,340,103</u> |
| Net position - June 30, 2019 | | | | <u>\$ 1,477,858</u> |

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

| | General Fund | Technical Education Fund | Other Non-Major Govt Funds | Totals |
|--------------------------------------|-------------------|--------------------------------|-------------------------------------|---------------------|
| ASSETS | | | | |
| Cash | \$ 622,558 | \$ - | \$ - | \$ 622,558 |
| Accounts receivable | 41,177 | - | 17,181 | 58,358 |
| Prepaid expenses | 22,285 | 1,215 | - | 23,500 |
| Due from other funds | - | - | 392,131 | 392,131 |
| Total assets | <u>\$ 686,020</u> | <u>\$ 1,215</u> | <u>\$ 409,312</u> | <u>\$ 1,096,547</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 54,557 | \$ 3,170 | \$ 15,325 | \$ 73,052 |
| Accrued payroll and withholdings | 134,419 | 50,090 | 3,313 | 187,822 |
| Due to other funds | 257,097 | 25,813 | 93,939 | 376,849 |
| Deferred revenue | 46,216 | - | 373,286 | 419,502 |
| Total liabilities | <u>492,289</u> | <u>79,073</u> | <u>485,863</u> | <u>1,057,225</u> |
| Fund balances | | | | |
| Nonspendable | 22,285 | 1,215 | - | 23,500 |
| Committed | - | (79,073) | - | (79,073) |
| Temporarily restricted | - | - | 25,080 | 25,080 |
| Assigned to FY 20 revenues | - | - | - | - |
| Unassigned | 171,446 | - | (101,631) | 69,815 |
| Total fund balances | <u>193,731</u> | <u>(77,858)</u> | <u>(76,551)</u> | <u>39,322</u> |
| Total liabilities and fund balance | <u>\$ 686,020</u> | <u>\$ 1,215</u> | <u>\$ 409,312</u> | <u>\$ 1,096,547</u> |

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

JUNE 30, 2019

| | | |
|--|----|----------------------------|
| TOTAL FUND BALANCES - GOVERNMENTAL FUNDS | \$ | 39,322 |
| <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 \$7,351,952, and the accumulated depreciation is \$5,885,516.</p> | | 1,466,436 |
| <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 | | (420,000) |
| Capital leases payable have not been included in the governmental fund financial statements | | <u>(27,900)</u> |
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | | <u><u>\$ 1,057,858</u></u> |

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

YEAR ENDED JUNE 30, 2019

| | General Fund | Technical Education Fund | Other Non-Major Govt Funds | Total Governmental Funds |
|--|-------------------|--------------------------------|-------------------------------------|--------------------------------|
| REVENUES | | | | |
| State and local education | \$ 5,234,838 | \$ 747,413 | \$ 1,874 | \$ 5,984,125 |
| Special education | 282,138 | - | - | 282,138 |
| Tuition revenue | 631,713 | 874,778 | - | 1,506,491 |
| Federal revenues | - | - | 66,437 | 66,437 |
| Intergovernmental revenues | - | 444,245 | - | 444,245 |
| Miscellaneous | 1,553 | - | 343,348 | 344,901 |
| Interest income | 1,996 | - | - | 1,996 |
| Food sales and commodities | - | - | 57,330 | 57,330 |
| Contributions | - | - | 162,058 | 162,058 |
| On-behalf payments | 144,779 | - | - | 144,779 |
| Total revenues | <u>6,297,017</u> | <u>2,066,436</u> | <u>631,047</u> | <u>8,994,500</u> |
| EXPENDITURES | | | | |
| Current expenditures | | | | |
| Regular instruction | 2,918,301 | 1,291,311 | 479,360 | 4,688,972 |
| Special education | 742,837 | - | - | 742,837 |
| Support services | 2,256,136 | 827,397 | - | 3,083,533 |
| On-behalf payments | 144,779 | - | - | 144,779 |
| Capital outlays | - | - | 161,978 | 161,978 |
| Debt service: | | | | |
| Interest | 11,239 | - | - | 11,239 |
| Total expenditures | <u>6,073,292</u> | <u>2,118,708</u> | <u>641,338</u> | <u>8,833,338</u> |
| EXCESS REVENUES (EXPENDITURES) | <u>223,725</u> | <u>(52,272)</u> | <u>(10,291)</u> | <u>161,162</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 20,000 | 20,000 |
| Transfers out | (20,000) | - | - | (20,000) |
| Total other financing sources(uses) | <u>(20,000)</u> | <u>-</u> | <u>20,000</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 203,725 | (52,272) | 9,709 | 161,162 |
| FUND BALANCES - July 1, 2018 | (9,994) | (25,586) | 62,365 | 26,785 |
| Prior period adjustment | - | - | (148,625) | (148,625) |
| FUND BALANCES - July 1, 2018 (RESTATED) | <u>(9,994)</u> | <u>(25,586)</u> | <u>(86,260)</u> | <u>(121,840)</u> |
| FUND BALANCES - June 30, 2019 | <u>\$ 193,731</u> | <u>\$ (77,858)</u> | <u>\$ (76,551)</u> | <u>\$ 39,322</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 \$ 161,162

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 \$151,760 exceeds capital outlays of \$101,372

(50,388)

Cost of capital lease

26,981

On behalf payments related to the Vermont State Teachers Retirement system in 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
State of Vermont on behalf payment - expense - Exhibit B

144,779
(857,194)

State of Vermont on behalf payment - revenue - Exhibit E
State of Vermont on behalf payment - revenue - Exhibit B

(144,779)
857,194

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 137,755

STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS

JUNE 30, 2019

| | Private- purpose Trust Fund | |
|---|--------------------------------------|-------------------|
| | High School Fund | Agency Fund |
| ASSETS | | |
| Cash | \$ 19,852 | \$ 109,648 |
| Accounts receivable | - | - |
| Investments | 332,597 | - |
| | <u>\$ 352,449</u> | <u>\$ 109,648</u> |
| Total assets | | |
| LIABILITIES | | |
| Due to other funds | 15,282 | - |
| | <u>15,282</u> | <u>-</u> |
| Total Liabilities | | |
| NET POSITION | | |
| Assets held in trust for student scholarships | 337,167 | 109,648 |
| | <u>337,167</u> | <u>109,648</u> |
| Total net position and liabilities | <u>\$ 352,449</u> | <u>\$ 109,648</u> |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

| | <u>Private- Purpose Trust Funds</u> |
|-------------------------------|---|
| <u>ADDITIONS:</u> | |
| Contributions | \$ 6,500 |
| Fundraising revenue | 24 |
| Net investment income | <u>60,143</u> |
| Total Additions | 66,667 |
| <u>DEDUCTIONS:</u> | |
| Scholarship given to students | <u>44,892</u> |
| Total Deductions | <u>44,892</u> |
| Change in net position | 21,775 |
| Net position - July 1, 2018 | <u>315,392</u> |
| Net position - June 30, 2019 | <u><u>\$ 337,167</u></u> |

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The Union High School District #30 (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.

The Union High School District #30, 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.).

UNION HIGH SCHOOL DISTRICT #30

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.

Special Revenue Funds The School District has four special revenue funds, used to account for revenues raised or designated for a specific purpose: The Food Service Fund is used to report the activity for which a fee is charged to users for goods or services and reports Federal, State of Vermont, and sales revenue and related expenditures, the High School Grants Fund and Vocational Grants Fund, are both used to account for the management and allocation of grants, and the Capital Improvement Fund used for capital improvements to school district property.

Permanent Fund The District maintains one permanent fund, used to report resources that are restricted to the extent that designated earnings may be used to support selected scholarships. The Riverbend Endowment Fund represents an amount given to the School District for the purpose of supporting the School District's technical center scholarships. Further information about the Riverbend Endowment Fund can be found in Footnote 13.

Fiduciary Funds

Private Purpose Trust Funds - Custodial in nature, Private Purpose Trust Funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains one Private Purpose Trust Fund; the High School Private Purpose Trust Fund used to fund student scholarships.

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Agency Funds - To account for situations where the government's role is purely custodial, all assets reported in the School District's agency fund are offset by a liability to the party on whose behalf they are held. Agency Funds do not present results of operations or have a measurement focus. Agency Funds use the full accrual basis of accounting. The School District's Agency Funds are used to hold scholarships and donations for student activities.

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.

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.

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

Inventory

Inventories consist of items held for consumption, valued at cost on a first-in/first-out method. All inventories held by the School District have been expensed when purchased.

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 - 15 years |
| Vehicles | 5 years |

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences

District policies do 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 to recognize a liability for these balances in their financial statements. The School District also participates in a Sick Bank; each teacher must become a participating member of the sick leave bank and shall do so by contributing two (2) sick days from his/her personal sick leave entitlement at the beginning of the teacher's first period of employment with the School District. The minimum number of days to be held in the sick leave bank for each individual district shall be equivalent to the number of bargaining units in that district, multiplied by two (2); however, in no case shall the minimum be less than fifty (50) days.

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.

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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(s) of the legal voters of the School District, which consist of the towns of Bradford and Newbury.

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.

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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 adopts annual budgets for its General Fund and Technical Education Fund consistent with generally accepted accounting principles. These budgets are prepared by the School District's administration with direction from the Board and the Supervisory Union. These budgets include proposed expenditures by line item and the means of financing them. These budgets are approved by the School District's voters at the annual meeting. The voters authorize the total expense amount and not the individual line items presented in these financial statements.

Fund Deficits

The School District has deficits of \$77,858 in the Technical Education Fund and \$101,631 in the Food Service Fund. The School District is working to resolve these deficits through future budgets.

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 3 – Stewardship, Compliance and Accountability (Continued)

Budgeted Deficit

For the fiscal year ending June 30, 2019, the School District elected to budget expenditures in excess of revenue by \$251,572 in the General Fund and \$31,000 in the Technical Education Fund, which resulted in a budgeted deficit. This is reflected as current year’s budgeted deficiency of revenue over expenditures in Schedule III and IV.

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 | \$ 752,058 |
|----------------------------------|------------|

Investments:

| | |
|--------------------|-------|
| Money Market Funds | 5,213 |
|--------------------|-------|

| | |
|-------------|---------|
| Stock Funds | 202,687 |
|-------------|---------|

| | |
|------------|---------|
| Bond Funds | 124,697 |
|------------|---------|

| | |
|-------------------|---------|
| Total investments | 332,597 |
|-------------------|---------|

| | |
|----------------------------|--------------|
| Total cash and investments | \$ 1,084,655 |
|----------------------------|--------------|

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 Balance | Bank Balance |
|---------------------------------|-----------------|-----------------|
| <u>Cash:</u> | | |
| Insured (FDIC) | \$ 129,501 | \$ 160,545 |
| Entered in repurchase agreement | 622,558 | 824,280 |
| Total cash | \$ 752,059 | \$ 984,825 |

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

UNION HIGH SCHOOL DISTRICT #30
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

Note 4 – Cash and Investments (Continued)

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.

| Investment Type | <u>Remaining Maturity</u> | | Total |
|--------------------|---------------------------|-------------------|-------------------|
| | 1 to 5 Years | Not Available | |
| Money Market Funds | \$ - | 5,213 | \$ 5,213 |
| Stock Funds | - | 202,687 | 202,687 |
| Bond Funds | - | 124,697 | 124,697 |
| Total | <u>\$ -</u> | <u>\$ 332,597</u> | <u>\$ 332,597</u> |

The School District's investments are recorded at fair value at year end. Fair value measurements of these investments at year end, using quoted prices in active markets for identical assets (Level I).

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 multiple securities. The School District does not have any limitations on the amount that can be invested in any one issuer. All investments are invested within one financial institution.

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

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 | \$ 160,200 | \$ - | \$ - | \$ 160,200 |
| Totals | <u>160,200</u> | <u>-</u> | <u>-</u> | <u>160,200</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 71,054 | - | - | 71,054 |
| Buildings and improvements | 5,286,092 | - | - | 5,286,092 |
| Furniture and equipment | 1,444,484 | 101,372 | - | 1,545,856 |
| Vehicles | 288,751 | - | - | 288,751 |
| Totals | <u>7,090,381</u> | <u>101,372</u> | <u>-</u> | <u>7,191,753</u> |
| Land improvements | (56,782) | (4,737) | - | (61,519) |
| Buildings and improvements | (4,164,457) | (62,009) | - | (4,226,466) |
| Furniture and equipment | (1,230,677) | (82,672) | - | (1,313,349) |
| Vehicles | (281,841) | (2,342) | - | (284,183) |
| Totals | <u>(5,733,757)</u> | <u>(151,760)</u> | <u>-</u> | <u>(5,885,517)</u> |
| Net capital assets, being depreciated | <u>1,356,624</u> | <u>(50,388)</u> | <u>-</u> | <u>1,306,236</u> |
| Total capital assets, net | <u>\$ 1,516,824</u> | <u>\$ (50,388)</u> | <u>\$ -</u> | <u>\$ 1,466,436</u> |

Depreciation expense was \$151,760, which was allocated to support services.

Of this amount, \$27,224 is depreciation related to capital leases.

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 | \$ - | \$ 257,097 |
| Technical Education Fund | - | 25,813 |
| Food Service Fund | - | 93,939 |
| Vocational Grant Fund | 223,303 | - |
| Capital Improvements Fund | 25,384 | - |
| High School Grants Fund | 143,444 | - |
| High School Endowment Fund | - | 15,282 |
| | <u>\$ 392,131</u> | <u>\$ 392,131</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.

UNION HIGH SCHOOL DISTRICT #30
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

Note 6 – Interfund receivables, payables, and transfers (continued)

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

- Transfer of \$20,000 to the Food Service Fund

Note 7 – Operating Leases

The District has entered into a lease agreement with Pitney Bowes for the lease of a postage machine for the High School and River Bend Career Tech Center. The District entered into several lease agreements with W. B. Mason for leases of photocopiers used throughout the School District. Total payments for operating leases for the year ended June 30, 2019 was \$13,112.

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

| | | | |
|---------------------------------|------|----------|--|
| During the year ending June 30, | 2020 | 6,055 | |
| | 2021 | 1,935 | |
| | 2022 | - | |
| | | - | |
| | | \$ 7,990 | |

Note 8 – Capital Leases

On April 12, 2016, the School District entered into a lease agreement with Apple, Inc. for the lease of computers for use by employees and students; refinancing the existing lease. The total contract amount of \$115,412 is to be paid in four annual installments of \$28,853. Total lease payments made this year under this agreement were \$28,853, which included principal of \$26,981 and interest of \$1,872.

The following summarizes capital lease obligations:

| Year Ending June 30, | Maturities | | Totals | |
|-------------------------|-----------------------|----------|--------|--------|
| | Capital Lease Payable | | | |
| | Principal | Interest | Totals | |
| 2020 | \$ 27,900 | \$ 953 | \$ | 28,853 |
| | - | - | - | - |
| Total | \$ 27,900 | \$ 953 | \$ | 28,853 |

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.

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 9 – 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:

General Fund:

| | |
|---------------------------------------|-----------|
| Nonspendable general prepaid expenses | \$ 22,285 |
|---------------------------------------|-----------|

Technical Education Fund:

| | |
|---------------------------------------|--------------|
| Nonspendable general prepaid expenses | <u>1,215</u> |
|---------------------------------------|--------------|

| | |
|----------------------------------|------------------|
| Total Nonspendable Fund Balances | <u>\$ 23,500</u> |
|----------------------------------|------------------|

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

Special Revenue Funds:

Temporarily Restricted:

| | |
|---------------------------|------------------|
| Capital Improvements Fund | <u>\$ 25,080</u> |
|---------------------------|------------------|

| | |
|--------------------------------|------------------|
| Total Restricted Fund Balances | <u>\$ 25,080</u> |
|--------------------------------|------------------|

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 9 – Fund Balances/Net Position (Continued)

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

Assigned Fund Balances:

General Fund

| | |
|---------------------------------|---|
| Assigned for FY 20 expenditures | - |
| | - |

Committed Fund Balances:

Technical Education Fund

| | |
|-----------------------------------|----------|
| Committed for future expenditures | (79,073) |
|-----------------------------------|----------|

| | |
|--|-------------|
| Total Assigned/Committed Fund Balances | \$ (79,073) |
|--|-------------|

Note 10 – Short-term debt

During the year ending June 30, 2019, the School District received short term borrowings of \$945,000 from Community Bank, N.A., which charged interest at 1.95%. The balance was paid in full during June 2019.

The following summarized short-term debt activity during the year ending June 30, 2019:

| <u>6/30/18</u> | <u>Proceeds</u> | <u>Payments</u> | <u>6/30/19</u> |
|----------------|-----------------|-----------------|----------------|
| \$ - | \$ 945,000 | \$ (945,000) | \$ - |

Total interest expense for all short-term debt during the year included in the education expenses on Exhibit B is \$15,650.

Note 11 - Long-Term Liabilities

General Obligation Bonds. The School District entered into general obligation bond 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.

UNION HIGH SCHOOL DISTRICT #30
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

Note 11 - Long-Term Liabilities (continued)

The following is a summary of general obligation bonds:

| | |
|--|------------------|
| Bond Payable - Vermont Municipal Bond Bank, bond payable with variable interest, principal payments from \$45,000 to \$21,000 beginning December 2019. Final payment in December 2038. | <u>\$420,000</u> |
| Total long-term debt | <u>\$420,000</u> |

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

| | Balance at June 30, 2018 | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------------|-----------------------------|------------|------------|-------------------|------------------------|
| General obligation bonds payable | \$ - | \$ 420,000 | \$ - | \$ 420,000 | \$ 21,000 |

Debt service requirements to maturity are as follows:

| Year Ending June 30, | Maturities Bond Payable | | Total | |
|-------------------------|----------------------------|------------|------------|------------|
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 21,000 | \$ 13,357 | \$ 21,000 | \$ 13,357 |
| 2021 | 21,000 | 12,887 | 21,000 | 12,887 |
| 2022 | 21,000 | 12,383 | 21,000 | 12,383 |
| 2023 | 21,000 | 11,844 | 21,000 | 11,844 |
| 2024 | 21,000 | 11,273 | 21,000 | 11,273 |
| Thereafter | 315,000 | 85,921 | 315,000 | 85,921 |
| Total | \$ 420,000 | \$ 147,665 | \$ 420,000 | \$ 147,665 |

Note 12 - Sick Leave

Teachers can earn 12 sick days per year, and may accumulate a maximum of 90 days. Full year employees earn 12 sick days per year, and may accumulate a maximum of 90 days.

At year end the School District held 1,894 days in the sick leave bank for teachers and 163 days for support staff. The School District does not recognize an accrued liability for the sick leave bank.

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 13 - 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. 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.

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 14 - Endowment Fund

The Riverbend Endowment Trust Fund represents an amount given to the School District for the purpose of supporting the School District's technical center programs.

1. Interpretation of Relevant Law: The School Board has interpreted the Vermont-adopted Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the School District classifies as permanently restricted net position the original value of the gifts donated to the endowment. The remainder of the endowment that is not classified in permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the School District in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the School District considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:
 - a) The purpose established by the donor
 - b) The needs of the School District's music program
2. Funds with Deficiencies: There is no expectation that the fair value of assets associated with the donor-restricted endowment will fall below the level that the donor or UPMIFA requires the School District to retain. There are no deficiencies of this nature as of June 30, 2017.
3. Return Objectives and Risk Parameters: The School District has adopted investment and spending policies to preserve corpus for use consistent with the donor's purposes. Under this policy, the School Board is determined to protect the principal by investing in fully collateralized certificates of deposit or money market accounts. While the return objective will be low, based on market rates, the risk of loss will also be low. Actual return as of June 30, 2017 is based on returns provided for on-demand deposits. Actual returns will vary each year.
4. Strategies Employed for Achieving Objectives: To satisfy the School District's goals of preservation of principal, the School District invests in fully collateralized bank instruments of short to medium duration during low return cycles and will invest in varying investment terms as rates rise or decline.
5. Spending Policy and How Investment Objectives Relate to Spending Policy: The School District is restricted in the amount that can be spent from the Endowment to the current and accumulated interest earnings and, therefore, the investment objectives of principal preservation is of high importance.

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 15 - Defined Benefit Pension 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

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 |

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 15 - Defined Benefit Pensions Plans (Continued)

| | Group A | Group C - Group #1* | Group C - Group #2** |
|-------------------------------------|--|--|--|
| 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 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:

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 15 - Defined Benefit Pensions Plans (Continued)

| 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% 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.

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 15 - Defined Benefit Pensions 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 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> |
|----------------------------|------------------------------|----------------------------|
| \$ 7,931,678 | \$ 6,568,390 | \$ 5,203,702 |

State Teachers' Retirement System of Vermont

The contribution made by the State on behalf of the participants in the State Teachers' Retirement System is \$144,779 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 \$857,194. Of the School District's total payroll of \$4,219,438, \$2,939,329 was covered under the Vermont State Teachers' Retirement System.

UNION HIGH SCHOOL DISTRICT #30

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Note 15 - Defined Benefit Pensions 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 \$1,253 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.

Teachers 403(b) Retirement Program

The School District maintains a 403(b) plan comprised of employer and employee contributions with administrators' employer contributions at \$60 a month per individual contract. Employer contribution rise to 10% of salary once an employee has worked twelve months for the School District.

Note 16- Reconciliation of Exhibit E to Schedule III

Amounts recorded in the Statement of Revenues, Expenditures and Change in Fund Balance Budget to Actual – General Fund (Schedule III) 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:

| | <u>Revenues</u> | <u>Expenditures</u> |
|--------------------|---------------------|---------------------|
| Exhibit E | \$ 6,297,017 | \$ 6,073,292 |
| On behalf payments | (144,779) | (144,779) |
| Schedule III | <u>\$ 6,152,238</u> | <u>\$ 5,928,513</u> |

Note 17 - Concentration of Revenue

The School District receives approximately 73% 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.

UNION HIGH SCHOOL DISTRICT #30
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

Note 17 - Concentration of Revenue (continued)

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

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 \$608,085 of such expenses during the year ended June 30, 2019.

Note 19 - Commitments and 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 20 – Subsequent Events

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
- Newbury Town School District

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 had the following prior period adjustments –

- Vocational Grant Funds: 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 a reduction to beginning fund balance of \$46,482.
- High School Grant Funds: 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 a reduction to beginning fund balance of \$91,932.
- Riverbend Endowment Fund: Removed cash account which was not part of the School District. The result was a reduction to beginning fund balance of \$10,211.

COMBINING BALANCE SHEET - NON-MAJOR
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

| | Special Revenue Funds | | | | Permanent Fund | Totals |
|--------------------------------------|-----------------------|------------------------------|---------------------------------|-------------------------------|--------------------------------|-------------------|
| | Food Service | Vocational Grants Fund | Capital Improvements Fund | High School Grants Fund | Riverbend Endowment Fund | |
| ASSETS | | | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts receivable | \$ - | \$ 10,686 | \$ - | \$ 6,495 | \$ - | \$ 17,181 |
| Prepaid expenses | - | - | - | - | - | - |
| Due from other funds | - | 223,303 | 25,384 | 143,444 | - | 392,131 |
| Total assets | <u>\$ -</u> | <u>\$ 233,989</u> | <u>\$ 25,384</u> | <u>\$ 149,939</u> | <u>\$ -</u> | <u>\$ 409,312</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 7,692 | \$ 834 | \$ 304 | \$ 6,495 | \$ - | \$ 15,325 |
| Accrued payroll and withholdings | - | 3,313 | - | - | - | 3,313 |
| Due to other funds | 93,939 | - | - | - | - | 93,939 |
| Deferred revenue | - | 229,842 | - | 143,444 | - | 373,286 |
| Total liabilities | <u>101,631</u> | <u>233,989</u> | <u>304</u> | <u>149,939</u> | <u>-</u> | <u>485,863</u> |
| Fund balances | | | | | | |
| Temporarily restricted | - | - | 25,080 | - | - | 25,080 |
| Unassigned | (101,631) | - | - | - | - | (101,631) |
| Total fund balances | <u>(101,631)</u> | <u>-</u> | <u>25,080</u> | <u>-</u> | <u>-</u> | <u>(76,551)</u> |
| Total liabilities and fund balance | <u>\$ -</u> | <u>\$ 233,989</u> | <u>\$ 25,384</u> | <u>\$ 149,939</u> | <u>\$ -</u> | <u>\$ 409,312</u> |

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

YEAR ENDED JUNE 30, 2019

| | Special Revenue Funds | | | Permanent Fund | Totals | |
|--|-----------------------|------------------------------|---------------------------------|-------------------------------|-------------|--------------------------------|
| | Food Service | Vocational Grants Fund | Capital Improvements Fund | High School Grants Fund | | Riverbend Endowment Fund |
| REVENUES | | | | | | |
| Federal revenues | \$ 65,351 | \$ - | \$ - | \$ 1,086 | \$ - | \$ 66,437 |
| Lunch sales | 46,227 | - | - | - | - | 46,227 |
| Commodities | 11,103 | - | - | - | - | 11,103 |
| State | 1,874 | - | - | - | - | 1,874 |
| Contributions | - | - | 162,058 | - | - | 162,058 |
| Other | 10,330 | 303,199 | - | 29,819 | - | 343,348 |
| Total revenues | <u>134,885</u> | <u>303,199</u> | <u>162,058</u> | <u>30,905</u> | <u>-</u> | <u>631,047</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Program expenditures | 145,256 | 303,199 | - | 30,905 | - | 479,360 |
| Capital outlays | - | - | 161,978 | - | - | 161,978 |
| Total expenditures | <u>145,256</u> | <u>303,199</u> | <u>161,978</u> | <u>30,905</u> | <u>-</u> | <u>641,338</u> |
| EXCESS REVENUES (EXPENDITURES) | <u>(10,371)</u> | <u>-</u> | <u>80</u> | <u>-</u> | <u>-</u> | <u>(10,291)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 20,000 | - | - | - | - | 20,000 |
| NET CHANGE IN FUND BALANCE | 9,629 | - | 80 | - | - | 9,709 |
| FUND BALANCES - July 1, 2018 | (111,260) | 46,482 | 25,000 | 91,932 | 10,211 | 62,365 |
| Prior period adjustment | - | (46,482) | - | (91,932) | (10,211) | (148,625) |
| FUND BALANCES - July 1, 2018 (RESTATED) | <u>(111,260)</u> | <u>-</u> | <u>25,000</u> | <u>-</u> | <u>-</u> | <u>(86,260)</u> |
| FUND BALANCES - June 30, 2019 | <u>\$ (101,631)</u> | <u>\$ -</u> | <u>\$ 25,080</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (76,551)</u> |

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2019

| | Approved Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|---------------------|-------------------|--|
| REVENUES | | | |
| State and local education | \$ 5,137,455 | \$ 5,234,838 | \$ 97,383 |
| Special education | 877,897 | 282,138 | (595,759) |
| Tuition revenue | 759,000 | 631,713 | (127,287) |
| Miscellaneous | - | 1,553 | 1,553 |
| Interest income | 1,000 | 1,996 | 996 |
| Total revenues | <u>6,775,352</u> | <u>6,152,238</u> | <u>(623,114)</u> |
| EXPENDITURES | | | |
| Current expenditures | | | |
| Regular instruction | 3,162,559 | 2,918,301 | 244,258 |
| Special education | 1,479,020 | 742,837 | 736,183 |
| Support services | 2,365,345 | 2,256,136 | 109,209 |
| Debt service: | | | |
| Interest | - | 11,239 | (11,239) |
| Total expenditures | <u>7,006,924</u> | <u>5,928,513</u> | <u>1,078,411</u> |
| EXCESS REVENUES (EXPENDITURES) | (231,572) | 223,725 | 455,297 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer in (out) | (20,000) | (20,000) | - |
| Total other financing sources (uses) | <u>(20,000)</u> | <u>(20,000)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (251,572)</u> | <u>203,725</u> | <u>\$ 455,297</u> |
| FUND BALANCE - JULY 1, 2018 | | <u>(9,994)</u> | |
| FUND BALANCE - JUNE 30, 2019 | | <u>\$ 193,731</u> | |

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - TECHNICAL EDUCATION FUND

YEAR ENDED JUNE 30, 2019

| | Approved Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|--------------------|--------------------|--|
| REVENUES | | | |
| State and local education | \$ 655,833 | \$ 647,085 | \$ (8,748) |
| Vocational Center Tuition revenue | 778,287 | 874,778 | 96,491 |
| Adult education revenue | 193,905 | 62,599 | (131,306) |
| Intergovernmental revenues | 434,167 | 444,245 | 10,078 |
| Vocational programs revenue | - | 37,729 | 37,729 |
| Total revenues | <u>2,062,192</u> | <u>2,066,436</u> | <u>4,244</u> |
| EXPENDITURES | | | |
| Current expenditures | | | |
| Direct instruction | 1,198,646 | 1,291,311 | (92,665) |
| Support services | 894,546 | 827,397 | 67,149 |
| | <u>2,093,192</u> | <u>2,118,708</u> | <u>67,149</u> |
| Total expenditures | <u>2,093,192</u> | <u>2,118,708</u> | <u>67,149</u> |
| EXCESS REVENUES (EXPENDITURES) | (31,000) | (52,272) | 71,393 |
| NET CHANGE IN FUND BALANCE | <u>\$ (31,000)</u> | <u>(52,272)</u> | <u>\$ 71,393</u> |
| FUND BALANCE - JULY 1, 2018 | | <u>(25,586)</u> | |
| FUND BALANCE - JUNE 30, 2019 | | <u>\$ (77,858)</u> | |

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 | 0.43479% | 0.43962% | 0.49229% |
| School District's Proportionate Share of the Net Pension Liability | \$ 6,568,390 | \$ 6,516,922 | \$ 6,446,615 |
| School District's Covered Employee Payroll | \$ 2,939,329 | \$ 2,905,022 | \$ 3,189,025 |
| 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 15 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
Union High School District #30
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 Union High School District #30 (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 of Assoc, LLC

Registration number VT092.0000684
March 19, 2020