

Audited Financial Statements
and Other Financial Information

The Newton School - Strafford

June 30, 2019



Proven Expertise & Integrity

THE NEWTON SCHOOL - STRAFFORD

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JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Newton School - Strafford
Royalton, 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 Newton School - Strafford, 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 Newton School - Strafford 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 11 and 61 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newton School - Strafford'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 August 14, 2020 on our consideration of the Newton School - Strafford'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 Newton School - Strafford's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
August 14, 2020

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

(UNAUDITED)

The following management's discussion and analysis of the Newton School - Strafford'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, pension and OPEB 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, assessments, operations and maintenance, transportation, school administration, unclassified and program expenses.
- *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 Newton School - Strafford 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: Most 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 Newton School - Strafford 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 Newton School - Strafford. 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, capital asset activity and other detailed budgetary information for the general fund.

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 decreased by \$304,614 from \$803,415 to \$498,801. The District's total net position for business-type activities decreased by \$10,355 from a deficit balance of \$32,252 to a deficit balance of \$42,607.

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 \$147,670 at the end of this year. Unrestricted net position for business-type activities decreased to a deficit balance of \$47,095.

Table 1
The Newton School - Strafford
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2019	2018 (Restated)	2019	2018
Assets				
Current Assets	\$ 481,644	\$ 764,430	\$ (47,095)	\$ (39,770)
Noncurrent Assets	337,427	358,659	4,488	7,593
Total Assets	<u>819,071</u>	<u>1,123,089</u>	<u>(42,607)</u>	<u>(32,177)</u>
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	15,433	17,312	-	-
Total Deferred Outflows of Resources	<u>15,433</u>	<u>17,312</u>	<u>-</u>	<u>-</u>
Liabilities				
Current Liabilities	287,269	285,409	-	-
Noncurrent Liabilities	33,944	33,513	-	-
Total Liabilities	<u>321,213</u>	<u>318,922</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Deferred Revenue	-	-	-	75
Deferred Inflows Related to Pensions	14,490	18,064	-	-
Total Deferred Inflows of Resources	<u>14,490</u>	<u>18,064</u>	<u>-</u>	<u>75</u>
Net Position				
Net Investment in Capital Assets	337,427	358,659	4,488	7,593
Restricted	13,704	14,618	-	-
Unrestricted (Deficit)	147,670	430,138	(47,095)	(39,845)
Total Net Position	<u>\$ 498,801</u>	<u>\$ 803,415</u>	<u>\$ (42,607)</u>	<u>\$ (32,252)</u>

Revenues and Expenses

Revenues for the Newton School - Strafford's governmental activities decreased by 5.47%, while total expenses increased by 7.35%. The decrease in revenues was primarily due to grants and contributions not restricted to specific programs. The increase in expenses was primarily due to school administration and unclassified.

Business-type activities revenue decreased by 17.24%, while expenses increased by 0.96% from the prior year.

Table 2
The Newton School - Strafford
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>
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ -	\$ 14,700	\$ 26,016	\$ 22,440
Operating grants and contributions	451,360	401,347	22,311	35,045
<i>General Revenues:</i>				
Grants and contributions not restricted to specific programs	2,909,244	3,131,829	-	-
Miscellaneous	26,107	34,754	304	1,275
Total Revenues	<u>3,386,711</u>	<u>3,582,630</u>	<u>48,631</u>	<u>58,760</u>
Expenses				
School instruction	2,188,406	2,154,323	-	-
Board of Education	17,770	8,512	-	-
Fiscal services	2,739	4,628	-	-
Assessments	502,626	445,899	-	-
Operations and maintenance	178,690	162,677	-	-
Transportation	4,571	6,614	-	-
School administration	270,143	191,426	-	-
Unclassified	-	1,300	-	-
On-behalf payments	451,360	401,347	-	-
Program expenses	35,020	2,890	-	-
Interest on long term debt	-	21,602	-	-
School lunch	-	-	98,986	98,046
Total Expenses	<u>3,651,325</u>	<u>3,401,218</u>	<u>98,986</u>	<u>98,046</u>
Transfers	<u>(40,000)</u>	<u>(25,000)</u>	<u>40,000</u>	<u>25,000</u>
Change in Net Position	(304,614)	156,412	(10,355)	(14,286)
Net Position - July 1, Restated	<u>803,415</u>	<u>647,003</u>	<u>(32,252)</u>	<u>(17,966)</u>
Net Position - June 30	<u>\$ 498,801</u>	<u>\$ 803,415</u>	<u>\$ (42,607)</u>	<u>\$ (32,252)</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
The Newton School - Strafford
Fund Balances - Governmental Funds
June 30,

	2019	2018 (Restated)
Major Fund:		
General Fund:		
Committed	\$ 38,233	\$ -
Unassigned	(55,585)	151,880
Total Major Fund	\$ (17,352)	\$ 151,880
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 13,704	\$ 14,618
Committed	139,578	254,078
Unassigned	(797)	(797)
Capital Projects Funds:		
Committed	59,242	59,242
Total Nonmajor Funds	\$ 211,727	\$ 327,141

The general fund total fund balance decreased by \$169,232 from the prior fiscal year due to expenditures exceeding revenues and other financing sources. The nonmajor funds total fund balance decreased by \$115,414 from the prior fiscal year primarily due to transfers to other funds.

Proprietary funds: The 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 operating loss for the current year of \$10,355 compared to an operating loss of \$39,286 for the previous year.

Budgetary Highlights

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

The general fund actual revenues were under budgeted revenues by \$76,723. All revenue categories were receipted within or under budgeted amounts with the exception of miscellaneous.

The general fund actual expenditures were in excess of budgeted amounts by \$85,304. All expenditures categories were within or in excess of budgeted amounts with the exception of fiscal services, operations and maintenance, transportation and debt-service - interest.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2019, the School District capital assets decreased by \$24,337. This decrease was due to net capital asset disposals of \$2,472 and current year depreciation expense of \$21,865.

Table 4
The Newton School - Strafford
Capital Assets (Net of Depreciation)
June 30,

	<u>2019</u>	<u>2018</u>
Buildings	\$ 186,667	\$ 200,000
Building improvements	94,803	97,653
Machinery and equipment	38,011	44,610
Infrastructure	22,434	23,989
Total	<u>\$ 341,915</u>	<u>\$ 366,252</u>

Debt

At June 30, 2019, the School District did not have any long-term debt.

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

THE NEWTON SCHOOL - STRAFFORD

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 297,796	\$ -	\$ 297,796
Accounts receivable (net of allowance for uncollectibles)	91,661	4,445	96,106
Due from other governments	39,705	-	39,705
Inventory	-	942	942
Internal balances	52,482	(52,482)	-
Total current assets	<u>481,644</u>	<u>(47,095)</u>	<u>434,549</u>
Noncurrent assets:			
Buildings and improvements, net of accumulated depreciation	281,470	-	281,470
Furniture and equipment, net of accumulated depreciation	33,523	4,488	38,011
Infrastructure, net of accumulated depreciation	22,434	-	22,434
Total noncurrent assets	<u>337,427</u>	<u>4,488</u>	<u>341,915</u>
TOTAL ASSETS	<u>819,071</u>	<u>(42,607)</u>	<u>776,464</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	15,433	-	15,433
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>15,433</u>	<u>-</u>	<u>15,433</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 834,504</u>	<u>\$ (42,607)</u>	<u>\$ 791,897</u>
LIABILITIES			
Current liabilities:			
Short-term note payable	\$ 217,285	\$ -	\$ 217,285
Accrued liabilities	69,984	-	69,984
Total current liabilities	<u>287,269</u>	<u>-</u>	<u>287,269</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Net pension liability	33,944	-	33,944
Total noncurrent liabilities	<u>33,944</u>	<u>-</u>	<u>33,944</u>
TOTAL LIABILITIES	<u>321,213</u>	<u>-</u>	<u>321,213</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	14,490	-	14,490
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,490</u>	<u>-</u>	<u>14,490</u>
NET POSITION			
Net investment in capital assets	337,427	4,488	341,915
Restricted	13,704	-	13,704
Unrestricted (deficit)	147,670	(47,095)	100,575
TOTAL NET POSITION	<u>498,801</u>	<u>(42,607)</u>	<u>456,194</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 834,504</u>	<u>\$ (42,607)</u>	<u>\$ 791,897</u>

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

THE NEWTON SCHOOL - STRAFFORD

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
School instruction	\$ 2,188,406	\$ -	\$ -	\$ -	\$ (2,188,406)	\$ -	\$ (2,188,406)
Board of Education	17,770	-	-	-	(17,770)	-	(17,770)
Fiscal services	2,739	-	-	-	(2,739)	-	(2,739)
Assessments	502,626	-	-	-	(502,626)	-	(502,626)
Operations and maintenance	178,690	-	-	-	(178,690)	-	(178,690)
Transportation	4,571	-	-	-	(4,571)	-	(4,571)
School administration	270,143	-	-	-	(270,143)	-	(270,143)
Unclassified	-	-	-	-	-	-	-
On-behalf payments	451,360	-	451,360	-	-	-	-
Program expenses	35,020	-	-	-	(35,020)	-	(35,020)
Total governmental activities	<u>3,651,325</u>	<u>-</u>	<u>451,360</u>	<u>-</u>	<u>(3,199,965)</u>	<u>-</u>	<u>(3,199,965)</u>
Business-type activities:							
School lunch	98,986	26,016	22,311	-	-	(50,659)	(50,659)
Total business-type activities	<u>98,986</u>	<u>26,016</u>	<u>22,311</u>	<u>-</u>	<u>-</u>	<u>(50,659)</u>	<u>(50,659)</u>
Total government	<u>\$ 3,750,311</u>	<u>\$ 26,016</u>	<u>\$ 473,671</u>	<u>\$ -</u>	<u>(3,199,965)</u>	<u>(50,659)</u>	<u>(3,250,624)</u>

STATEMENT B (CONTINUED)
THE NEWTON SCHOOL - STRAFFORD

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(3,199,965)	(50,659)	(3,250,624)
General revenues:			
Grants and contributions not restricted to specific programs	2,909,244	-	2,909,244
Miscellaneous	26,107	304	26,411
Transfers	(40,000)	40,000	-
Total general revenues and transfers	2,895,351	40,304	2,935,655
Change in net position	(304,614)	(10,355)	(314,969)
NET POSITION - JULY 1, RESTATED	803,415	(32,252)	771,163
NET POSITION - JUNE 30	\$ 498,801	\$ (42,607)	\$ 456,194

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

THE NEWTON SCHOOL - STRAFFORD

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 297,796	\$ -	\$ 297,796
Accounts receivable (net of allowance for uncollectibles)	74,573	17,088	91,661
Due from other governments	39,705	-	39,705
Due from other funds	70,367	212,524	282,891
TOTAL ASSETS	<u>\$ 482,441</u>	<u>\$ 229,612</u>	<u>\$ 712,053</u>
LIABILITIES			
Short-term notes payable	\$ 217,285	\$ -	\$ 217,285
Accrued liabilities	69,984	-	69,984
Due to other funds	212,524	17,885	230,409
TOTAL LIABILITIES	<u>499,793</u>	<u>17,885</u>	<u>517,678</u>
FUND BALANCES (DEFICITS)			
Nonspendable	-	-	-
Restricted	-	13,704	13,704
Committed	38,233	198,820	237,053
Assigned	-	-	-
Unassigned	(55,585)	(797)	(56,382)
TOTAL FUND BALANCES (DEFICITS)	<u>(17,352)</u>	<u>211,727</u>	<u>194,375</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 482,441</u>	<u>\$ 229,612</u>	<u>\$ 712,053</u>

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

THE NEWTON SCHOOL - STRAFFORD

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

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 194,375
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	337,427
Deferred outflows of resources related to pension are not financial resources and therefore are not reported in the funds	15,433
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Net pension liability	(33,944)
Deferred inflows of resources related to pension are not financial resources and therefore are not reported in the funds	<u>(14,490)</u>
Net position of governmental activities	<u>\$ 498,801</u>

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

THE NEWTON SCHOOL - STRAFFORD

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
REVENUES			
Intergovernmental revenues	\$ 3,005,032	\$ 26,979	\$ 3,032,011
Interest income	4,920	-	4,920
Miscellaneous revenues	14,060	7,127	21,187
TOTAL REVENUES	3,024,012	34,106	3,058,118
EXPENDITURES			
Current:			
School instruction	2,175,221	-	2,175,221
Board of Education	17,770	-	17,770
Fiscal services	2,739	-	2,739
Assessments	502,626	-	502,626
Operations and maintenance	171,907	-	171,907
Transportation	4,571	-	4,571
School administration	270,143	-	270,143
On-behalf payments	122,767	-	122,767
Program expenses	-	35,020	35,020
TOTAL EXPENDITURES	3,267,744	35,020	3,302,764
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(243,732)	(914)	(244,646)
OTHER FINANCING SOURCES (USES)			
Transfers in	122,500	8,000	130,500
Transfers (out)	(48,000)	(122,500)	(170,500)
TOTAL OTHER FINANCING SOURCES (USES)	74,500	(114,500)	(40,000)
NET CHANGE IN FUND BALANCES (DEFICITS)	(169,232)	(115,414)	(284,646)
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	151,880	327,141	479,021
FUND BALANCES (DEFICITS) - JUNE 30	\$ (17,352)	\$ 211,727	\$ 194,375

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

THE NEWTON SCHOOL - STRAFFORD

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>\$ (284,646)</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: Depreciation expense	<u>(21,232)</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>(1,879)</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>3,574</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: Net pension liability	<u>(431)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (304,614)</u></u>

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

THE NEWTON SCHOOL - STRAFFORD

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	<u>Enterprise Fund</u>
	School
	<u>Lunch</u>
ASSETS	
Current assets:	
Due from other governments	\$ 4,445
Inventory	942
Total current assets	<u>5,387</u>
Noncurrent assets:	
Capital assets:	
Machinery and equipment	22,790
Total capital assets	22,790
Less: accumulated depreciation	<u>(18,302)</u>
Total noncurrent assets	<u>4,488</u>
TOTAL ASSETS	<u><u>\$ 9,875</u></u>
LIABILITIES	
Current liabilities:	
Due to other funds	\$ 52,482
Total current liabilities	<u>52,482</u>
TOTAL LIABILITIES	<u>52,482</u>
NET POSITION	
Net investment in capital assets	4,488
Unrestricted (deficit)	<u>(47,095)</u>
TOTAL NET POSITION	<u>(42,607)</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 9,875</u></u>

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

THE NEWTON SCHOOL - STRAFFORD

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

	<u>Enterprise Fund</u> <u>School</u> <u>Lunch</u>
OPERATING REVENUES	
Sale of meals	\$ 26,016
Federal and state reimbursements	22,311
TOTAL OPERATING REVENUES	<u>48,327</u>
OPERATING EXPENSES	
Salaries and benefits	67,651
Food	26,401
Supplies	1,829
Depreciation	3,105
TOTAL OPERATING EXPENSES	<u>98,986</u>
OPERATING INCOME (LOSS)	<u>(50,659)</u>
NONOPERATING INCOME (EXPENSE)	
Interest income (expense)	304
Transfers in	40,000
TOTAL NONOPERATING INCOME (EXPENSE)	<u>40,304</u>
CHANGE IN NET POSITION (DEFICITS)	(10,355)
NET POSITION (DEFICITS) - JULY 1	<u>(32,252)</u>
NET POSITION (DEFICITS) - JUNE 30	<u>\$ (42,607)</u>

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

THE NEWTON SCHOOL - STRAFFORD

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Enterprise Fund</u> <u>School</u> <u>Lunch</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 32,785
Internal activity - receipts from other funds	481
Intergovernmental	22,311
Payments to suppliers	(28,230)
Payments to employees	(67,651)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(40,304)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	304
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>304</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	40,000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>40,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - JULY 1	<u>-</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (50,659)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	3,105
Changes in operating assets and liabilities:	
(Increase) decrease in due from other governments	6,844
(Decrease) increase in deferred revenue	(75)
(Decrease) increase in due to other funds	481
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (40,304)</u>

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

THE NEWTON SCHOOL - STRAFFORD

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Agency Funds</u> <u>Student</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 10,912
TOTAL ASSETS	<u>\$ 10,912</u>
LIABILITIES	
Deposits held for others	\$ 10,912
TOTAL LIABILITIES	<u>\$ 10,912</u>

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

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The School District was incorporated under the laws in the State of Vermont. The School District operates under the Board of Directors-superintendent form of government and provides the following services: school instruction, Board of Education, fiscal services, assessments, operations and maintenance, transportation, school administration, unclassified and program expenses.

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

THE NEWTON SCHOOL - STRAFFORD

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

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions (instruction, administration, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (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 associated with the function or business-type activity. Operating grants include

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and Fund Financial Statements

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

1. Governmental Funds:

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

Major Fund:

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

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
- 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.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, 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 fund is 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.

THE NEWTON SCHOOL - STRAFFORD

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.

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues per budgetary basis	\$ 3,023,745
Add: On-behalf payments	122,767
Total GAAP basis	<u>\$ 3,146,512</u>
Expenditures per budgetary basis	\$ 3,192,977
Add: On-behalf basis	122,767
Total GAAP basis	<u>\$ 3,315,744</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:

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Newton School - Strafford has no formal investment policy but instead follows the State of Vermont Statutes.

Receivables

Receivables include amounts due for instructional and special educational services. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$135,811 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 the 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.

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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
Infrastructure	50 - 100 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 of 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.

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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) and 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.

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 District currently has one type of this item, deferred outflows related to pensions. This item is reported in the statement of net position.

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Deferred inflows related to pensions qualify for reporting in this category. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

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

At June 30, 2019, the School District's cash balance of \$308,708 was comprised of bank balances of \$467,724 which were all insured by federal depository insurance and consequently were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 35,995
Savings accounts	122,541
ICS accounts	309,188
	<u>\$ 467,724</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 \$0 of investments at June 30, 2019.

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

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

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

	<u>Receivables</u> (Due from)	<u>Payables</u> (Due to)
General fund	\$ 70,367	\$ 212,524
Enterprise fund	-	52,482
Nonmajor special revenue funds	153,282	17,885
Nonmajor capital projects funds	59,242	-
	<u>\$ 282,891</u>	<u>\$ 282,891</u>

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance</u> 7/1/2018	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 6/30/2019
<u>Governmental activities:</u>				
Depreciated assets:				
Buildings	\$ 917,595	\$ -	\$ (475,281)	\$ 442,314
Building improvements	114,020	-	-	114,020
Furniture and equipment	157,774	-	(61,431)	96,343
Infrastructure	33,721	-	-	33,721
	<u>1,223,110</u>	<u>-</u>	<u>(536,712)</u>	<u>686,398</u>
Less: accumulated depreciation				
Buildings	(717,595)	(13,333)	475,281	(255,647)
Building improvements	(16,367)	(2,850)	-	(19,217)
Furniture and equipment	(120,757)	(3,494)	61,431	(62,820)
Infrastructure	(9,732)	(1,555)	-	(11,287)
	<u>(864,451)</u>	<u>(21,232)</u>	<u>536,712</u>	<u>(348,971)</u>
Net capital assets governmental activities	<u>358,659</u>	<u>(21,232)</u>	<u>-</u>	<u>337,427</u>

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance 7/1/2018	Additions	Disposals	Balance 6/30/2019
<u>Business-type activities:</u>				
Depreciated assets:				
Machinery and equipment	61,698	-	(38,908)	22,790
	61,698	-	(38,908)	22,790
Less: accumulated depreciation	(54,105)	(633)	36,436	(18,302)
Net capital assets business-type activities	7,593	(633)	(2,472)	4,488
 Total	<u>\$ 366,252</u>	<u>\$ (21,865)</u>	<u>\$ (2,472)</u>	<u>\$ 341,915</u>
 <u>Current year depreciation:</u>				
Operations and maintenance				\$ 6,783
Direct services				14,449
Total governmental activities				21,232
School lunch				633
Total depreciation expenses				<u>\$ 21,865</u>

NOTE 5 - SHORT-TERM DEBT

On July 2, 2018, the School District issued a tax/revenue anticipation note through Community National Bank in anticipation of revenues to meet its operating obligations during the fiscal year. The note allowed principal draws up to \$217,285 at 2.70% interest with a maturity date of June 30, 2019.

	Balance, 7/1/18	Additions	Reductions	Balance, 6/30/19
Tax/revenue anticipation note	\$ -	\$ 217,285	\$ -	\$ 217,285
Totals	<u>\$ -</u>	<u>\$ 217,285</u>	<u>\$ -</u>	<u>\$ 217,285</u>

Interest paid for short-term debt for the year ended June 30, 2019 was \$0.

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - OTHER LONG-TERM OBLIGATION

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

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Portion
Governmental activities:					
Net pension liability	33,513	7,102	(6,671)	33,944	-
	<u>\$ 33,513</u>	<u>\$ 7,102</u>	<u>\$ (6,671)</u>	<u>\$ 33,944</u>	<u>\$ -</u>

Please see Note 9 for detailed information on the other long-term obligation.

NOTE 7 - RESTRICTED FUND BALANCES

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

Nonmajor special revenue funds (Schedule E)	<u>\$ 13,704</u>
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NOTE 8 - COMMITTED FUND BALANCES

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

General fund:	
Fiscal year 2020 use of fund balance	\$ 38,233
Nonmajor special revenue funds (Schedule E)	139,578
Nonmajor capital projects funds (Schedule G)	59,242
	<u>\$ 237,053</u>

NOTE 9 - 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 NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 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 and Management website at: 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.

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

VSTRS	Group A	Group C - Group # 1	Group C - Group # 2
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
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

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

VSTRS	Group A	Group C - Group # 1	Group C - Group # 2
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 \$122,767 or 15.75% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

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 \$39,552 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 \$779,474 for the year ended June 30, 2019.

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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 and Management website at:

http://finance.vermont.gov/reports_and_publications/cafr.

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 and 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:

VMERS	Group A	Group B	Group C	Group D
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
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

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

** - 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:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.625% of gross salary	5.0% of gross salary	10.125% of gross salary	11.475% of gross salary
Employer Contributions	4.125% of gross salary	5.625% of gross salary	7.375% of gross salary	9.975% 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 \$3,050. The School District contributed \$4,792 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 \$116,195.

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:

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

School District's proportionate share of the net pensions liability	\$ -
State's proportionate share of the net pension liability associated with the School District	<u>1,738,323</u>
Total	<u>\$ 1,738,323</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 0.11507% which was an increase of 0.003631% from its proportion measured as of June 30, 2017.

VMERS Plan

At June 30, 2019, the School District reported a liability of \$33,944 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 June 30, 2017. 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 0.02412924% for VMERS, which was a decrease of 0.003532% from its proportion measured as of June 30, 2017 for VMERS.

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 \$242,283 and revenue of \$242,283 for support provided by the State of Vermont for the VSTRS plan. In the same period, the School District recognized pension expense of \$1,264 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:

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 2,948	\$ 543
Changes of assumptions	-	-	3,759	-
Net difference between projected and actual earnings on pension plan investments	-	-	3,934	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-	13,947
Contributions subsequent to the measurement date	-	-	4,792	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,433</u>	<u>\$ 14,490</u>

\$4,792 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	\$ -	\$ 642
2020	-	(1,513)
2021	-	(3,250)
2022	-	273
2023	-	-
Thereafter	-	-

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.

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.

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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.

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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%.

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:

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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:

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - 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	\$ 57,494	\$ 33,944	\$ 14,792

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 and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

NOTE 10 - 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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - 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 and Management website at: 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:

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	Retiree Subsidy		Spouse Subsidy*	
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	35 years at retirement
		30 or more years	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 the School District does not contribute directly to VSTRS, no net OPEB liability was

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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>1,465,114</u>
Total	\$	<u><u>1,465,114</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 0.1535% which was an increase of 0.00344% 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 \$86,310 and revenue of \$86,310 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:

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	<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	-	-
	<hr/>	<hr/>
Total	<u>\$ -</u>	<u>\$ -</u>

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:

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
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:

	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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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:

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:

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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, 2018 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 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, 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 and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

NOTE 11 - 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.

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - RISK MANAGEMENT (CONTINUED)

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" (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 years ended June 30, 2019, 2018 and 2017 was \$2,178, \$14,177 and \$15,732, respectively. 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 (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

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - RISK MANAGEMENT (CONTINUED)

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.

NOTE 12 - 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.

THE NEWTON SCHOOL - STRAFFORD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - DEFICIT FUND BALANCES

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

General fund	\$	17,352
Unanticipated expense reserve		<u>797</u>
	\$	<u><u>18,149</u></u>

NOTE 14 - OVERSPENT APPROPRIATIONS

The School District was noncompliant with the legally adopted budget, overspending the entire allowed appropriation of \$3,115,673 by \$138,734 at June 30, 2019.

NOTE 15 - 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 16 - 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.

NOTE 17 - SUBSEQUENT EVENT

On July 1, 2019, the School District issued a tax/revenue anticipation note with Community National Bank to meet its operating obligations during the fiscal year. The note allows principal draws up to \$223,016 at 2.80% interest 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

THE NEWTON SCHOOL - STRAFFORD

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, Restated	\$ 151,880	\$ 151,880	\$ 151,880	\$ -
Resources (Inflows):				
Intergovernmental:				
State support	2,729,380	2,729,380	2,727,607	(1,773)
Other	219,988	219,988	154,658	(65,330)
Interest income	23,000	23,000	4,920	(18,080)
Miscellaneous	5,600	5,600	14,060	8,460
Transfers from other funds	122,500	122,500	122,500	-
Amounts Available for Appropriation	<u>3,252,348</u>	<u>3,252,348</u>	<u>3,175,625</u>	<u>(76,723)</u>
Charges to Appropriations (Outflows):				
School instruction	2,166,059	2,166,059	2,175,221	(9,162)
Board of Education	8,300	8,300	17,770	(9,470)
Fiscal services	5,668	5,668	2,739	2,929
Assessments	450,232	450,232	502,626	(52,394)
Operations and maintenance	203,088	203,088	171,907	31,181
Transportation	10,000	10,000	4,571	5,429
School administration	205,326	205,326	270,143	(64,817)
Debt service:				
Interest	19,000	19,000	-	19,000
Transfers to other funds	40,000	40,000	48,000	(8,000)
Total Charges to Appropriations	<u>3,107,673</u>	<u>3,107,673</u>	<u>3,192,977</u>	<u>(85,304)</u>
Budgetary Fund Balance, June 30	<u>\$ 144,675</u>	<u>\$ 144,675</u>	<u>\$ (17,352)</u>	<u>\$ (162,027)</u>
Utilization of unassigned fund balance	<u>\$ 7,205</u>	<u>\$ 7,205</u>	<u>\$ -</u>	<u>\$ (7,205)</u>

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

THE NEWTON SCHOOL - STRAFFORD

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>2014</u>
<u>VSTRS:</u>						
Proportion of the net pension liability	0.12%	0.11%	0.11%	0.12%	0.11%	0.09%
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>1,738,323</u>	<u>1,652,780</u>	<u>1,442,554</u>	<u>1,370,404</u>	<u>1,071,904</u>	<u>\$ 902,753</u>
Total	<u>\$ 1,738,323</u>	<u>\$ 1,652,780</u>	<u>\$ 1,442,554</u>	<u>\$ 1,370,404</u>	<u>\$ 1,071,904</u>	<u>\$ 902,753</u>
Covered payroll	\$ 736,762	\$ 713,606	\$ 713,606	\$ 644,149	\$ 633,966	\$ 503,273
Proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	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%	60.59%
<u>VMERS:</u>						
Proportion of the net pension liability	0.02%	0.03%	0.05%	0.06%	0.08%	0.08%
Proportionate share of the net pension liability	\$ 33,944	\$ 33,513	\$ 68,902	\$ 45,776	\$ 6,942	\$ 29,054
Covered payroll	\$ 112,930	\$ 203,224	\$ 203,224	\$ 207,129	\$ 189,456	\$ 162,412
Proportionate share of the net pension liability as a percentage of its covered payroll	30.06%	16.49%	33.90%	22.10%	3.66%	17.89%
Plan fiduciary net position as a percentage of the total pension liability	82.60%	83.64%	80.95%	87.42%	98.32%	92.71%

* 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.

THE NEWTON SCHOOL - STRAFFORD

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered payroll	\$ 779,474	\$ 777,893	\$ 736,762	\$ 713,606	\$ 644,149	\$ 633,966
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>VMERS:</u>						
Contractually required contribution	\$ 4,792	\$ 4,226	\$ 4,517	\$ 8,137	\$ 8,300	\$ 9,812
Contributions in relation to the contractually required contribution	<u>(4,792)</u>	<u>(4,226)</u>	<u>(4,517)</u>	<u>(8,137)</u>	<u>(8,300)</u>	<u>(9,812)</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered payroll	\$ 116,195	\$ 105,663	\$ 112,930	\$ 203,224	\$ 207,129	\$ 189,456
Contributions as a percentage of covered payroll	4.12%	4.00%	4.00%	4.00%	4.01%	5.18%

* 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.

THE NEWTON SCHOOL - STRAFFORD

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>VSTRS OPEB Plan:</u>			
Proportion of the net OPEB liability School District's proportionate share of the net OPEB liability	0.15%	0.15%	0.14%
	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the School District	1,465,114	1,399,021	-
Total	<u>\$ 1,465,114</u>	<u>\$ 1,399,021</u>	<u>\$ -</u>
Covered payroll	\$ 777,893	\$ 736,762	\$ 713,606
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.76%	1.52%	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.

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

THE NEWTON SCHOOL - STRAFFORD

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>VSTRS OPEB Plan:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 779,474	\$ 777,893	\$ 736,762
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

* 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.

THE NEWTON SCHOOL - STRAFFORD

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

Changes of Assumptions

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.

VSTRS OPERB Plan:

The discount rate increased from 3.58% to 3.87%.

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.

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

Other Supplementary Information

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

- Budgetary Comparison Schedule - 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

THE NEWTON SCHOOL - STRAFFORD

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	\$ 2,729,380	\$ 2,729,380	\$ 2,727,607	\$ (1,773)
Transportation aid	34,363	34,363	39,705	5,342
Tech ed support grant	23,775	23,775	-	(23,775)
Smalls schools grant	109,850	109,850	114,953	5,103
Title I	27,000	27,000	-	(27,000)
Medicaid-IEP	25,000	25,000	-	(25,000)
Interest income	23,000	23,000	4,920	(18,080)
Miscellaneous:				
Rentals	5,600	5,600	-	(5,600)
Other receipts	-	-	8,792	8,792
Prior year	-	-	5,268	5,268
Transfers from other funds	122,500	122,500	122,500	-
Amounts Available for Appropriation	<u>\$ 3,100,468</u>	<u>\$ 3,100,468</u>	<u>\$ 3,023,745</u>	<u>\$ (76,723)</u>

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

SCHEDULE B

STRAFFORD 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 -				
Regular programs	\$ 541,823	\$ 541,823	\$ 599,678	\$ (57,855)
Secondary	147,084	147,084	125,334	21,750
Art - elementary	16,629	16,629	10,969	5,660
Foreign language - elementary	-	-	3,277	(3,277)
Physical education - elementary	22,711	22,711	35,806	(13,095)
Music - elementary	10,314	10,314	11,150	(836)
Art - secondary	8,770	8,770	5,294	3,476
World language - secondary	21,787	21,787	22,004	(217)
Physical education - secondary	12,189	12,189	5,744	6,445
Music - secondary	5,480	5,480	6,411	(931)
Technology - secondary	35,407	35,407	11,836	23,571
Athletics	2,690	2,690	1,213	1,477
Tuition - preschool	30,000	30,000	48,725	(18,725)
Tuition - secondary	1,049,092	1,049,092	1,110,309	(61,217)
Tuition - other	23,775	23,775	2,500	21,275
Vocational	30,000	30,000	10,256	19,744
Guidance	62,549	62,549	67,793	(5,244)
Staff support	24,153	24,153	17,769	6,384
EST/504	4,000	4,000	500	3,500
Health	38,109	38,109	41,592	(3,483)
Library	37,388	37,388	37,061	327
Remedial	42,109	42,109	-	42,109
	<u>2,166,059</u>	<u>2,166,059</u>	<u>2,175,221</u>	<u>(9,162)</u>
Board of Education -				
Stipends/salaries/benefits	1,250	1,250	217	1,033
Legal services	1,000	1,000	-	1,000
Contracted services	100	100	-	100
Advertising	1,500	1,500	1,355	145
Printing/postage/supplies/travel	100	100	46	54
Dues and fees	1,500	1,500	13,660	(12,160)
Insurance	2,850	2,850	2,492	358
	<u>8,300</u>	<u>8,300</u>	<u>17,770</u>	<u>(9,470)</u>
Fiscal services -				
Audit	2,750	2,750	-	2,750
Treasurer	2,918	2,918	2,739	179
	<u>5,668</u>	<u>5,668</u>	<u>2,739</u>	<u>2,929</u>

SCHEDULE B (CONTINUED)
STRAFFORD SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Assessments -				
Superintendents office	31,785	31,785	31,785	-
Curriculum	7,595	7,595	7,596	(1)
Grant coordinator	5,165	5,165	5,164	1
Technology	10,012	10,012	15,101	(5,089)
Fiscal services - central office	49,311	49,311	78,581	(29,270)
Special education	258,446	258,446	281,869	(23,423)
Transportation	87,918	87,918	82,530	5,388
	<u>450,232</u>	<u>450,232</u>	<u>502,626</u>	<u>(52,394)</u>
School Administration				
Salaries and benefits	175,052	175,052	189,135	(14,083)
HRA	14,034	14,034	53,475	(39,441)
Telephone/postage/printing/travel	4,440	4,440	6,990	(2,550)
Supplies/books/av/equipment	10,000	10,000	7,810	2,190
Dues and fees/graduation expenses	1,800	1,800	12,733	(10,933)
	<u>205,326</u>	<u>205,326</u>	<u>270,143</u>	<u>(64,817)</u>
Operations and maintenance -				
Custodial	203,088	203,088	171,907	31,181
	<u>203,088</u>	<u>203,088</u>	<u>171,907</u>	<u>31,181</u>
Transportation -				
Co-curricular	10,000	10,000	4,571	5,429
	<u>10,000</u>	<u>10,000</u>	<u>4,571</u>	<u>5,429</u>
Debt service -				
Interest - short-term	19,000	19,000	-	19,000
	<u>19,000</u>	<u>19,000</u>	<u>-</u>	<u>19,000</u>
Transfers to other funds -				
School lunch	40,000	40,000	40,000	-
Special revenue	-	-	8,000	(8,000)
	<u>40,000</u>	<u>40,000</u>	<u>48,000</u>	<u>(8,000)</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 3,107,673</u></u>	<u><u>\$ 3,107,673</u></u>	<u><u>\$ 3,192,977</u></u>	<u><u>\$ (85,304)</u></u>

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

STRAFFORD SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Due from other governments	\$ 17,088	\$ -	\$ 17,088
Due from other funds	153,282	59,242	212,524
TOTAL ASSETS	<u>\$ 170,370</u>	<u>\$ 59,242</u>	<u>\$ 229,612</u>
LIABILITIES			
Due to other funds	\$ 17,885	\$ -	\$ 17,885
TOTAL LIABILITIES	<u>17,885</u>	<u>-</u>	<u>17,885</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	13,704	-	13,704
Committed	139,578	59,242	198,820
Assigned	-	-	-
Unassigned	(797)	-	(797)
TOTAL FUND BALANCES	<u>152,485</u>	<u>59,242</u>	<u>211,727</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 170,370</u>	<u>\$ 59,242</u>	<u>\$ 229,612</u>

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

STRAFFORD 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	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 26,979	\$ -	\$ 26,979
Other income	7,127	-	7,127
TOTAL REVENUES	<u>34,106</u>	<u>-</u>	<u>34,106</u>
EXPENDITURES			
Other	<u>35,020</u>	-	<u>35,020</u>
TOTAL EXPENDITURES	<u>35,020</u>	<u>-</u>	<u>35,020</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(914)</u>	<u>-</u>	<u>(914)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	8,000	-	8,000
Transfers (out)	<u>(122,500)</u>	-	<u>(122,500)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(114,500)</u>	<u>-</u>	<u>(114,500)</u>
NET CHANGE IN FUND BALANCES	(115,414)	-	(115,414)
FUND BALANCES - JULY 1	<u>267,899</u>	<u>59,242</u>	<u>327,141</u>
FUND BALANCES - JUNE 30	<u>\$ 152,485</u>	<u>\$ 59,242</u>	<u>\$ 211,727</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.

STRAFFORD SCHOOL DISTRICT

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

	Tuition Reserve Fund	ALCES Foundation Music	VT Community Foundation	Sustainability Project
ASSETS				
Due from other governments	\$ -	\$ -	\$ -	\$ -
Due from other funds	122,250	2,880	2,000	238
TOTAL ASSETS	<u>\$ 122,250</u>	<u>\$ 2,880</u>	<u>\$ 2,000</u>	<u>\$ 238</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	-
Restricted	-	2,880	2,000	238
Committed	122,250	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>122,250</u>	<u>2,880</u>	<u>2,000</u>	<u>238</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 122,250</u>	<u>\$ 2,880</u>	<u>\$ 2,000</u>	<u>\$ 238</u>

STRAFFORD SCHOOL DISTRICT

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

	Outdoor Ed Fund	Sweetwater Hill Fund	Connecticut River Grant	Food Service Equipment Grant	Field Trip Fund
ASSETS					
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	6,751	1,805	30	-	34
TOTAL ASSETS	<u>\$ 6,751</u>	<u>\$ 1,805</u>	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 34</u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	6,751	1,805	30	-	-
Committed	-	-	-	-	34
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>6,751</u>	<u>1,805</u>	<u>30</u>	<u>-</u>	<u>34</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 6,751</u>	<u>\$ 1,805</u>	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 34</u>

STRAFFORD SCHOOL DISTRICT

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

	Tyson Gym Reserve	Unanticipated Expense Reserve	Title IV	School-wide Program	Total
ASSETS					
Due from other governments	\$ -	\$ -	\$ 990	\$ 16,098	\$ 17,088
Due from other funds	17,294	-	-	-	153,282
TOTAL ASSETS	<u>\$ 17,294</u>	<u>\$ -</u>	<u>\$ 990</u>	<u>\$ 16,098</u>	<u>\$ 170,370</u>
LIABILITIES					
Due to other funds	\$ -	\$ 797	\$ 990	\$ 16,098	\$ 17,885
TOTAL LIABILITIES	<u>-</u>	<u>797</u>	<u>990</u>	<u>16,098</u>	<u>17,885</u>
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	13,704
Committed	17,294	-	-	-	139,578
Assigned	-	-	-	-	-
Unassigned	-	(797)	-	-	(797)
TOTAL FUND BALANCES (DEFICITS)	<u>17,294</u>	<u>(797)</u>	<u>-</u>	<u>-</u>	<u>152,485</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 17,294</u>	<u>\$ -</u>	<u>\$ 990</u>	<u>\$ 16,098</u>	<u>\$ 170,370</u>

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

STRAFFORD SCHOOL DISTRICT

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

	Tuition Reserve Fund	ALCES Foundation Music	VT Community Foundation	Sustainability Project
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Other	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	(122,500)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(122,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(122,500)	-	-	-
FUND BALANCES (DEFICITS) - JULY 1	<u>244,750</u>	<u>2,880</u>	<u>2,000</u>	<u>238</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u><u>\$ 122,250</u></u>	<u><u>\$ 2,880</u></u>	<u><u>\$ 2,000</u></u>	<u><u>\$ 238</u></u>

STRAFFORD SCHOOL DISTRICT

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

	Outdoor Ed Fund	Sweetwater Hill Fund	Connecticut River Grant	Food Service Equipment Grant	Field Trip Fund
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	6,090	-	-	1,037	-
TOTAL REVENUES	<u>6,090</u>	<u>-</u>	<u>-</u>	<u>1,037</u>	<u>-</u>
EXPENDITURES					
Other	7,004	-	-	1,037	-
TOTAL EXPENDITURES	<u>7,004</u>	<u>-</u>	<u>-</u>	<u>1,037</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(914)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(914)	-	-	-	-
FUND BALANCES (DEFICITS) - JULY 1	<u>7,665</u>	<u>1,805</u>	<u>30</u>	<u>-</u>	<u>34</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 6,751</u>	<u>\$ 1,805</u>	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 34</u>

STRAFFORD SCHOOL DISTRICT

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

	Tyson Gym Reserve	Unanticipated Expense Reserve	Title IV	School-wide Program	Total
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 990	\$ 25,989	\$ 26,979
Other income	-	-	-	-	7,127
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>990</u>	<u>25,989</u>	<u>34,106</u>
EXPENDITURES					
Other	-	-	990	25,989	35,020
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>990</u>	<u>25,989</u>	<u>35,020</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(914)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,000	-	-	-	8,000
Transfers (out)	-	-	-	-	(122,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,500)</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	8,000	-	-	-	(115,414)
FUND BALANCES (DEFICITS) - JULY 1	<u>9,294</u>	<u>(797)</u>	<u>-</u>	<u>-</u>	<u>267,899</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 17,294</u>	<u>\$ (797)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,485</u>

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.

STRAFFORD SCHOOL DISTRICT

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

	<u>Capital Improvements</u>	<u>Covered Walkway Project</u>	<u>Total</u>
ASSETS			
Due from other funds	\$ 59,241	\$ 1	\$ 59,242
TOTAL ASSETS	<u>\$ 59,241</u>	<u>\$ 1</u>	<u>\$ 59,242</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	59,241	1	59,242
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>59,241</u>	<u>1</u>	<u>59,242</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 59,241</u>	<u>\$ 1</u>	<u>\$ 59,242</u>

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

STRAFFORD SCHOOL DISTRICT

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

	<u>Capital Improvements</u>	<u>Covered Walkway Project</u>	<u>Total</u>
REVENUES			
Interest income	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Other	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES - JULY 1	<u>59,241</u>	<u>1</u>	<u>59,242</u>
FUND BALANCES - JUNE 30	<u>\$ 59,241</u>	<u>\$ 1</u>	<u>\$ 59,242</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.

STRAFFORD 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	Total
Operations and maintenance	\$ -	\$ 119,576	\$ 55,422	\$ 33,721	\$ 208,719
Direct services	-	436,758	40,921	-	477,679
Support services	-	-	-	-	-
School lunch	-	-	22,790	-	22,790
Total General Capital Assets	-	556,334	119,133	33,721	709,188
Less: Accumulated Depreciation	-	(274,864)	(81,122)	(11,287)	(367,273)
Net General Capital Assets	\$ -	\$ 281,470	\$ 38,011	\$ 22,434	\$ 341,915

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

STRAFFORD 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	\$ 208,719	\$ -	\$ -	\$ 208,719
Direct services	955,477	-	(477,798)	477,679
Support services	58,914	-	(58,914)	-
School Lunch	61,698	-	(38,908)	22,790
Total General Capital Assets	1,284,808	-	(575,620)	709,188
Less: Accumulated Depreciation	(918,556)	(21,865)	573,148	(367,273)
Net General Capital Assets	<u>\$ 366,252</u>	<u>\$ (21,865)</u>	<u>\$ (2,472)</u>	<u>\$ 341,915</u>

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



Proven Expertise & Integrity

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

Board of Directors
The Newton School - Strafford
Royalton, 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 Newton School - Strafford as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Newton School - Strafford's basic financial statements and have issued our report thereon dated August 14, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Newton School - Strafford'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 the management of the Newton School - Strafford in a separate letter dated March 13, 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
August 14, 2020