

Audited Financial Statements
and Other Financial Information

**Granville-Hancock Unified
School District**

June 30, 2019



Proven Expertise & Integrity

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

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JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Granville-Hancock Unified School District
Hancock, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Granville-Hancock Unified School District, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Granville-Hancock Unified 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Granville-Hancock Unified School District as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 28 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 Granville-Hancock Unified School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues and Schedule of Departmental Operations - General Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues and Schedule of Departmental Operations - General Fund are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used

to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues and Schedule of Departmental Operations - General Fund 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 30, 2020, on our consideration of Granville-Hancock Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Granville-Hancock Unified School District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration # 092.0000697
March 30, 2020

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

(UNAUDITED)

The following management's discussion and analysis of the Granville-Hancock Unified School District'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 Granville-Hancock Unified School District's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the above mentioned financial statements have one column for the School District's activity. The type of activity presented for the School District is:

- *Governmental activities* – The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). All of the School District's basic services are reported in governmental activities, which include school instruction, board of education, fiscal services, superintendent's office and unclassified.

Fund Financial Statements

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

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

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

The School District presents one column in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's only major fund is the general fund.

The general fund is the only fund for which the School District legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the School District's governmental activities. The School District's total net position increased by \$122,283 from a deficit balance of \$43,573 to a balance of \$78,710.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. All of the School District's net position is classified as unrestricted.

Table 1
Granville-Hancock Unified School District
Net Position
June 30,

	2019	2018
Assets		
Current Assets	\$ 97,568	\$ 356,482
Total Assets	97,568	356,482
Liabilities		
Current Liabilities	18,858	400,055
Total Liabilities	18,858	400,055
Net Position		
Unrestricted (deficit)	78,710	(43,573)
Total Net Position	\$ 78,710	\$ (43,573)

Revenues and Expenses

Granville-Hancock Unified School District's revenues decreased by 3.94%, while total expenses decreased by 3.91%. The decrease in revenues was due to grants and contributions not restricted to specific programs. Expenses decreased in all areas with the exception of Superintendent's office.

Table 2
Granville-Hancock Unified School District
Change in Net Position
For the Years Ended June 30,

	2019	2018
Revenues		
<i>General Revenues:</i>		
Grants and contributions not restricted to specific programs	\$ 1,610,246	\$ 1,704,735
Miscellaneous	27,492	150
Total Revenues	1,637,738	1,704,885
Expenses		
School instruction	1,291,305	1,371,508
Board of Education	6,115	9,451
Fiscal services	2,600	4,052
Superintendent's office	213,421	160,273
Unclassified	-	26,017
Interest on long-term debt	2,014	5,882
Total Expenses	1,515,455	1,577,183
 Change in Net Position	 122,283	 127,702
 Net Position - July 1	 (43,573)	 (171,275)
 Net Position - June 30	 \$ 78,710	 \$ (43,573)

Financial Analysis of the School District's Fund Statements

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

**Table 3
Granville-Hancock Unified School District
Fund Balances - Governmental Funds
June 30,**

	2019	2018
General Fund:		
Unassigned	\$ 78,710	\$ (43,573)
Total General Fund	\$ 78,710	\$ (43,573)

The general fund total fund balance increased by \$122,283 from the prior fiscal year as a result of revenues exceeding expenditures.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues were over budgeted revenues by \$3,668. This was primarily the result of miscellaneous revenues.

The general fund actual expenditures were under budgeted amounts by \$42,315. All expenditure categories were under budget with the exception of the superintendent's office.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2019, the School District did not have any fixed assets.

Debt

At June 30, 2019, the School District had no long-term debt outstanding.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

The 2019 - 2020 budget could be severely impacted by the reduction of funding from the State.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers 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 Superintendent's Office at 461 Waterman Road, Royalton, Vermont 05068.

STATEMENT A

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 68,068
Due from other governments	<u>29,500</u>
Total current assets	<u>97,568</u>
 TOTAL ASSETS	 <u><u>\$ 97,568</u></u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 18,858
Total current liabilities	<u>18,858</u>
 TOTAL LIABILITIES	 <u>18,858</u>
 NET POSITION	
Unrestricted	<u>78,710</u>
TOTAL NET POSITION	<u>78,710</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 97,568</u></u>

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

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
School instruction	\$ 1,291,305	\$ -	\$ -	\$ -	\$ (1,291,305)
Board of Education	6,115	-	-	-	(6,115)
Fiscal services	2,600	-	-	-	(2,600)
Superintendents office	213,421	-	-	-	(213,421)
Interest on long-term debt	2,014	-	-	-	(2,014)
Total government	<u>\$ 1,515,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,515,455)</u>
General revenues:					
Grants and contributions not restricted to specific programs					1,610,246
Total general revenues					<u>1,637,738</u>
Change in net position					122,283
NET POSITION (DEFICIT) - JULY 1					<u>(43,573)</u>
NET POSITION (DEFICIT) - JUNE 30					<u>\$ 78,710</u>

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

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 68,068	\$ 68,068
Due from other governments	29,500	29,500
TOTAL ASSETS	<u>\$ 97,568</u>	<u>\$ 97,568</u>
LIABILITIES		
Accounts payable	\$ 18,858	\$ 18,858
TOTAL LIABILITIES	<u>18,858</u>	<u>18,858</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	78,710	78,710
TOTAL FUND BALANCES	<u>78,710</u>	<u>78,710</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 97,568</u>	<u>\$ 97,568</u>

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

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
REVENUES		
Intergovernmental revenues	\$ 1,610,246	\$ 1,610,246
Miscellaneous revenues	27,492	27,492
TOTAL REVENUES	<u>1,637,738</u>	<u>1,637,738</u>
EXPENDITURES		
Current:		
School instruction	1,291,305	1,291,305
Board of Education	6,115	6,115
Fiscal services	2,600	2,600
Superintendent's office	213,421	213,421
Debt service:		
Interest	2,014	2,014
TOTAL EXPENDITURES	<u>1,515,455</u>	<u>1,515,455</u>
NET CHANGE IN FUND BALANCES (DEFICIT)	122,283	122,283
FUND BALANCES (DEFICIT) - JULY 1	<u>(43,573)</u>	<u>(43,573)</u>
FUND BALANCES (DEFICIT) - JUNE 30	<u>\$ 78,710</u>	<u>\$ 78,710</u>

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

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The School District was incorporated under the laws in the State of Vermont. The School District operates under the Board of Directors-superintendent form of government and provides the following services: regular instruction, transportation, administration and other services.

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

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

Implementation of New Accounting Standards

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial 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).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All activities of the School District are categorized as governmental.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions (instruction, administration, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The School District does not allocate indirect costs. All costs are charged directly to the corresponding District.

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

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the School District are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. Both fiduciary funds and component units that are fiduciary in nature have been excluded from these financial statements. The following fund types are used by the School District:

1. Governmental Funds:

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

Major Fund:

- a. The General Fund is the general 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.

The emphasis in fund financial statements is on the major funds in the governmental activity category. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. As of June 30, 2019, the School District did not have any nonmajor funds.

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

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

Budget

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

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

1. The annual school budget is the planning management tool, which delineates the District's educational priorities and programs and forms the basis for voter review and approval of the budget according to applicable State of Vermont education finance laws.

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The Board budget process includes input from school district administration and staff, educational priorities for the next school year, along with public hearings, which include the Board of Directors and general public.

3. The budget document itself is based upon the most current funding information available along with the projection of current revenues and expenditures for the next year. At the conclusion of the budget process, a final budget is approved by the Board of Directors.

Deposits and Investments

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

It is the District's policy to value investments at fair value. None of the District's investments are reported at amortized cost. The District Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

The Granville-Hancock Unified School District has no formal investment policy but instead follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$29,500 for the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019.

Transactions Between Funds

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

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

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

All long-term obligations to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The School District has no long-term obligations as of June 30, 2019.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Net Position

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

Fund Balance

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

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

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the School Board.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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

Program Revenues

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

Encumbrance Accounting

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

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

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

At June 30, 2019, the School District's cash balance of \$68,068 was comprised of bank balances of \$434,502 which were all insured by federal depository insurance and consequently were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 50,065
ICS	384,437
	<u>\$ 434,502</u>

Investments:

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

The School District had no investments at June 30, 2019.

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

NOTE 3 - SHORT-TERM DEBT

On June 30, 2017, the Hancock School District issued a tax/revenue anticipation note through Mascoma Savings Bank in anticipation of revenues to meet its operating obligations during the fiscal year. The note allowed principal draws up to \$152,265 at a 2.35% fixed interest rate with a maturity date of June 30, 2019. At June 30, 2018 there was a balance of \$76,133

On July 1, 2017, the Granville School District issued a tax/revenue anticipation note through Mascoma Savings Bank in anticipation of revenues to meet its operating obligations during the fiscal year. The note allowed principal draws up to \$326,464 at a 2.35% fixed interest rate with a maturity date of June 30, 2018. At June 30, 2018 there was a balance of \$155,900.

On June 30, 2017, the Granville School District issued a tax/revenue anticipation note through Mascoma Savings Bank in anticipation of tax revenues to meet its operating obligations during the fiscal year. The note allowed principal draws up to \$130,087 at a 2.35% fixed interest rate with a maturity date of June 30, 2018. At June 30, 2018 there was a balance of \$33,002.

On July 1, 2018, the Granville-Hancock Unified School District issued a tax/revenue anticipation note with Mascoma Savings Bank to meet its operating obligations during the 2019 fiscal year. The note allows principal draws up to \$292,337 at a 2.59% fixed interest rate with a maturity date of June 30, 2019.

On July 1, 2018, the Granville-Hancock Unified School District issued a tax/revenue anticipation note with Mascoma Savings Bank to meet its operating obligations during the 2019 fiscal year. The note allows principal draws up to \$188,691 at a 2.59% fixed interest rate with a maturity date of June 30, 2019.

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 - SHORT-TERM DEBT (CONTINUED)

Short-term debt activity for the year ended June 30, 2019 was as follows:

	Balance, 7/1/18	Additions	Reductions	Balance, 6/30/19
Tax anticipation note	\$ 76,133	\$ -	\$ (76,133)	\$ -
Tax anticipation note	155,900	-	(155,900)	-
Tax anticipation note	33,002	-	(33,002)	-
Tax anticipation note	-	292,337	(292,337)	-
Tax anticipation note	-	188,691	(188,691)	-
	\$ 265,035	\$ 481,028	\$ (746,063)	\$ -

Interest paid on short-term debt for the year ended June 30, 2019 totaled \$4,866.

NOTE 4 - CONTINGENCIES

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

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

NOTE 5 - 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 natural disasters for which the School District carries commercial insurance or participates in a public entity and self-insured risk pool.

Based on the coverage provided by the insurance purchased, the School District is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2019. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - RISK MANAGEMENT (CONTINUED)

The District is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker compensation, multi-line intermunicipal school program, unemployment compensation program and the Vermont Education Health Initiative (VEHI) for medical benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont School Districts and is owned by the participating Districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

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

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 protections. 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 member assessed their proportionate share of the deficit.

To provide worker's compensation coverage, VSBIT has 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 estimated contributions and actual expenses.

Multi-Line Intermunicipal School Program provides coverage for property; inland marine and boiler and machinery; crime; commercial general liability; automobile/garagekeepers; and educators legal liability. Annual contributions are based upon appropriate rates applicable to each member; such rates are set based on recommendations of a qualified actuary, plus a proportionate share of all operational and administrative cost including excess reinsurance premiums incurred by the trust. 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 member assessed their proportionate share of the deficit.

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - RELATED ORGANIZATION

The School District has an ongoing financial responsibility to White River Valley Supervisory Union as defined in GASB 14, paragraph 71. Through White River Valley Supervisory Union's assessment process, the School District's assessment can be increased to cover a share of any prior year deficits and decreased to share in any prior year surpluses. Separate financial statements on White River Valley Supervisory Union are available from White River Valley Supervisory Union.

NOTE 7 - SUBSEQUENT EVENTS

On July 1, 2019, the School District issued a tax/revenue anticipation note with Community National Bank to meet its operating obligations during the 2020 fiscal year. The note allows principal draws up to \$409,307 at a fixed interest rate of 2.80% and a maturity date of June 30, 2020.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (43,573)	\$ (43,573)	\$ (43,573)	\$ -
Resources (Inflows):				
Intergovernmental:				
State support	1,587,916	1,587,916	1,589,476	1,560
Other	46,154	46,154	20,770	(25,384)
Miscellaneous	-	-	27,492	27,492
Amounts Available for Appropriation	<u>1,590,497</u>	<u>1,590,497</u>	<u>1,594,165</u>	<u>3,668</u>
Charges to Appropriations (Outflows):				
School instruction	1,373,582	1,373,582	1,291,305	82,277
Board of Education	7,330	7,330	6,115	1,215
Fiscal services	4,222	4,222	2,600	1,622
Superintendent's office	168,636	168,636	213,421	(44,785)
Debt service:				
Interest	4,000	4,000	2,014	1,986
Total Charges to Appropriations	<u>1,557,770</u>	<u>1,557,770</u>	<u>1,515,455</u>	<u>42,315</u>
Budgetary Fund Balance, June 30	<u>\$ 32,727</u>	<u>\$ 32,727</u>	<u>\$ 78,710</u>	<u>\$ 45,983</u>
Utilization of unassigned fund balance	<u>\$ (76,300)</u>	<u>\$ (76,300)</u>	<u>\$ -</u>	<u>\$ 76,300</u>

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

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
State support	\$ 1,587,916	\$ 1,587,916	\$ 1,589,476	\$ 1,560
Tech ed support grant	33,154	33,154	-	(33,154)
Medicaid	5,000	5,000	-	(5,000)
Green mountain forest	8,000	8,000	20,770	12,770
Miscellaneous:				
Other receipts	-	-	27,492	27,492
Amounts Available for Appropriation	<u>\$ 1,634,070</u>	<u>\$ 1,634,070</u>	<u>\$ 1,637,738</u>	<u>\$ 3,668</u>

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

SCHEDULE B

GRANVILLE-HANCOCK UNIFIED SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
School instruction -				
Tuition elementary	\$ 862,160	\$ 862,160	\$ 861,318	\$ 842
Tuition secondary	392,455	392,455	347,122	45,333
VT DOE Ed Fund - technical centers	33,154	33,154	-	33,154
Tuition prek	19,602	19,602	37,057	(17,455)
Tuition vocational	36,211	36,211	22,924	13,287
Prior year tuition/adjustments	30,000	30,000	22,082	7,918
Contract services - 504/EST	-	-	802	(802)
	<u>1,373,582</u>	<u>1,373,582</u>	<u>1,291,305</u>	<u>82,277</u>
Board of Education -				
Stipends	3,230	3,230	3,000	230
Legal services	800	800	234	566
Liability insurance	2,500	2,500	-	2,500
Advertising	400	400	392	8
Dues and fees	400	400	2,489	(2,089)
	<u>7,330</u>	<u>7,330</u>	<u>6,115</u>	<u>1,215</u>
Fiscal services -				
Treasurer	1,722	1,722	1,600	122
Audit	2,500	2,500	1,000	1,500
	<u>4,222</u>	<u>4,222</u>	<u>2,600</u>	<u>1,622</u>
Superintendent's office -				
Central office assessment	31,037	31,037	23,278	7,759
Transportation	-	-	26,040	(26,040)
Special education assessment	137,599	137,599	149,885	(12,286)
Fiscal assessment	-	-	14,218	(14,218)
	<u>168,636</u>	<u>168,636</u>	<u>213,421</u>	<u>(44,785)</u>
Debt service -				
Interest - short term TAN	4,000	4,000	2,014	1,986
	<u>4,000</u>	<u>4,000</u>	<u>2,014</u>	<u>1,986</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 1,557,770</u>	<u>\$ 1,557,770</u>	<u>\$ 1,515,455</u>	<u>\$ 42,315</u>

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



Proven Expertise & Integrity

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

Board of Directors
Granville-Hancock Unified School District
Hancock, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Granville-Hancock Unified School District as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Granville-Hancock Unified School District's basic financial statements and have issued our report thereon dated March 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Granville-Hancock Unified 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 Granville-Hancock Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Granville-Hancock Unified 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.

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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 Granville-Hancock Unified 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*. We noted certain other matters that we reported to management of the Granville-Hancock Unified School District in a separate letter dated April 27, 2020.

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.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
March 30, 2020