

Audited Financial Statements and  
Other Financial Information

**Rochester-Stockbridge Unified  
School District**

June 30, 2019



*Proven Expertise & Integrity*

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rochester-Stockbridge Unified School District  
Stockbridge, Vermont

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Rochester-Stockbridge 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 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, business-type activities, each major fund and the aggregate remaining fund information of the Rochester-Stockbridge 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, budgetary comparison information and pension and OPEB information on pages 4 through 12 and 65 through 70 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 Rochester-Stockbridge Unified School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules 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, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules 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, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules 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 17, 2020 on our consideration of the Rochester-Stockbridge 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 the Rochester-Stockbridge Unified School District's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
March 17, 2020

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

**(UNAUDITED)**

The following management's discussion and analysis of the Rochester-Stockbridge 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 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 pension schedules and other supplementary information which includes combining and 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 separate columns for the two different types of District activities. The types of activities presented for the School District are:

- *Governmental activities* - The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). Most of the School District's basic services are reported in school instruction, Board of Education, fiscal services, superintendent's office, operations and maintenance, transportation and program expenditures.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Rochester-Stockbridge Unified School District include the School Lunch Fund.

### **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 into three categories: governmental funds, proprietary funds and fiduciary 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 two columns 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. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

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.

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

*Fiduciary Funds:* These funds are used to account for resources held for the benefit of parties outside the Rochester-Stockbridge Unified School District. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the District's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

### **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 Net Position - Fiduciary Funds.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pensions, a Schedule of

Proportionate Share of the Net OPEB Liability, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

### **Other Supplementary Information**

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, other detailed budgetary information for the general fund and capital asset activity.

### **Government-Wide Financial Analysis**

Our analysis below focuses on the net position and changes in net position of the District's governmental and business-type activities. The District's total net position for governmental activities increased by \$33,059 from \$1,859,122 to \$1,892,181. The District's total net position for business-type activities increased by \$2,537 from a balance of \$35,233 to a balance of \$37,770.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased for governmental activities to a balance of \$358,533 at the end of this year. Unrestricted net position for business-type activities increased to a balance of \$36,428.

**Table 1**  
**Rochester-Stockbridge Unified School District**  
**Net Position**  
**June 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>				
Current Assets	\$ 1,159,095	\$ 1,612,239	\$ 36,428	\$ 61,677
Noncurrent Assets	1,223,831	1,281,101	1,342	1,510
Total Assets	<u>2,382,926</u>	<u>2,893,340</u>	<u>37,770</u>	<u>63,187</u>
<b>Deferred Outflows of Resources</b>				
Deferred Outflows Related to Pensions	44,237	44,675	-	-
Total Deferred Outflows of Resources	<u>44,237</u>	<u>44,675</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>				
Current Liabilities	180,719	708,368	-	27,954
Noncurrent Liabilities	338,855	351,098	-	-
Total Liabilities	<u>519,574</u>	<u>1,059,466</u>	<u>-</u>	<u>27,954</u>
<b>Deferred Inflows of Resources</b>				
Deferred Inflows Related to Pensions	15,408	19,427	-	-
Total Deferred Inflows of Resources	<u>15,408</u>	<u>19,427</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Net Investment in Capital Assets	951,668	943,045	1,342	1,510
Restricted	581,980	549,136	-	-
Unrestricted	358,533	366,941	36,428	33,723
Total Net Position	<u>\$ 1,892,181</u>	<u>\$ 1,859,122</u>	<u>\$ 37,770</u>	<u>\$ 35,233</u>

### Revenues and Expenses

Revenues for the Rochester-Stockbridge Unified School District's governmental activities decreased by 5.50%, while total expenses decreased by 4.45%. The largest decrease in revenues was in grants and contributions not restricted to specific programs. The largest decrease in expenses was in school instruction.

Proprietary fund revenues for the School District increased by 3.43% while total expenses decreased by 15.96%.

**Table 2**  
**Rochester-Stockbridge Unified School District**  
**Change in Net Position**  
**For the Years Ended June 30,**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenues</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 578,297	\$ 509,873	\$ 27,952	\$ 14,041
Operating grants and contributions	689,481	697,402	63,165	75,450
<i>General Revenues:</i>				
Grants and contributions not restricted to specific programs	3,530,002	3,958,615	-	-
Miscellaneous	116,185	34,246	1,491	43
<b>Total Revenues</b>	<u>4,913,965</u>	<u>5,200,136</u>	<u>92,608</u>	<u>89,534</u>
<b>Expenses</b>				
School instruction	2,884,867	3,205,352	-	-
Board of Education	48,710	23,031	-	-
Fiscal services	2,931	7,140	-	-
Superintendent's office	418,914	412,467	-	-
Operations and maintenance	370,849	345,255	-	-
Transportation	203,397	216,671	-	-
Unclassified	-	12,974	-	-
On-behalf payments	689,481	697,402	-	-
Program expenditures	134,072	83,946	-	-
Interest on long-term debt	10,581	16,689	-	-
Unallocated depreciation (Note 4)	62,104	29,855	-	-
School lunch	-	-	145,071	172,621
<b>Total Expenses</b>	<u>4,825,906</u>	<u>5,050,782</u>	<u>145,071</u>	<u>172,621</u>
Transfers	<u>(55,000)</u>	<u>(99,174)</u>	<u>55,000</u>	<u>99,174</u>
Change in Net Position	33,059	50,180	2,537	16,087
Net Position - July 1	<u>1,859,122</u>	<u>1,808,942</u>	<u>35,233</u>	<u>19,146</u>
Net Position - June 30	<u>\$ 1,892,181</u>	<u>\$ 1,859,122</u>	<u>\$ 37,770</u>	<u>\$ 35,233</u>

## 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**  
**Rochester-Stockbridge Unified School District**  
**Fund Balances - Governmental Funds**  
**June 30,**

	2019	2018
Major Fund:		
General Fund:		
Nonspendable	\$ -	\$ 1,839
Committed	236,516	181,639
Unassigned	264,744	236,922
Total Major Fund	\$ 501,260	\$ 420,400
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 16,886	\$ 9,934
Committed	4,942	2,349
Unassigned	(5,261)	(406)
Capital Projects Funds:		
Restricted	109,572	109,572
Permanent Funds:		
Restricted	455,522	429,630
Total Nonmajor Funds	\$ 581,661	\$ 551,079

The general fund total fund balance increased by \$80,860 from the prior fiscal year primarily due to revenues exceeding expenditures and transfers to other funds. Nonmajor funds total fund balance increased by \$30,582 from the prior fiscal year primarily due to activity in the permanent funds.

*Proprietary funds:* The School District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The school lunch program had an increase in net position for the current year of \$2,537.

## Budgetary Highlights

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

The general fund actual revenues were under budgeted revenues by \$10,025 due mainly to intergovernmental revenues being received less than budgeted amounts.

The general fund actual expenditures were under budget by \$272,524, mainly due to a large surplus in school instruction.

## Capital Asset and Long-Term Debt Activity

### Capital Assets

As of June 30, 2019, the School District capital assets decreased by \$57,438 from the prior year. This decrease was due to capital asset additions of \$5,500, less current year depreciation expense of \$62,938.

**Table 4**  
**Rochester-Stockbridge Unified School District**  
**Capital Assets (Net of Depreciation)**  
**June 30,**

	<u>2019</u>	<u>2018</u>
Buildings and building improvements	\$ 1,190,715	\$ 1,246,821
Machinery and equipment	34,458	35,790
Total	<u>\$ 1,225,173</u>	<u>\$ 1,282,611</u>

### Debt

At June 30, 2019, the School District had \$272,163 in bonds outstanding versus \$338,056 in the prior year. Refer to Note 5 of Notes to Financial Statements for more detailed information.

## 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  
 ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION  
 JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 548,821	\$ 12,905	\$ 561,726
Investments	403,398	-	403,398
Accounts receivable (net of allowance for uncollectibles)	7,203	-	7,203
Due from other governments	213,158	9,567	222,725
Inventory	-	471	471
Internal balances	(13,485)	13,485	-
<b>Total current assets</b>	<b>1,159,095</b>	<b>36,428</b>	<b>1,195,523</b>
Noncurrent assets:			
Buildings, net of accumulated depreciation	1,190,715	-	1,190,715
Machinery and equipment, net of accumulated depreciation	33,116	1,342	34,458
<b>Total noncurrent assets</b>	<b>1,223,831</b>	<b>1,342</b>	<b>1,225,173</b>
<b>TOTAL ASSETS</b>	<b>2,382,926</b>	<b>37,770</b>	<b>2,420,696</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	44,237	-	44,237
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>44,237</b>	<b>-</b>	<b>44,237</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,427,163</b>	<b>\$ 37,770</b>	<b>\$ 2,464,933</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 69,890	\$ -	\$ 69,890
Accrued expenses	6,284	-	6,284
Current portion of long-term obligations	104,545	-	104,545
<b>Total current liabilities</b>	<b>180,719</b>	<b>-</b>	<b>180,719</b>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	206,215	-	206,215
Accrued compensated absences	37,971	-	37,971
Net pension liability	94,669	-	94,669
<b>Total noncurrent liabilities</b>	<b>338,855</b>	<b>-</b>	<b>338,855</b>
<b>TOTAL LIABILITIES</b>	<b>519,574</b>	<b>-</b>	<b>519,574</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	15,408	-	15,408
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>15,408</b>	<b>-</b>	<b>15,408</b>
<b>NET POSITION</b>			
Net investment in capital assets	951,668	1,342	953,010
Restricted	581,980	-	581,980
Unrestricted	358,533	36,428	394,961
<b>TOTAL NET POSITION</b>	<b>1,892,181</b>	<b>37,770</b>	<b>1,929,951</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 2,427,163</b>	<b>\$ 37,770</b>	<b>\$ 2,464,933</b>

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

## ROCHESTER-STOCKBRIDGE 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	Governmental Activities	Business-type Activities	Total
Governmental activities:							
School instruction	\$ 2,884,867	\$ 578,297	\$ -	\$ -	\$ (2,306,570)	\$ -	\$ (2,306,570)
Board of Education	48,710	-	-	-	(48,710)	-	(48,710)
Fiscal services	2,931	-	-	-	(2,931)	-	(2,931)
Superintendent's office	418,914	-	-	-	(418,914)	-	(418,914)
Operations and maintenance	370,849	-	-	-	(370,849)	-	(370,849)
Transportation	203,397	-	-	-	(203,397)	-	(203,397)
On-behalf payments	689,481	-	689,481	-	-	-	-
Program expenditures	134,072	-	-	-	(134,072)	-	(134,072)
Interest on long-term debt	10,581	-	-	-	(10,581)	-	(10,581)
Unallocated depreciation (Note 4)*	62,104	-	-	-	(62,104)	-	(62,104)
Total governmental activities	<u>4,825,906</u>	<u>578,297</u>	<u>689,481</u>	<u>-</u>	<u>(3,558,128)</u>	<u>-</u>	<u>(3,558,128)</u>
Business-type activities:							
School lunch	145,071	27,952	63,165	-	-	(53,954)	(53,954)
Total business-type activities	<u>145,071</u>	<u>27,952</u>	<u>63,165</u>	<u>-</u>	<u>-</u>	<u>(53,954)</u>	<u>(53,954)</u>
Total government	<u>\$ 4,970,977</u>	<u>\$ 606,249</u>	<u>\$ 752,646</u>	<u>\$ -</u>	<u>(3,558,128)</u>	<u>(53,954)</u>	<u>(3,612,082)</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

STATEMENT B (CONTINUED)

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	<u>(3,558,128)</u>	<u>(53,954)</u>	<u>(3,612,082)</u>
General revenues:			
Grants and contributions not restricted to specific programs	3,530,002	-	3,530,002
Miscellaneous	116,185	1,491	117,676
Transfers	<u>(55,000)</u>	<u>55,000</u>	<u>-</u>
Total general revenues and transfers	<u>3,591,187</u>	<u>56,491</u>	<u>3,647,678</u>
Change in net position	33,059	2,537	35,596
NET POSITION - JULY 1	<u>1,859,122</u>	<u>35,233</u>	<u>1,894,355</u>
NET POSITION - JUNE 30	<u><u>\$ 1,892,181</u></u>	<u><u>\$ 37,770</u></u>	<u><u>\$ 1,929,951</u></u>

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

STATEMENT C

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 496,697	\$ 52,124	\$ 548,821
Investments	-	403,398	403,398
Accounts receivable (net of uncollectibles)	7,203	-	7,203
Due from other governments	125,406	87,752	213,158
Due from other funds	93,013	131,400	224,413
<b>TOTAL ASSETS</b>	<u><u>\$ 722,319</u></u>	<u><u>\$ 674,674</u></u>	<u><u>\$ 1,396,993</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$ 69,890	\$ -	\$ 69,890
Accrued expenses	6,284	-	6,284
Due to other funds	144,885	93,013	237,898
<b>TOTAL LIABILITIES</b>	<u><u>221,059</u></u>	<u><u>93,013</u></u>	<u><u>314,072</u></u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	581,980	581,980
Committed	236,516	4,942	241,458
Assigned	-	-	-
Unassigned	264,744	(5,261)	259,483
<b>TOTAL FUND BALANCES</b>	<u><u>501,260</u></u>	<u><u>581,661</u></u>	<u><u>1,082,921</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 722,319</u></u>	<u><u>\$ 674,674</u></u>	<u><u>\$ 1,396,993</u></u>

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

## ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 1,082,921
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	1,223,831
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	44,237
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(272,163)
Accrued compensated absences	(76,568)
Net pension liability	(94,669)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(15,408)</u>
Net position of governmental activities	<u><u>\$ 1,892,181</u></u>

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

## ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

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

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Intergovernmental revenues	\$ 3,544,960	\$ 135,171	\$ 3,680,131
Tuition	578,297	-	578,297
Interest income	863	28,483	29,346
Miscellaneous revenues	85,839	1,000	86,839
<b>TOTAL REVENUES</b>	<b>4,209,959</b>	<b>164,654</b>	<b>4,374,613</b>
<b>EXPENDITURES</b>			
Current:			
School instruction	2,804,254	-	2,804,254
Board of Education	48,710	-	48,710
Fiscal services	2,931	-	2,931
Superintendent's office	418,914	-	418,914
Operations and maintenance	370,183	-	370,183
Transportation	203,397	-	203,397
On-behalf payments	150,129	-	150,129
Program expenditures	-	134,072	134,072
Debt service:			
Principal	65,000	-	65,000
Interest	10,581	-	10,581
<b>TOTAL EXPENDITURES</b>	<b>4,074,099</b>	<b>134,072</b>	<b>4,208,171</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>135,860</b>	<b>30,582</b>	<b>166,442</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers (out)	(55,000)	-	(55,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(55,000)</b>	<b>-</b>	<b>(55,000)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>80,860</b>	<b>30,582</b>	<b>111,442</b>
<b>FUND BALANCES - JULY 1</b>	<b>420,400</b>	<b>551,079</b>	<b>971,479</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 501,260</b>	<b>\$ 581,661</b>	<b>\$ 1,082,921</b>

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

## ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 111,442</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	5,500
Depreciation expense	<u>(62,770)</u>
	<u>(57,270)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>(438)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	
	<u>65,893</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>4,019</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(74,880)
Net pension liability	<u>(15,707)</u>
	<u>(90,587)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 33,059</u></u>

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

STATEMENT G

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2019

	Enterprise Fund
	School
	Lunch
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 12,905
Due from other governments	9,567
Inventory	471
Due from other funds	13,485
Total current assets	36,428
Noncurrent assets:	
Capital assets:	
Machinery and equipment	35,653
Total capital assets	35,653
Less: accumulated depreciation	(34,311)
Net capital assets	1,342
<b>TOTAL ASSETS</b>	<b>\$ 37,770</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ -
Total current liabilities	-
<b>TOTAL LIABILITIES</b>	<b>-</b>
<b>NET POSITION</b>	
Net investment in capital assets	1,342
Unrestricted	36,428
Total net position	37,770
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 37,770</b>

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

## ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Fund School Lunch
OPERATING REVENUES	
Sale of meals	\$ 27,952
Federal and state reimbursements	63,165
Prior year adjustment	1,483
TOTAL OPERATING REVENUES	92,600
OPERATING EXPENSES	
Salaries and benefits	90,459
Food	47,140
Repairs and maintenance	1,319
Supplies	4,975
Depreciation	168
Equipment	1,010
TOTAL OPERATING EXPENSES	145,071
OPERATING INCOME (LOSS)	(52,471)
NONOPERATING INCOME (EXPENSE)	
Interest income	8
Transfers in	55,000
TOTAL NONOPERATING INCOME (EXPENSE)	55,008
CHANGE IN NET POSITION	2,537
NET POSITION - JULY 1	35,233
NET POSITION - JUNE 30	\$ 37,770

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

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

STATEMENT I

	Enterprise Fund
	School
	Lunch
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 43,158
Prior year adjustment	1,483
Internal activity - receipts from other funds	(4,662)
Intergovernmental	63,165
Payments to suppliers	(54,788)
Payments to employees	(90,459)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(42,103)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	8
NET CASH PROVIDED BY INVESTING ACTIVITIES	8
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	55,000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	55,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,905
CASH AND CASH EQUIVALENTS - JULY 1	-
CASH AND CASH EQUIVALENTS - JUNE 30	\$ 12,905
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (52,471)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	168
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	8,528
(Decrease) increase in due to other funds	(27,610)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (42,103)

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

## ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2019

	<u>Agency Funds</u> <u>Student</u> <u>Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 20,030
<b>TOTAL ASSETS</b>	<u>\$ 20,030</u>
<b>LIABILITIES</b>	
Deposits held for others	\$ 20,030
<b>TOTAL LIABILITIES</b>	<u>\$ 20,030</u>

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

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

Rochester-Stockbridge Unified 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: school instruction, Board of Education, fiscal services, superintendent's office, operations and maintenance, transportation and program expenditures.

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 government but is not yet recognized because it is not reasonably estimable, the

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The School District's school lunch program is categorized as a business-type activity. All other 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 funds. The functions are also supported by general government revenues (support from the School District, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

associated with the function or a business-type activity. 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 departments.

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 & 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. 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.

Nonmajor Funds:

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

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- d. Permanent Funds are used to account for assets held by the Town that are legally restricted and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

2. Proprietary Funds:

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

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

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

The 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 (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

**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.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Vermont to the Vermont State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues per budgetary basis	\$ 4,059,830
Add: On-behalf payments	150,129
Total GAAP basis	<u>\$ 4,209,959</u>
Expenses per budgetary basis	\$ 3,978,970
Add: On-behalf payments	150,129
Total GAAP basis	<u>\$ 4,129,099</u>

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

1. The annual school budget is the planning management tool, which delineates the School's educational priorities and programs and forms the basis for voter review and approval of the budget according to applicable State of Vermont education finance laws.
2. The Board budget process includes input from School 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. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The 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

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Rochester-Stockbridge 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. Accounts receivable netted with allowances for uncollectible accounts were \$229,928 for the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019.

**Inventories**

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). Inventory of the Food Service Fund consists of supplies and food.

**Interfund Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

**Transactions Between Funds**

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

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$1,000 or more for land, \$25,000 or more for buildings and improvements and \$2,500 for furniture and equipment and \$5,000 for vehicles are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Buildings	30 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

**Long-term Obligations**

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

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term obligations consist primarily of bonds payable, accrued compensated absences and net pension liability.

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

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) and the Vermont Municipal Employees' Retirement System (VMERS) Plans and additions to/deductions from the VSTRS and VMERS Plans' fiduciary net position have been determined on the same basis as they are reported by the VSTRS and VMERS Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**OPEB**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS). Additions to/deductions from the VSTRS OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by VSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the 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.

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

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Board of Education.

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.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently has one type of this item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and/or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of this item, deferred inflows related to pensions, which arises only under an accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the statement of net position. All items in this category are deferred and recognized as inflows of resources in the period that the amounts become available.

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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).

**Operating/Nonoperating Proprietary Fund Revenues**

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**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.

**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.

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

However, the School District maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF. At June 30, 2019, the School District's cash balance of \$565,885 was comprised of bank balances of \$686,257. Bank deposits of \$839,110 were insured by federal depository insurance and consequently were not exposed to custodial credit risk and the remaining cash equivalent balance of \$36,253 was covered by the Securities Investor Protection Corporation (SIPC).

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 104,991
ICS accounts	734,119
Cash equivalents	52,124
	<u>\$ 891,234</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 the following investments and maturities:

Investment Type	Fair Value	Not			
		Applicable	< 1 Year	1 - 5 Years	> 5 Years
Certificates of deposit	\$ 16,724	\$ -	\$ 16,724	\$ -	\$ -
U.S. Agency Securities	192,653	-	49,852	116,616	26,185
Mutual funds - equity	194,021	194,021	-	-	-
	<u>\$ 403,398</u>	<u>\$ 194,021</u>	<u>\$ 66,576</u>	<u>\$ 116,616</u>	<u>\$ 26,185</u>

The School District seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. Of the School District's investments of \$419,270, \$16,724 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk and \$402,546 were covered by the Securities Investor Protection Corporation (SIPC).

**Fair Value Hierarchy**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The School District has the following recurring fair value measurements as June 30, 2019:

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

	June 30, 2019 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Agency Securities	\$ 192,653	\$ -	\$ 192,653	\$ -
Total debt securities	<u>192,653</u>	<u>-</u>	<u>192,653</u>	<u>-</u>
Equity securities:				
Mutual funds - domestic	194,021	194,021	-	-
Total equity securities	<u>194,021</u>	<u>194,021</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>386,674</u>	<u>\$ 194,021</u>	<u>\$ 192,653</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market account	52,124			
Total cash equivalents measured at the NAV	<u>52,124</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 438,798</u>			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The School District has no Level 3 investments. A certificate of deposit held with a local financial institution for \$16,724 is excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Credit risk - Statutes for the State of Vermont 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. The School 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 School 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.

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 93,013	\$ 144,885
Enterprise fund	13,485	-
Nonmajor special revenue funds	21,828	93,013
Nonmajor capital project funds	109,572	-
	<u>\$ 237,898</u>	<u>\$ 237,898</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance 7/1/18	Additions	Disposals	Balance 6/30/19
<u>Governmental activities:</u>				
Depreciated assets:				
Buildings	\$ 3,485,017	\$ -	\$ -	\$ 3,485,017
Furniture and equipment	181,832	5,500	-	187,332
	<u>3,666,849</u>	<u>5,500</u>	<u>-</u>	<u>3,672,349</u>
Less: accumulated depreciation				
Buildings	(2,238,196)	(56,106)	-	(2,294,302)
Furniture and equipment	(147,552)	(6,664)	-	(154,216)
	<u>(2,385,748)</u>	<u>(62,770)</u>	<u>-</u>	<u>(2,448,518)</u>
Net capital assets governmental activities	<u>1,281,101</u>	<u>(57,270)</u>	<u>-</u>	<u>1,223,831</u>
<u>Business-type activities:</u>				
Depreciated assets:				
Machinery and equipment	35,653	-	-	35,653
	<u>35,653</u>	<u>-</u>	<u>-</u>	<u>35,653</u>
Less: accumulated depreciation				
	(34,143)	(168)	-	(34,311)
Net capital assets business-type activities	<u>1,510</u>	<u>(168)</u>	<u>-</u>	<u>1,342</u>
Total	<u>\$ 1,282,611</u>	<u>\$ (57,438)</u>	<u>\$ -</u>	<u>\$ 1,225,173</u>

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation:

Operations and maintenance	\$ 666
District-wide	62,104
Total governmental activities depreciation	<u>62,770</u>
School lunch	168
Total depreciation expenses	<u><u>\$ 62,938</u></u>

NOTE 5 - SHORT-TERM DEBT

On July 1, 2017, the School District issued a tax/revenue anticipation note to provide liquidity for governmental operations financed by property taxes. The tax/revenue anticipation note allowed principal draws up to \$660,784 at a fixed rate of 2.35% interest per annum with a maturity date of June 30, 2018. On July 12, 2018 the tax/revenue anticipation note was paid in full. Interest expense for the note was \$3,863.

On July 1, 2018, the School District issued a tax/revenue anticipation note to provide liquidity for governmental operations financed by property taxes. The tax/revenue anticipation note allowed principal draws up to \$382,742 at a fixed rate of 2.59% interest per annum with a maturity date of June 30, 2019.

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	\$ 300,000	\$ -	\$ (300,000)	\$ -
Tax anticipation note	-	382,742	-	382,742
Totals	<u>\$ -</u>	<u>\$ 382,742</u>	<u>\$ (300,000)</u>	<u>\$ 382,742</u>

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Portion
<u>Governmental Activities:</u>					
Bonds payable	<u>\$ 338,056</u>	<u>\$ -</u>	<u>\$ (65,893)</u>	<u>\$ 272,163</u>	<u>\$ 65,948</u>

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding bond payable:

Governmental Activities:

Bonds payable:

\$19,513 Vermont - Environmental Protection Agency Drinking Water State Revolving Fund Construction Loan in annual varying principal installments from \$726 to \$1,273. The interest rate is fixed at 1.00% per annum. Maturity in August 2029. The School District is only responsible for payments if upgrades are not performed, otherwise the loan is forgiven by the State.	\$ 12,163
\$830,000, 2002 General Obligation bond due to Vermont Municipal Bond Bank in annual principal installments of \$40,000 through December of 2022. The fixed interest rate varies from 1.55% to 5.00% per annum.	160,000
\$250,000, 2012 General Obligation bond due to Vermont Municipal Bond Bank in annual installments of \$25,000 in principal through November of 2022. The fixed interest rate varies from 1.55% to 5.00% per annum.	<u>100,000</u>
Total bonds payable	<u>\$ 272,163</u>

The following is a summary of outstanding bond principal and interest requirements for the fiscal years ending June 30:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 65,948	\$ 8,417	\$ 74,365
2021	65,976	6,083	72,059
2022	66,005	3,708	69,713
2023	66,035	1,299	67,334
2024	1,066	82	1,148
2025-2029	5,832	232	6,064
2030-2034	1,301	13	1,314
	<u>\$ 272,163</u>	<u>\$ 19,834</u>	<u>\$ 291,997</u>

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2019 is as follows:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Portion
Accrued compensated absences	\$ 1,688	\$ 74,880	\$ -	\$ 76,568	\$ 38,597
Net pension liability	78,962	24,244	(8,537)	94,669	-
	<u>\$ 80,650</u>	<u>\$ 99,124</u>	<u>\$ (8,537)</u>	<u>\$ 171,237</u>	<u>\$ 38,597</u>

Refer to Notes 8 and 13 of Notes to the Financial Statements for detailed information on each of the other long-term obligations.

NOTE 8 - ACCRUED COMPENSATED ABSENCES

The School District's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The School District also allows employees to receive a benefit for career change. The liability for these compensated absences is recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2019, the School District's liability for compensated absences is \$76,568.

NOTE 9 - RESTRICTED FUND BALANCES

At June 30, 2019, the District had the following restricted fund balances:

Nonmajor special revenue funds (Schedule E)	\$ 16,886
Nonmajor capital project funds (Schedule G)	109,572
Nonmajor permanent funds (Schedule I)	455,522
	<u>\$ 581,980</u>

NOTE 10 - COMMITTED FUND BALANCES

At June 30, 2019, the District had the following committed fund balances:

Fiscal year 2020 use of fund balance	\$ 236,516
Nonmajor special revenue funds (Schedule E)	4,942
	<u>\$ 241,458</u>

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 11 - DEFICIT FUND BALANCES

At June 30, 2019, the District had the following deficit fund balances:

Nonmajor special revenue funds:

Envision grant	\$	406
Schoolwide programs		4,855
	\$	<u>5,261</u>

NOTE 12 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

**Plan Description**

All of the teachers employed by the School District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private Union teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2017 (the most recent period available), the retirement system consisted of 22,193 participating members.

The plan was established effective July 1, 1947 and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the Secretary of Education (ex-officio); the State Treasurer (ex-officio), the Commissioner of Financial Regulation (ex-officio); two members and one alternate elected by active members of the System under rules adopted by the Board; and one retired member and one alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. The Vermont State Agency of Administration

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State’s Department of Finance & Management website at:

[http://finance.vermont.gov/reports\\_and\\_publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr).

**Benefits Provided**

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

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

<b>VSTRS</b>	<b>Group A</b>	<b>Group C – Group # 1</b>	<b>Group C – Group # 2</b>
Normal service retirement eligibility (no reduction)	Age 60 or 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula – normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC, 2.0% after attaining 20 years

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%, minimum of 1% after 12 months of normal retirement or age 65
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction

Other post-employment benefits are available to all plan members include the following:

<b>VSTRS</b>	<b>Group A</b>	<b>Group C – Group # 1</b>	<b>Group C – Group # 2</b>
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pay full premium	Members pay full premium	Members pay full premium

**Contributions**

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the School District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan which approximates \$150,129 or 15.75% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Employee Contributions	5.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

Employee contributions totaled \$49,130 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District’s total payroll for all employees covered under this plan was \$953,201 for the year ended June 30, 2019.

VERMONT MUNICIPAL EMPLOYEES’ RETIREMENT SYSTEM

**Plan Description**

The Vermont Municipal Employees’ Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975 and is governed by *Title 24, V.S.A. Chapter 125*. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution’s operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. Employees of the School other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year. For the year ended June 30, 2017 (the most recent data available), the retirement system consisted of 13,262 participating members.

The general administration and responsibility for formulating administrative policy and procedures of the Retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system and two employer representatives-one elected by the governing bodies of participating employers of the system and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Schools and the Vermont School Boards Association.

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance & Management website at:

[http://finance.vermont.gov/reports\\_and\\_publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr).

**Benefits Provided**

The pension plan is divided into four membership groups:

- Group A – general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B & C – general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D – sworn police officers, firefighters and emergency medical personnel

The School District participates in Group A. Benefits available to each group are based on average final compensation (AFC) and years of creditable service and are summarized below:

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

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

\*\* - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

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

**Contributions**

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Employee Contributions	2.5% of gross salary	4.875% of gross salary	10.0% of gross salary	11.35% of gross salary
Employer Contributions	4.0% of gross salary	5.5% of gross salary	7.25% of gross salary	9.85% of gross salary

Employee contributions are withheld pre-income tax by the School District and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2019 totaled \$6,070. The School District contributed \$9,538 for the year ended June 30, 2019. The School District's total payroll for the year ended June 30, 2019 for all employees covered under this plan was \$231,232.

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Pension Liabilities**

*VSTRS Plan*

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2019. The State's portion of the collective net pension liability that was associated with the School District was as follows:

School District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the School District	<u>2,822,847</u>
Total	<u><u>\$ 2,822,847</u></u>

The State of Vermont's proportionate share of the net pension liability associated with the School District is equal to the collective net pension liability, actuarially measured as of June 30, 2018, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the School District's proportion was 0.18686% which was a decrease of 0.023039% from its proportion measured as of June 30, 2017.

*VMERS Plan*

At June 30, 2019, the School District reported a liability of \$94,669 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2018 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liabilities were based on a projection of the School District's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2018, the School District's proportion was 0.0672960% for VMERS, which was an increase of 0.002122% from its proportion measured as of June 30, 2017 for VMERS.

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2019, the School District recognized total pension expense of \$454,995 and revenue of \$454,995 for support provided by the State of Vermont for the VSTRS plan. In the same period, the School District recognized pension expense of \$12,126 for the VMERS plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 8,223	\$ 1,514
Changes of assumptions	-	-	10,671	-
Net difference between projected and actual earnings on pension plan investments	-	-	10,785	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	5,020	13,894
Contributions subsequent to the measurement date	-	-	9,538	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,237</b>	<b>\$ 15,408</b>

\$9,538 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS Plan	VMERS Plan
Plan year ended June 30:		
2019	\$ -	\$ 13,719
2020	-	3,907
2021	-	(938)
2022	-	2,602
2023	-	-
Thereafter	-	-

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Significant Actuarial Assumptions and Methods**

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed on July 27, 2015:

*Investment Rate of Return:* For both plans, 7.50%, net of pension plan investment expenses, including inflation.

*Inflation:* For both plans, 2.50%.

*Salary Increases:* For the VSTRS plan, increases ranging from 3.75% to 9.09%. For the VMERS plan, increases are 5.00% per year.

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

Mortality rates for pre-retirement, healthy retirees and disabled retirees in the VMERS plan for Groups A, B, C and D were based on variations of RP-2006 Tables with generational improvement using Scale SSA-2017 as follows:

Pre-retirement - Groups A, B, and C blended with a 60% Blue Collar Employee and 40% Healthy Employee, and Group D with a Blue Collar Annuitant Table

Healthy Retiree - Groups A, B and C with a 60% Blue Collar Annuitant and 40% Healthy Annuitant, and Group D with a Blue Collar Annuitant Table

Disabled Retiree - All Groups with a RP-2006 Disabled Mortality Table

*Inactive Members:* Valuation liability for the VSTRS plan equals 250.0% of accumulated contributions and 200% for the VMERS plan.

*Future Administrative Expenses:* No provisions were made for the VSTRS plan as Systems expenses are paid for by the State. For the VMERS plan, an expense adjustment based on actual expenses for the previous year is reflected in the development of recommended employer contribution levels.

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

*Unknown Data for Participants:* For both plans, they are the same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

*Percent Married:* For both plans, 85% of male members are assumed to be married. 35% of female members for the VSTRS plan and 50% of female members for the VMERS plan are assumed to be married.

*Spouse's Age:* For both plans, husbands are assumed to be three years older than their wives.

*Cost-of-Living Adjustments:* Adjustments for both plans are assumed to occur on January 1 following one year of retirement. For the VSTRS plan this occurs at the rate of 2.55% per annum for Group A members and 1.40% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement). The January 1, 2019 COLA is assumed to be 2.60% for Group A and 1.30% for Group C. For the VMERS plan, this occurs at the rate of 1.15% per annum for Group A members and 1.30% per annum for Groups B, C and D members (beginning Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for Group A, B and D members who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2019 COLA is 1.30% for all groups.

*Actuarial Cost Method:* For both plans is the Entry Age Actuarial Cost Method. Entry age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Accrued Actuarial Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

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

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

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50% for the VSTRS plan and the VMERS plan. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy which exceeds the actuarially determined contribution rate. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50% for both the VSTRS and VMERS plans, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.50%	7.50%	8.50%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.50%	7.50%	8.50%
School District's proportionate share of the net pension liability	\$ 160,348	\$ 94,669	\$ 41,254

**Pension Plan Fiduciary Net Position**

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

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

**Plan Description**

The Vermont State Teachers' Retirement System provides postemployment benefits to eligible VSTRS employees who retire from the System through a cost-sharing, multiple-employer postemployment benefit (OPEB) plan (the Plan).

The plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2018 (the most recent period available), the plan consisted of 4,878 retired members or beneficiaries currently receiving benefits and 8,941 active members.

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Vermont Statute Title 16 Chapter 55 assigns the authority to VSTRS to establish and amend the benefits provisions of the Plan and to establish maximum obligations of the Plan members to contribute to the Plan. Management of the Plan is vested in the Vermont State Teachers' Retirement System Board of Trustees, which consists of the Secretary of Education (ex-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the system under rules adopted by the Board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

All assets of the Plan are held in a single trust and are available to pay OPEB benefits to all members. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance & Management website at: [http://finance.vermont.gov/reports\\_and\\_publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr).

**Benefits Provided**

VSTRS retirees and their spouses are eligible for medical, prescription drug and dental benefits on a lifetime basis if the retiree is eligible for pension benefits, as described in the Notes to Financial Statements for Defined Benefit Plan(s).

**Contributions**

Varying levels of contributions are required from retirees and spouses for medical and prescription drug coverage at the following premium subsidy rates:

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	<b>Retiree Subsidy</b>		<b>Spouse Subsidy*</b>	
Retired before June 30, 2010	At least ten years of service- 80% of premium Less than ten years of service- 0% of premium		0% of premium	
Retired after June 30, 2010	10 years or more of service at June 30, 2010-80% of premium		Years of service at June 30, 2010-80% of premium:	
	Less than 10 years of service at June 30, 2010:			
	Less than 15 years at retirement	Less than 15 years at retirement	Less than 10 years	25 years at retirement
	15-19.99 years at retirement	15-19.99 years at retirement	10-14.99 years	25 years at retirement
	20-24.99 years at retirement	20-24.99 years at retirement	15-24.99 years	10 additional years from June 30, 2010
	25 years or more at retirement	25 years or more at retirement	25-29.99 years 30 or more years	35 years at retirement 5 additional years from June 30, 2010

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

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

**OPEB Liabilities**

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 75 and the State is treated as a nonemployer to VSTRS. Since

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

the School District does not contribute directly to VSTRS, no net OPEB liability was recorded at June 30, 2019. The State's portion of the collective net OPEB liability that was associated with the School District was as follows:

School District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the School District	<u>2,302,077</u>
Total	<u><u>\$ 2,302,077</u></u>

The State of Vermont's proportionate share of the net OPEB liability associated with the School District is equal to the collective net OPEB liability, actuarially measured as of June 30, 2018, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the School District's proportion was 0.24124% which was a decrease of 0.00266% from its proportion measured as of June 30, 2017.

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

For the year ended June 30, 2019, the School District recognized total OPEB expense of \$84,357 and revenue of \$84,357 for support provided by the State of Vermont for the Plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>VSTRS OPEB Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

	<u>VSTRS OPEB Plan</u>	
Plan year ended June 30:		
2019	\$	-
2020		-
2021		-
2022		-
2023		-
Thereafter		-

**Discount Rate**

The discount rate is the single rate of return, that when applied to all projected benefit payments, results in an actuarial present value that is the sum of the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return and the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	<u>1%</u> <u>Decrease</u>	<u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
VSTRS OPEB Plan:			
Discount rate	2.87%	3.87%	4.87%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

**Healthcare Trend Rate**

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2019 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers and CPI statistics published by the Bureau of Labor Statistics. The sensitivity of net OPEB liability to changes in healthcare trend rates are as follows:

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Healthcare Trend Rates	1% Increase
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

**Actuarial Methods and Assumptions**

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions applied to all periods included in the measurement:

*Actuarial Cost Method*

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

*Amortization*

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

*Asset Valuation Method*

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

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

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.50%
International equity	15.00%	7.75%
Emerging international equity	5.00%	9.25%
Core bonds	60.00%	3.75%
Inflation		2.75%
Total	100.00%	

*Assumptions*

The actuarial assumptions used to calculate the actuarially determined contribution rates can be found in the Report on the Actuarial Valuation of Post-Retirement Benefits of the Vermont State Teachers' Retirement System Prepared as of June 30, 2016 completed by Buck Consulting. As of June 30, 2018, they are as follows:

Discount Rate	3.87%
Salary Increase Rate	Varies by age
Non-Medicare	7.15% graded to 4.50% over 12 years
Medicare	7.30% graded to 4.50% over 11 years
Retiree Contributions	Equal to health trend
Pre-retirement Mortality	98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017.
Post-retirement Mortality	98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017.

**Changes in Net OPEB Liability**

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2019 with the following exceptions:

*Changes in Assumptions*

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for June 30, 2018. For the fiscal year ended June 30, 2018, there were no changes in assumptions with the exception of the discount rate was increased from 3.58% to 3.87%.

**OPEB Plan Fiduciary Net Position**

The schedule of employer allocations and schedule of OPEB amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VSTRS or their participating employers. VSTRS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance & Management website at: [http://finance.vermont.gov/reports\\_and\\_publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr)

NOTE 14 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and 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.

The School District has elected to be on the direct reimbursement method of covering unemployment taxes that might be collected by former employees who are deemed eligible by the Vermont Department of Employment and Training. As former or "RIF"ed (Reduction in Force) employees collect benefits, the State of Vermont bills the School District quarterly for reimbursement. The amount paid by the School District in the fiscal year ended June 30, 2016 was \$0 and in the fiscal year ended June 30, 2019 was \$3,283. No estimate of unpaid claims has been made at year end.

In addition, 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 and unemployment compensation program and the Vermont Education Health Initiative

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - RISK MANAGEMENT (CONTINUED)

(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.

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 15 - 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.

The School District participates in a medical insurance plan negotiated through VEHI. This plan is a high-deductible plan with an HRA (Health Reimbursement Arrangement) funded by the School District. The organization contracted to coordinate the processing of claims on behalf of the School District with HRA funds has not processed all claims through June 30, 2019 and as of the date of this report. Additionally, they were unable to provide management with the outstanding amount to be expensed by the School District through June 30, 2019. Therefore, the amount, if any, of any liabilities arising from the unprocessed claims cannot be determined at this time.

NOTE 16 - 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 17 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the School District's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 18 - SUBSEQUENT EVENTS

On July 1, 2019, the Rochester-Stockbridge Unified District issued a promissory note to meet its operating obligations during the fiscal year. The note allows principal draws up to \$666,233 at a fixed interest rate of 2.80% per annum with a maturity date of June 30, 2020.

## Required Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pensions
- Schedule of Proportionate Share of the Net OPEB Liability
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

## ROCHESTER-STOCKBRIDGE 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, July 1	\$ 420,400	\$ 420,400	\$ 420,400	\$ -
Resources (Inflows):				
Intergovernmental:				
State support	3,120,707	3,120,707	3,090,630	(30,077)
Other	417,813	417,813	304,201	(113,612)
Tuition	527,835	527,835	578,297	50,462
Interest income	500	500	863	363
Miscellaneous	3,000	3,000	85,839	82,839
Amounts Available for Appropriation	<u>4,490,255</u>	<u>4,490,255</u>	<u>4,480,230</u>	<u>(10,025)</u>
Charges to Appropriations (Outflows):				
School instruction	3,150,208	3,150,208	2,804,254	345,954
Board of Education	40,036	40,036	48,710	(8,674)
Fiscal services	7,140	7,140	2,931	4,209
Superintendent's office	383,381	383,381	418,914	(35,533)
Operations and maintenance	348,312	348,312	370,183	(21,871)
Transportation	188,491	188,491	203,397	(14,906)
Debt service:				
Principal	65,000	65,000	65,000	-
Interest	13,926	13,926	10,581	3,345
Transfers to other funds	55,000	55,000	55,000	-
Total Charges to Appropriations	<u>4,251,494</u>	<u>4,251,494</u>	<u>3,978,970</u>	<u>272,524</u>
Budgetary Fund Balance, June 30	<u>\$ 238,761</u>	<u>\$ 238,761</u>	<u>\$ 501,260</u>	<u>\$ 262,499</u>
Utilization of committed fund balance	<u>\$ 181,639</u>	<u>\$ 181,639</u>	<u>\$ -</u>	<u>\$ (181,639)</u>

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

## ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST 10 FISCAL YEARS\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>VSTRS:</u>					
Proportion of the net pension liability	0.19%	0.21%	0.19%	0.23%	0.15%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	<u>2,822,847</u>	<u>3,111,567</u>	<u>2,515,318</u>	<u>2,678,523</u>	<u>1,469,575</u>
Total	<u>\$ 2,822,847</u>	<u>\$ 3,111,567</u>	<u>\$ 2,515,318</u>	<u>\$ 2,678,523</u>	<u>\$ 1,469,575</u>
Covered payroll	\$ 1,263,212	\$ 1,423,029	\$ 1,244,450	\$ 1,258,230	\$ 1,279,250
Proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	54.81%	53.98%	55.31%	58.22%	64.02%
<u>VMERS:</u>					
Proportion of the net pension liability	0.07%	0.07%	0.06%	0.10%	0.06%
Proportionate share of the net pension liability	\$ 94,669	\$ 78,962	\$ 113,206	\$ 74,383	\$ 9,453
Covered payroll	\$ 294,684	\$ 266,090	\$ 334,229	\$ 337,171	\$ 334,016
Proportionate share of the net pension liability as a percentage of its covered payroll	32.13%	29.67%	33.87%	22.06%	2.83%
Plan fiduciary net position as a percentage of the total pension liability	82.60%	83.64%	80.95%	87.42%	98.32%

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

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

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSIONS  
LAST 10 FISCAL YEARS\*

	2019	2018	2017	2016	2015
<u>VSTRS:</u>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 953,201	\$ 1,263,212	\$ 1,423,029	\$ 1,244,450	\$ 1,258,230
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
<u>VMERS:</u>					
Contractually required contribution	\$ 9,538	\$ 4,518	\$ 3,234	\$ 2,639	\$ 2,795
Contributions in relation to the contractually required contribution	(9,538)	(4,518)	(3,234)	(2,639)	(2,795)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 231,232	\$ 294,684	\$ 266,090	\$ 334,229	\$ 337,171
Contributions as a percentage of covered payroll	4.12%	1.53%	1.22%	0.79%	0.83%

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

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

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
LAST 10 FISCAL YEARS\*

	<u>2019</u>	<u>2018</u>
<u>VSTRS OPEB Plan:</u>		
Proportion of the net OPEB liability	0.24%	0.26%
School District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the School District	<u>2,302,077</u>	<u>2,414,426</u>
Total	<u>\$ 2,302,077</u>	<u>\$ 2,414,426</u>
Covered payroll	\$ 1,263,212	\$ 1,423,029
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%

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

## ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - OPEB  
LAST 10 FISCAL YEARS\*

	<u>2019</u>	<u>2018</u>
<u>VSTRS OPEB Plan:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 953,201	\$ 1,263,212
Contributions as a percentage of covered payroll	0.00%	0.00%

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

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019

**Changes of Assumptions**

For the VSTRS Pension Plan, the valuation liability for inactive members as reported by the System was lowered from 332.5% of accumulated contributions to 250.0% of accumulated contributions.

The discount rate increased from 3.58% to 3.87% for the VSTRS OPEB liability.

The percentage of non-DC Plan current retirees assumed to have life insurance coverage was increased from 65% to 75%.

Future male retirees were assumed to be two years older than their spouses, decreased from three years. Future female retirees were assumed to be one year younger than their spouses, decreased from three years.

The percentage of future retirees assumed to have a spouse electing coverage was increased from 60% to 70% for male retirees and from 50% to 60% for female retirees.

The claims cost development methodology was modified for non-Medicare participants.

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

The assumed health trend rates were modified.

## Other Supplementary Information

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

- Budgetary Comparison Schedule - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

## ROCHESTER-STOCKBRIDGE 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	\$ 3,120,707	\$ 3,120,707	\$ 3,090,630	\$ (30,077)
Transportation aid	48,000	48,000	66,529	18,529
Tech ed support grant	56,142	56,142	-	(56,142)
Erate	3,000	3,000	-	(3,000)
Title I	73,000	73,000	-	(73,000)
Small schools	237,671	237,671	237,672	1
Tuition:				
Prek tuition	16,335	16,335	-	(16,335)
Elementary tuition	511,500	511,500	137,565	(373,935)
Secondary tuition	-	-	440,732	440,732
Interest income	500	500	863	363
Miscellaneous:				
Sale of fixed asset	-	-	75,020	75,020
Other receipts	3,000	3,000	10,819	7,819
Amounts Available for Appropriation	<u>\$ 4,069,855</u>	<u>\$ 4,069,855</u>	<u>\$ 4,059,830</u>	<u>\$ (10,025)</u>

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

SCHEDULE B

ROCHESTER-STOCKBRIDGE 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 -				
Elementary education	\$ 725,538	\$ 725,538	\$ 978,557	\$ (253,019)
Secondary education	1,305,898	1,305,898	1,046,736	259,162
Art	45,827	45,827	34,256	11,571
Physical education	30,353	30,353	45,521	(15,168)
Music	62,195	62,195	46,356	15,839
504 Services	8,000	8,000	10,224	(2,224)
Preschool	175,661	175,661	89,406	86,255
Co-curricular	6,960	6,960	377	6,583
SAP	7,800	7,800	5,060	2,740
Guidance	91,009	91,009	79,583	11,426
Health	68,536	68,536	60,040	8,496
Professional development	21,400	21,400	14,272	7,128
Technology	73,936	73,936	67,929	6,007
Library	37,001	37,001	27,884	9,117
Principal	305,326	305,326	286,782	18,544
School wide CFP	184,768	184,768	-	184,768
Prior year adjustment	-	-	11,271	(11,271)
	<u>3,150,208</u>	<u>3,150,208</u>	<u>2,804,254</u>	<u>345,954</u>
Board of Education -				
Stipends/benefits	24,036	24,036	8,840	15,196
Legal services	5,000	5,000	2,215	2,785
Liability insurance	4,800	4,800	3,686	1,114
Advertising	1,600	1,600	6,328	(4,728)
Printing/postage/supplies/travel	4,600	4,600	27,641	(23,041)
	<u>40,036</u>	<u>40,036</u>	<u>48,710</u>	<u>(8,674)</u>
Fiscal services -				
Treasurer	-	-	860	(860)
Audit	7,140	7,140	2,071	5,069
	<u>7,140</u>	<u>7,140</u>	<u>2,931</u>	<u>4,209</u>
Superintendent's office -				
Central office assessment	115,466	115,466	126,892	(11,426)
Special education assessment	267,915	267,915	292,022	(24,107)
	<u>383,381</u>	<u>383,381</u>	<u>418,914</u>	<u>(35,533)</u>
Operations and maintenance -				
Custodial	348,312	348,312	370,183	(21,871)
	<u>348,312</u>	<u>348,312</u>	<u>370,183</u>	<u>(21,871)</u>
Transportation -				
Assessment	174,091	174,091	191,918	(17,827)
Extra-curricular	14,400	14,400	11,479	2,921
	<u>188,491</u>	<u>188,491</u>	<u>203,397</u>	<u>(14,906)</u>
Debt Service -				
Principal	65,000	65,000	65,000	-
Interest - Long-term	8,926	8,926	5,857	3,069
Interest - Short-term	5,000	5,000	4,724	276
	<u>78,926</u>	<u>78,926</u>	<u>75,581</u>	<u>3,345</u>
Transfers to other funds -				
School lunch	55,000	55,000	55,000	-
	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>-</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 4,251,494</u>	<u>\$ 4,251,494</u>	<u>\$ 3,978,970</u>	<u>\$ 272,524</u>

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

## ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 52,124	\$ 52,124
Investments	-	-	403,398	403,398
Due from other governments	87,752	-	-	87,752
Due from other funds	21,828	109,572	-	131,400
<b>TOTAL ASSETS</b>	<u>\$ 109,580</u>	<u>\$ 109,572</u>	<u>\$ 455,522</u>	<u>\$ 674,674</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 93,013	\$ -	\$ -	\$ 93,013
<b>TOTAL LIABILITIES</b>	<u>93,013</u>	<u>-</u>	<u>-</u>	<u>93,013</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	16,886	109,572	455,522	581,980
Committed	4,942	-	-	4,942
Assigned	-	-	-	-
Unassigned	(5,261)	-	-	(5,261)
<b>TOTAL FUND BALANCES</b>	<u>16,567</u>	<u>109,572</u>	<u>455,522</u>	<u>581,661</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 109,580</u>	<u>\$ 109,572</u>	<u>\$ 455,522</u>	<u>\$ 674,674</u>

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

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 135,171	\$ -	\$ -	\$ 135,171
Investment income, net of unrealized gain/(losses)	-	-	28,483	28,483
Other income	1,000	-	-	1,000
TOTAL REVENUES	<u>136,171</u>	<u>-</u>	<u>28,483</u>	<u>164,654</u>
EXPENDITURES				
Other	<u>131,481</u>	-	<u>2,591</u>	<u>134,072</u>
TOTAL EXPENDITURES	<u>131,481</u>	<u>-</u>	<u>2,591</u>	<u>134,072</u>
NET CHANGE IN FUND BALANCES	4,690	-	25,892	30,582
FUND BALANCES - JULY 1	<u>11,877</u>	<u>109,572</u>	<u>429,630</u>	<u>551,079</u>
FUND BALANCES - JUNE 30	<u>\$ 16,567</u>	<u>\$ 109,572</u>	<u>\$ 455,522</u>	<u>\$ 581,661</u>

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

## Special Revenue Funds

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

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2019

	PDEG	Envision Grant	After School Program	Farm to School Operations	Schoolwide Programs	US Forest	Title IV
<b>ASSETS</b>							
Due from other governments	\$ 30,969	\$ -	\$ -	\$ -	\$ 52,763	\$ -	\$ 4,020
Due from other funds	-	-	2,897	4,857	-	7,625	-
<b>TOTAL ASSETS</b>	<u>\$ 30,969</u>	<u>\$ -</u>	<u>\$ 2,897</u>	<u>\$ 4,857</u>	<u>\$ 52,763</u>	<u>\$ 7,625</u>	<u>\$ 4,020</u>
<b>LIABILITIES</b>							
Due to other funds	\$ 30,969	\$ 406	\$ -	\$ -	\$ 57,618	\$ -	\$ 4,020
<b>TOTAL LIABILITIES</b>	<u>30,969</u>	<u>406</u>	<u>-</u>	<u>-</u>	<u>57,618</u>	<u>-</u>	<u>4,020</u>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	2,897	4,857	-	7,625	-
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	(406)	-	-	(4,855)	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>-</u>	<u>(406)</u>	<u>2,897</u>	<u>4,857</u>	<u>(4,855)</u>	<u>7,625</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>							
	<u>\$ 30,969</u>	<u>\$ -</u>	<u>\$ 2,897</u>	<u>\$ 4,857</u>	<u>\$ 52,763</u>	<u>\$ 7,625</u>	<u>\$ 4,020</u>

SCHEDULE E (CONTINUED)

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2019

	Fund 10 Next Generation	Sustainability	Valley Coalition	AA for Pediatics	STARS	Will Harvey Fund	Total
<b>ASSETS</b>							
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,752
Due from other funds	587	584	2,349	1,009	920	1,000	21,828
<b>TOTAL ASSETS</b>	<b>\$ 587</b>	<b>\$ 584</b>	<b>\$ 2,349</b>	<b>\$ 1,009</b>	<b>\$ 920</b>	<b>\$ 1,000</b>	<b>\$ 109,580</b>
<b>LIABILITIES</b>							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,013
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93,013</b>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	587	-	-	-	920	-	16,886
Committed	-	584	2,349	1,009	-	1,000	4,942
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(5,261)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>587</b>	<b>584</b>	<b>2,349</b>	<b>1,009</b>	<b>920</b>	<b>1,000</b>	<b>16,567</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 587</b>	<b>\$ 584</b>	<b>\$ 2,349</b>	<b>\$ 1,009</b>	<b>\$ 920</b>	<b>\$ 1,000</b>	<b>\$ 109,580</b>

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

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	PDEG	Envision Grant	After School Program	Farm to School Operations	Schoolwide Programs	US Forest	Title IV
REVENUES							
Intergovernmental	\$ 56,818	\$ -	\$ -	\$ -	\$ 65,788	\$ 7,625	\$ 4,020
Other income	-	-	-	-	-	-	-
TOTAL REVENUES	<u>56,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,788</u>	<u>7,625</u>	<u>4,020</u>
EXPENDITURES							
Other	56,818	-	-	-	70,643	-	4,020
TOTAL EXPENDITURES	<u>56,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,643</u>	<u>-</u>	<u>4,020</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	-	-	(4,855)	7,625	-
FUND BALANCES (DEFICITS) - JULY 1	-	(406)	2,897	4,857	-	-	-
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>	<u>\$ (406)</u>	<u>\$ 2,897</u>	<u>\$ 4,857</u>	<u>\$ (4,855)</u>	<u>\$ 7,625</u>	<u>\$ -</u>

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Fund 10 Next Generation	Sustainability	Valley Coalition	AA for Pediatrics	STARS	Will Harvey Fund	Total
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 920	\$ -	\$ 135,171
Other income	-	-	-	-	-	1,000	1,000
TOTAL REVENUES	-	-	-	-	920	1,000	136,171
EXPENDITURES							
Other	-	-	-	-	-	-	131,481
TOTAL EXPENDITURES	-	-	-	-	-	-	131,481
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	-	-	920	1,000	4,690
FUND BALANCES (DEFICITS) - JULY 1	587	584	2,349	1,009	-	-	11,877
FUND BALANCES (DEFICITS) - JUNE 30	\$ 587	\$ 584	\$ 2,349	\$ 1,009	\$ 920	\$ 1,000	\$ 16,567

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

## Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

## ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2019

	Construction Fund	Total
	<u>                    </u>	<u>                    </u>
ASSETS		
Due from other funds	\$ 109,572	\$ 109,572
TOTAL ASSETS	<u>\$ 109,572</u>	<u>\$ 109,572</u>
LIABILITIES		
Due to other funds	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	109,572	109,572
Committed	-	-
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>109,572</u>	<u>109,572</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 109,572</u>	<u>\$ 109,572</u>

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

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Construction Fund	Total
REVENUES		
Other income	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>
EXPENDITURES		
Other	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-
FUND BALANCES - JULY 1	<u>109,572</u>	<u>109,572</u>
FUND BALANCES - JUNE 30	<u>\$ 109,572</u>	<u>\$ 109,572</u>

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

## Permanent Funds

Permanent funds are used to account for assets held by the School District in trust or as an agent for individuals, private organizations, other governmental units and/or other funds. These funds have been established for the provision and/or maintenance of various activities.

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
 JUNE 30, 2019

	Cowdrey Fund	Wing Fund	Kirkpatrick Fund	Rochester School Fund for Excellence	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 7,609	\$ 8,262	\$ 36,253	\$ 52,124
Investments	16,724	128,265	140,417	117,992	403,398
<b>TOTAL ASSETS</b>	<u>\$ 16,724</u>	<u>\$ 135,874</u>	<u>\$ 148,679</u>	<u>\$ 154,245</u>	<u>\$ 455,522</u>
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable		-	-	-	-
Restricted	16,724	135,874	148,679	154,245	455,522
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>16,724</u>	<u>135,874</u>	<u>148,679</u>	<u>154,245</u>	<u>455,522</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 16,724</u>	<u>\$ 135,874</u>	<u>\$ 148,679</u>	<u>\$ 154,245</u>	<u>\$ 455,522</u>

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

## ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	Cowdrey Fund	Wing Fund	Kirkpatrick Fund	Rochester School Fund for Excellence	Total
REVENUES					
Investment income, net of unrealized gain/(losses)	\$ 90	\$ 5,363	\$ 8,827	\$ 14,203	\$ 28,483
TOTAL REVENUES	<u>90</u>	<u>5,363</u>	<u>8,827</u>	<u>14,203</u>	<u>28,483</u>
EXPENDITURES					
Other	-	1,380	1,211	-	2,591
TOTAL EXPENDITURES	<u>-</u>	<u>1,380</u>	<u>1,211</u>	<u>-</u>	<u>2,591</u>
NET CHANGE IN FUND BALANCES	90	3,983	7,616	14,203	25,892
FUND BALANCES - JULY 1	<u>16,634</u>	<u>131,891</u>	<u>141,063</u>	<u>140,042</u>	<u>429,630</u>
FUND BALANCES - JUNE 30	<u>\$ 16,724</u>	<u>\$ 135,874</u>	<u>\$ 148,679</u>	<u>\$ 154,245</u>	<u>\$ 455,522</u>

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

## General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position.

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
 JUNE 30, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Totals
Operations and maintenance	\$ -	\$ 50,848	\$ 16,285	\$ -	\$ 67,133
District-wide	-	3,434,169	171,047	-	3,605,216
School lunch	-	-	35,653	-	35,653
Total General Capital Assets	-	3,485,017	222,985	-	3,708,002
Less: Accumulated Depreciation	-	(2,294,302)	(188,527)	-	(2,482,829)
Net General Capital Assets	<u>\$ -</u>	<u>\$ 1,190,715</u>	<u>\$ 34,458</u>	<u>\$ -</u>	<u>\$ 1,225,173</u>

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

ROCHESTER-STOCKBRIDGE UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2019

	General Capital Assets 7/1/18	Additions	Deletions	General Capital Assets 6/30/19
Operations and maintenance	\$ 67,133	\$ -	\$ -	\$ 67,133
District-wide	3,599,716	5,500	-	3,605,216
School lunch	35,653	-	-	35,653
Total General Capital Assets	3,702,502	5,500	-	3,708,002
Less: Accumulated Depreciation	(2,419,891)	(62,938)	-	(2,482,829)
Net General Capital Assets	<u>\$ 1,282,611</u>	<u>\$ (57,438)</u>	<u>\$ -</u>	<u>\$ 1,225,173</u>

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



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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  
Rochester-Stockbridge Unified School District  
Stockbridge, 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, business-type activities, each major fund and the aggregate remaining fund information of the Rochester-Stockbridge 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 Rochester-Stockbridge Unified School District's basic financial statements and have issued our report thereon dated March 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rochester-Stockbridge 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 Rochester-Stockbridge Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rochester-Stockbridge 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 Rochester-Stockbridge 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 Rochester-Stockbridge 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 17, 2020