

Audited Financial Statements
and Other Financial Information

Sharon School District

June 30, 2021



Proven Expertise & Integrity

SHARON SCHOOL DISTRICT

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JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sharon School District
Sharon, 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 Sharon School District, as of and for the year ended June 30, 2021 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 Sharon School District as of June 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 12 and 65 through 73 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 Sharon School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the

basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2022 on our consideration of the Sharon School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sharon School District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
January 11, 2022

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

(UNAUDITED)

The following management's discussion and analysis of the Sharon School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the above mentioned financial statements have separate columns for the two different types of School 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, special education, Board of Education, fiscal services, superintendent's office, operations and maintenance, transportation, school administration 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 School District include the School Lunch Fund and the Childcare Program.

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 and special revenue fund 200 are the only funds for which the School District legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund and Special Revenue Fund 200 provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Sharon School District maintains two proprietary funds, the School Lunch Fund and the Childcare Program 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.

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 Cash Flows - Proprietary 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 and Special Revenue Fund 200, 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 and Notes to Required Supplementary Information.

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 School District's governmental and business-type activities. The School District's total net position for governmental activities increased by \$45,212 from \$96,840 to \$142,052. The School District's total net position for business-type activities increased by \$47,837 from a balance of \$31,094 to a balance of \$78,931.

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 - increased for governmental activities to a deficit balance of \$69,397 at the end of this year. Unrestricted net position for business-type activities decreased to a deficit balance of \$37,101.

Table 1
Sharon School District
Net Position
June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2021</u>	<u>2020 (Restated)</u>	<u>2021</u>	<u>2020</u>
Assets				
Current Assets	\$ 198,597	\$ 747,958	\$ 79,543	\$ 28,900
Noncurrent Assets-Capital Assets	339,447	356,387	1,802	2,194
Total Assets	<u>538,044</u>	<u>1,104,345</u>	<u>81,345</u>	<u>31,094</u>
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	77,230	65,293	-	-
Total Deferred Outflows of Resources	<u>77,230</u>	<u>65,293</u>	<u>-</u>	<u>-</u>
Liabilities				
Current Liabilities	162,796	858,595	2,414	-
Noncurrent Liabilities	298,537	213,225	-	-
Total Liabilities	<u>461,333</u>	<u>1,071,820</u>	<u>2,414</u>	<u>-</u>
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	11,889	978	-	-
Total Deferred Inflows of Resources	<u>11,889</u>	<u>978</u>	<u>-</u>	<u>-</u>
Net Position				
Net Investment in Capital Assets	139,626	236,533	1,802	2,194
Restricted	71,823	29,810	114,230	47,208
Unrestricted (Deficit)	(69,397)	(169,503)	(37,101)	(18,308)
Total Net Position	<u>\$ 142,052</u>	<u>\$ 96,840</u>	<u>\$ 78,931</u>	<u>\$ 31,094</u>

Revenues and Expenses

Revenues for the Sharon School District's governmental activities increased by 14.87%, while total expenses increased by 10.29%. The School District's increase in revenues was primarily due to operating grants and contributions and grants and contributions not restricted to specific programs. The increase in expenses was primarily due to operations and maintenance, on-behalf payments and program expenses.

Proprietary fund revenues increased by 43.87%, while expenses increased 7.06% from the prior year.

Table 2
Sharon School District
Change in Net Position
For the Years Ended June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 20,919	\$ 47,638	\$ 79,374	\$ 46,860
Operating grants and contributions	755,262	596,124	78,130	51,419
<i>General Revenues:</i>				
Grants and contributions not restricted to specific programs	4,964,402	4,323,777	-	-
Miscellaneous	18,773	46,179	218	11,352
Total Revenues	<u>5,759,356</u>	<u>5,013,718</u>	<u>157,722</u>	<u>109,631</u>
Expenses				
School instruction	3,464,202	3,420,459	-	-
Special education	465,740	438,509	-	-
Board of Education	27,673	31,913	-	-
Fiscal services	113,136	132,573	-	-
Superintendent's office	113,977	107,555	-	-
Operations and maintenance	351,833	189,785	-	-
Transportation	78,334	97,636	-	-
School administration	176,110	159,186	-	-
On-behalf payments	669,038	513,796	-	-
Program expenses	252,174	86,643	-	-
Interest on long term debt	1,927	3,166	-	-
School lunch	-	-	109,559	102,122
Childcare program	-	-	326	-
Total Expenses	<u>5,714,144</u>	<u>5,181,221</u>	<u>109,885</u>	<u>102,122</u>
Transfers	-	42,498	-	(42,498)
Change in Net Position	45,212	(125,005)	47,837	(34,989)
Net Position - July 1, Restated	<u>96,840</u>	<u>221,845</u>	<u>31,094</u>	<u>66,083</u>
Net Position - June 30	<u>\$ 142,052</u>	<u>\$ 96,840</u>	<u>\$ 78,931</u>	<u>\$ 31,094</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
Sharon School District
Fund Balances - Governmental Funds
June 30,

	2021	2020 (Restated)	Increase/ (Decrease)
Major Fund:			
General Fund:			
Nonspendable	\$ 3,111	\$ -	\$ 3,111
Restricted	37,101	-	37,101
Assigned	5,757	5,757	-
Unassigned	(142,477)	(166,251)	23,774
Total Major Fund (Deficit)	\$ (96,508)	\$ (160,494)	\$ 63,986
Nonmajor Funds:			
Special Revenue Funds:			
Restricted	\$ 34,722	\$ 29,810	\$ 4,912
Assigned	92,342	-	\$ 92,342
Unassigned	(18,001)	(22,785)	4,784
Capital Projects Funds:			
Committed	62,637	62,632	5
Total Nonmajor Funds	\$ 171,700	\$ 69,657	\$ 102,043

The changes to total fund balances for the general fund and aggregate nonmajor funds occurred due to the regular activity of operations.

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

The school lunch program had an operating loss for the current year of \$19,185 compared to an operating profit of \$1,455 for the previous year. The childcare program had an operating income for the current year of \$67,022 compared to an operating loss of \$36,444 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 over budgeted revenues by \$5,695 due to all revenue categories being receipted within or over budgeted amounts with the exception of intergovernmental - other revenue and interest income. The special revenue fund 200 actual revenues were under budgeted amounts by \$14,000 due to intergovernmental - other revenues being receipted under budgeted amounts.

The general fund actual expenditures were under budgeted amounts by \$81,600, due to all expenditure categories being expended within or over budgeted amounts with the exception of special education, Board of Education, fiscal services, operations and maintenance, school administration, debt service - principal and debt service - interest. The special revenue fund 200 actual expenses were over budgeted amounts by \$9,309 due to program expenses being expended over budgeted amounts.

Capital Asset and Debt Activity

Capital Assets

As of June 30, 2021, the School District capital assets decreased by \$17,332. This decrease was due to current year additions of \$8,050 less current year depreciation of \$25,382. Refer to Note 4 of Notes to Financial Statements for more detailed information.

Table 4
Sharon School District
Capital Assets (Net of Depreciation)
June 30,

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 214,792	\$ 230,744
Furniture and equipment	49,515	47,034
Infrastructure	76,942	80,803
Total	<u>\$ 341,249</u>	<u>\$ 358,581</u>

Debt

At June 30, 2021, the School District had \$199,821 in a bond and a note from direct borrowings payable outstanding versus \$119,854 in the previous year. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

The outbreak of COVID-19 has been declared a pandemic and led to a national state of emergency in the United States. Refer to Note 1 of Notes to Financial Statements for more detailed information.

At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the School District. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the School District.

Economic Factors and Next Year's Budgets and Rates

The 2021-2022 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

SHARON SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 119,234	\$ -	\$ 119,234
Accounts receivable (net of allowance for uncollectibles)	114,733	-	114,733
Due from other governments	-	40,646	40,646
Inventory	-	416	416
Prepaid items	3,111	-	3,111
Internal balances	(38,481)	38,481	-
Total current assets	<u>198,597</u>	<u>79,543</u>	<u>278,140</u>
Noncurrent assets:			
Buildings and improvements, net of accumulated depreciation	232,228	-	232,228
Furniture and equipment, net of accumulated depreciation	30,277	1,802	32,079
Infrastructure, net of accumulated depreciation	76,942	-	76,942
Total noncurrent assets	<u>339,447</u>	<u>1,802</u>	<u>341,249</u>
TOTAL ASSETS	<u>538,044</u>	<u>81,345</u>	<u>619,389</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	77,230	-	77,230
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>77,230</u>	<u>-</u>	<u>77,230</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 615,274</u>	<u>\$ 81,345</u>	<u>\$ 696,619</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 59,036	\$ 2,414	\$ 61,450
Accrued liabilities	64,369	-	64,369
Current portion of long-term obligations	39,391	-	39,391
Total current liabilities	<u>162,796</u>	<u>2,414</u>	<u>165,210</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bond payable	23,138	-	23,138
Note from direct borrowings payable	137,292	-	137,292
Net pension liability	138,107	-	138,107
Total noncurrent liabilities	<u>298,537</u>	<u>-</u>	<u>298,537</u>
TOTAL LIABILITIES	<u>461,333</u>	<u>2,414</u>	<u>463,747</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	11,889	-	11,889
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>11,889</u>	<u>-</u>	<u>11,889</u>
NET POSITION			
Net investment in capital assets	139,626	1,802	141,428
Restricted	71,823	114,230	186,053
Unrestricted (deficit)	(69,397)	(37,101)	(106,498)
TOTAL NET POSITION	<u>142,052</u>	<u>78,931</u>	<u>220,983</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 615,274</u>	<u>\$ 81,345</u>	<u>\$ 696,619</u>

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

SHARON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
School instruction	\$ 3,464,202	\$ 20,919	\$ -	\$ -	\$ (3,443,283)	\$ -	\$ (3,443,283)
Special education	465,740	-	-	-	(465,740)	-	(465,740)
Board of Education	27,673	-	-	-	(27,673)	-	(27,673)
Fiscal services	113,136	-	-	-	(113,136)	-	(113,136)
Superintendent's office	113,977	-	44,418	-	(69,559)	-	(69,559)
Operations and maintenance	351,833	-	-	-	(351,833)	-	(351,833)
Transportation	78,334	-	41,806	-	(36,528)	-	(36,528)
School administration	176,110	-	-	-	(176,110)	-	(176,110)
On-behalf payments	669,038	-	669,038	-	-	-	-
Interest on long term debt	1,927	-	-	-	(1,927)	-	(1,927)
Program expenses	252,174	-	-	-	(252,174)	-	(252,174)
Total governmental activities	<u>5,714,144</u>	<u>20,919</u>	<u>755,262</u>	<u>-</u>	<u>(4,937,963)</u>	<u>-</u>	<u>(4,937,963)</u>
Business-type activities:							
School lunch	109,559	12,026	78,130	-	-	(19,403)	(19,403)
Childcare program	326	67,348	-	-	-	67,022	67,022
Total business-type activities	<u>109,885</u>	<u>79,374</u>	<u>78,130</u>	<u>-</u>	<u>-</u>	<u>47,619</u>	<u>47,619</u>
Total government	<u>\$ 5,824,029</u>	<u>\$ 100,293</u>	<u>\$ 833,392</u>	<u>\$ -</u>	<u>(4,937,963)</u>	<u>47,619</u>	<u>(4,890,344)</u>

STATEMENT B (CONTINUED)
SHARON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(4,937,963)	47,619	(4,890,344)
General revenues:			
Grants and contributions not restricted to specific programs	4,964,402	-	4,964,402
Miscellaneous	18,773	218	18,991
Total general revenues and transfers	4,983,175	218	4,983,393
Change in net position	45,212	47,837	93,049
NET POSITION - JULY 1, RESTATED	96,840	31,094	127,934
NET POSITION - JUNE 30	\$ 142,052	\$ 78,931	\$ 220,983

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

SHARON SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 56,338	\$ 62,896	\$ 119,234
Accounts receivable (net of allowance for uncollectibles)	29,069	85,664	114,733
Prepaid items	3,111	-	3,111
Due from other funds	-	114,278	114,278
TOTAL ASSETS	<u><u>\$ 88,518</u></u>	<u><u>\$ 262,838</u></u>	<u><u>\$ 351,356</u></u>
LIABILITIES			
Accounts payable	\$ 54,915	\$ 4,122	\$ 59,037
Accrued liabilities	64,369	-	64,369
Due to other funds	65,742	87,016	152,758
TOTAL LIABILITIES	<u><u>185,026</u></u>	<u><u>91,138</u></u>	<u><u>276,164</u></u>
FUND BALANCES (DEFICITS)			
Nonspendable	3,111	-	3,111
Restricted	37,101	34,722	71,823
Committed	-	62,637	62,637
Assigned	5,757	92,342	98,099
Unassigned	(142,477)	(18,001)	(160,478)
TOTAL FUND BALANCES (DEFICITS)	<u><u>(96,508)</u></u>	<u><u>171,700</u></u>	<u><u>75,192</u></u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u><u>\$ 88,518</u></u>	<u><u>\$ 262,838</u></u>	<u><u>\$ 351,356</u></u>

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

SHARON SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

	Total Governmental Funds
Total Fund Balances	\$ 75,192
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	339,447
Deferred outflows of resources related to pension are not financial resources and therefore are not reported in the funds	77,230
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bond payable	(25,349)
Note from direct borrowings payable	(174,472)
Net pension liability	(138,107)
Deferred inflows of resources related to pension are not financial resources and therefore are not reported in the funds	(11,889)
Net position of governmental activities	\$ 142,052

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

STATEMENT E

SHARON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Intergovernmental revenues	\$ 4,853,289	\$ 354,212	\$ 5,207,501
Tuition	20,919	-	20,919
Interest income	9,819	5	9,824
Miscellaneous revenues	8,949	-	8,949
TOTAL REVENUES	4,892,976	354,217	5,247,193
EXPENDITURES			
Current:			
School instruction	3,443,413	-	3,443,413
Special education	465,740	-	465,740
Board of Education	27,673	-	27,673
Fiscal services	113,136	-	113,136
Superintendent's office	113,977	-	113,977
Operations and maintenance	232,020	-	232,020
Transportation	78,334	-	78,334
School administration	176,110	-	176,110
On-behalf payments	156,875	-	156,875
Program expenses	-	252,174	252,174
Debt service:			
Principal	19,785	-	19,785
Interest	1,927	-	1,927
TOTAL EXPENDITURES	4,828,990	252,174	5,081,164
NET CHANGE IN FUND BALANCES (DEFICITS)	63,986	102,043	166,029
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	(160,494)	69,657	(90,837)
FUND BALANCES (DEFICITS) - JUNE 30	\$ (96,508)	\$ 171,700	\$ 75,192

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

SHARON SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 166,029</u>
<p>Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:</p>	
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:</p>	
Capital asset purchases	8,050
Depreciation expense	<u>(24,990)</u>
	<u>(16,940)</u>
<p>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.</p>	
	<u>11,937</u>
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, reduces long-term obligations in the Statement of Net Position</p>	
	<u>19,785</u>
<p>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.</p>	
	<u>(10,911)</u>
<p>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:</p>	
Net pension liability	<u>(24,936)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 45,212</u></u>

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

SHARON SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2021

	Enterprise Funds		Total
	School Lunch	Childcare Program	
ASSETS			
Current assets:			
Due from other governments	\$ 31,987	\$ 8,659	\$ 40,646
Inventory	416	-	416
Due from other funds	-	105,571	105,571
Total current assets	<u>32,403</u>	<u>114,230</u>	<u>146,633</u>
Noncurrent assets:			
Capital assets:			
Buildings	52,777	-	52,777
Machinery and equipment	19,238	-	19,238
Total capital assets	<u>72,015</u>	<u>-</u>	<u>72,015</u>
Less: accumulated depreciation	(70,213)	-	(70,213)
Total noncurrent assets	<u>1,802</u>	<u>-</u>	<u>1,802</u>
TOTAL ASSETS	<u>\$ 34,205</u>	<u>\$ 114,230</u>	<u>\$ 148,435</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,414	\$ -	\$ 2,414
Due to other funds	67,090	-	67,090
Total current liabilities	<u>69,504</u>	<u>-</u>	<u>69,504</u>
TOTAL LIABILITIES	<u>69,504</u>	<u>-</u>	<u>69,504</u>
NET POSITION			
Net investment in capital assets	1,802	-	1,802
Restricted	-	114,230	114,230
Unrestricted (deficit)	(37,101)	-	(37,101)
TOTAL NET POSITION	<u>(35,299)</u>	<u>114,230</u>	<u>78,931</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 34,205</u>	<u>\$ 114,230</u>	<u>\$ 148,435</u>

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

SHARON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds		Total
	School Lunch	Childcare Program	
OPERATING REVENUES			
Sale of meals	\$ 12,026	\$ -	\$ 12,026
Federal and state reimbursements	78,130	-	78,130
Tuition/fees	-	67,348	67,348
Miscellaneous	218	-	218
TOTAL OPERATING REVENUES	<u>90,374</u>	<u>67,348</u>	<u>157,722</u>
OPERATING EXPENSES			
Salaries and benefits	55,147	-	55,147
Food	46,233	-	46,233
Supplies	4,030	-	4,030
Depreciation	392	-	392
Miscellaneous	3,757	326	4,083
TOTAL OPERATING EXPENSES	<u>109,559</u>	<u>326</u>	<u>109,885</u>
CHANGE IN NET POSITION (DEFICIT)	(19,185)	67,022	47,837
NET POSITION (DEFICIT) - JULY 1	<u>(16,114)</u>	<u>47,208</u>	<u>31,094</u>
NET POSITION (DEFICIT) - JUNE 30	<u>\$ (35,299)</u>	<u>\$ 114,230</u>	<u>\$ 78,931</u>

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

SHARON SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE PERIOD ENDED JUNE 30, 2021

	Enterprise Funds		Total
	School Lunch	Childcare Program	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 15,704	\$ 67,348	\$ 83,052
Internal activity - receipts from other funds	12,919	(58,363)	(45,444)
Due from other government	-	(8,659)	(8,659)
Intergovernmental	78,130	-	78,130
Payments to suppliers	(51,606)	(326)	(51,932)
Payments to employees	(55,147)	-	(55,147)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	-	-
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (19,185)	\$ 67,022	\$ 47,837
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	392	-	392
Changes in operating assets and liabilities:			
(Increase) decrease in due from other governments	3,678	(8,659)	(4,981)
(Decrease) increase in due to other funds	12,701	(58,363)	(45,662)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ -	\$ -	\$ -

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, special education, Board of Education, fiscal services, superintendent's office, operations and maintenance, transportation, school administration and program expenditures.

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

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

COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Vermont, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

In response to the health crisis created by COVID-19 since early March of 2020, the Governor of Vermont issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel and limiting movement of all persons in Vermont to those necessary to obtain or provide essential services or activities. See Executive Order 01-20 and its addendums. The state of emergency expired on June 15, 2021.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on and Results of Operations

In accordance with Executive Order 1, issued by the Governor of Vermont on July 29, 2020, all public schools were opened for in person or remote classroom instruction on, but not prior to, September 8, 2020. The District/Supervisory Union chose to use various electronic platforms of remote learning to comply with the Governor's order to support the continuity of learning. The application of this Executive Order necessitated this method remained in force for the remainder of the scheduled school year.

Impact on Finances

The District does not currently anticipate any additional FY 2021 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus Aid Relief and Economic Security ("CARES") Act, American Rescue Plan Act ("ARPA") funding and applicable Federal and /or State programs.

Expected Federal/State Support

The District may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the District expects that if those actions are necessary, that the District would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

Conclusion

The ongoing effects of COVID-19, including the financial impact to the District, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the District. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the District.

Implementation of New Accounting Standards

During the year ended June 30, 2021, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 84 "Fiduciary Activities". This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. Management has determined that the student activity funds are no longer considered a fiduciary activity and are now being reported in the nonmajor special revenue funds.

Statement No. 90 "Majority Equity Interests". This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. Management has determined the impact of this Statement is not material to the financial statements.

Statement No 93 "Replacement of Interbank Offered Rates (paragraphs 4-11a)." The primary objectives of paragraphs 4-11a concern hedging derivative instruments (specifically exceptions to termination of hedge accounting, modifications to hedged items, probability of expected transactions and appropriate benchmark interest rates). The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency and comparability of reported information. Management has determined the impact of this Statement is not material to the financial statements.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and childcare program are categorized as business-type activities. All other activities of the School District are categorized as governmental.

In the government-wide Statement of Net Position, the governmental activities and business-type 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 activity. 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 a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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

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

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

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.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues per budgetary basis	\$ 4,736,101
Add: On-behalf payments	156,875
Total GAAP basis	<u>\$ 4,892,976</u>
Expenditures per budgetary basis	\$ 4,672,115
Add: On-behalf basis	156,875
Total GAAP basis	<u>\$ 4,828,990</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 School 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 School District's policy to value investments at fair value. None of the School 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 School District Treasurer is authorized by State Statutes to invest all excess funds in the following:

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 Sharon School District 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. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2021. Accounts receivable netted with allowances for uncollectible accounts were \$155,379 for the year ended June 30, 2021.

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 School Lunch Fund consists of supplies and food.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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".

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions Between Funds

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more for land, \$25,000 or more for buildings and improvements and \$2,500 for furniture and equipment and \$5,000 for vehicles are reported at historical cost or estimated historical cost. 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 capital assets are reported at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Buildings	30 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years
Infrastructure	5 - 50 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 is reported as liabilities in government-wide statements. The long-term obligations consist of a bond and note from direct borrowings payable and net pension liability.

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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) Plan 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 School 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 School 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.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 School 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 given through Vermont Statutes Annotated Title 16 §567 and is expressed by the Board of Directors.

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 School 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 School 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.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 qualifies 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 inflows 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 utilizes encumbrance accounting for its general fund.

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The School District's investment policies, which follow state statutes, authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2021, the School District's cash balance of \$119,234 was comprised of bank balances of \$1,588,896. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the School District's cash balance. Of these deposits, \$268,894 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining deposits of \$1,320,002 were collateralized with securities held in the financial institution's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 204,949
Savings accounts	139
Repurchase agreement	1,383,808
	<u>\$ 1,588,896</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the School 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 School District does not have a policy for custodial credit risk for investments.

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

The School District had \$0 of investments at June 30, 2021.

Credit risk - Statutes for the State of Vermont authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The School District does not have an investment policy on credit risk.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2021 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ -	\$ 65,742
Enterprise funds	105,571	67,090
Nonmajor special revenue funds	112,292	84,771
Nonmajor capital projects funds	1,986	2,246
	\$ 219,849	\$ 219,849

The result of amounts owed between funds are considered to be in the course of normal operations by the School District. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	Balance, 7/1/20	Additions	Disposals	Balance, 6/30/21
<u>Governmental activities:</u>				
Depreciated assets:				
Buildings and improvements	\$ 1,853,403	\$ -	\$ -	\$ 1,853,403
Furniture and equipment	126,160	8,050	-	134,210
Infrastructure	127,584	-	-	127,584
	<u>2,107,147</u>	<u>8,050</u>	<u>-</u>	<u>2,115,197</u>
Less: accumulated depreciation				
Buildings and improvements	(1,605,615)	(15,560)	-	(1,621,175)
Furniture and equipment	(98,364)	(5,569)	-	(103,933)
Infrastructure	(46,781)	(3,861)	-	(50,642)
	<u>(1,750,760)</u>	<u>(24,990)</u>	<u>-</u>	<u>(1,775,750)</u>
Net capital assets governmental activities	<u>356,387</u>	<u>(16,940)</u>	<u>-</u>	<u>339,447</u>
	<u>Balance,</u> 7/1/20	<u>Additions</u>	<u>Disposals</u>	<u>Balance,</u> 6/30/21
<u>Business-type activities:</u>				
Depreciated assets:				
Buildings	52,777	-	-	52,777
Machinery and equipment	19,238	-	-	19,238
	<u>72,015</u>	<u>-</u>	<u>-</u>	<u>72,015</u>
Less: accumulated depreciation	(69,821)	(392)	-	(70,213)
Net capital assets business-type activities	<u>2,194</u>	<u>(392)</u>	<u>-</u>	<u>1,802</u>
Total	<u>\$ 358,581</u>	<u>\$ (17,332)</u>	<u>\$ -</u>	<u>\$ 341,249</u>
<u>Current year depreciation:</u>				
School instruction				\$ 4,929
Operations and maintenance				20,061
Total governmental activities				<u>24,990</u>
School lunch				392
Total depreciation expenses				<u>\$ 25,382</u>

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - SHORT-TERM DEBT

On July 1, 2019, the School District issued a tax/revenue anticipation note to provide liquidity for governmental operations financed by property taxes. The tax/revenue anticipation note allows principal draws up to \$673,283 at a fixed interest rate of 2.80% per annum, with a maturity date of June 30, 2020. The note was paid in full on June 18, 2021.

On July 1, 2020, the School District issued a tax/revenue anticipation note to provide liquidity for governmental operations financed by property taxes. The tax/revenue anticipation note allows principal draws up to \$1,395,430 at a fixed interest rate of 1.54% per annum, with a maturity date of June 30, 2021. Interest paid on the note for the year was \$21,401. As of June 30, 2021, the balance is \$0.

Short-term debt activity for the year ended June 30, 2021, was as follows:

	Balance, 7/1/20	Additions	Reductions	Balance, 6/30/21
Tax/revenue anticipation note	\$ 673,283	\$ 1,395,430	\$ (2,068,713)	\$ -

NOTE 6 - LONG TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2021 is as follows:

	Balance, 7/1/20	Additions	Deletions	Balance, 6/30/20	Current Portion
Bond payable	\$ 27,496	\$ -	\$ (2,147)	\$ 25,349	\$ 2,211
Note from direct borrowings payable	92,358	99,752	(17,638)	174,472	37,180
	<u>\$ 119,854</u>	<u>\$ 99,752</u>	<u>\$ (19,785)</u>	<u>\$ 199,821</u>	<u>\$ 39,391</u>

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 - LONG TERM DEBT (CONTINUED)

The following is a summary of the outstanding bond and note from direct borrowing payable:

\$110,578 Bond payable including an ARRA subsidy of \$66,366 through Vermont Environmental Protection Agency Drinking Water State Revolving Fund. Payments are due to Vermont Municipal Bond Bank in annual installments of \$2,972 in principal, interest and admin. payments through December 2030. The interest rate is fixed at 1.00% and administration fee is fixed at 2.00% per annum. \$ 25,349

\$175,000 Note payable for a pellet hot water boiler system due to Mascoma Savings Bank in annual payments of \$19,566, in principal and interest through June 2025. The interest rate is fixed at 2.08% per annum. 74,720

\$99,752 Note payable for a parking lot improvement due to Community National Bank in annual payments of \$21,507, in principal and interest through July 2026. The interest rate is 1.79% per annum. \$ 99,752

Total bond and note from direct borrowings payable \$ 199,821

The following is a summary of outstanding bond and note from direct borrowings payable principal and interest requirements for fiscal years ending June 30:

Year	BOND PAYABLE		NOTE FROM DIRECT BORROWING PAYABLE		Total Debt Service
	Principal	Interest	Principal	Interest	
2022	\$ 2,211	\$ 760	\$ 37,180	\$ 3,443	\$ 43,594
2023	2,278	694	38,011	2,613	43,596
2024	2,346	626	38,741	1,883	43,596
2025	2,416	555	39,838	1,130	43,939
2026	2,489	297	20,702	370	23,858
2027-2030	10,724	1,348	-	-	12,072
2031-2035	2,885	87	-	-	2,972
	<u>\$ 25,349</u>	<u>\$ 4,367</u>	<u>\$ 174,472</u>	<u>\$ 9,439</u>	<u>\$ 213,627</u>

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

All bonds payable and notes from direct borrowings payable are direct obligations of the School District, for which its full faith and credit are pledged. The School District is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the School District.

A summary of changes in other long-term obligations for the year ended June 30, 2021 is as follows:

	Balance, 7/1/20	Additions	Deletions	Balance, 6/30/20	Current Portion
Net pension liability	\$ 113,171	\$ 40,461	\$ (15,525)	\$ 138,107	\$ -

Refer to Note 13 for more detailed information regarding net pension liability.

NOTE 8 - RESTRICTED NET POSITION

At June 30, 2021, the School District had the following restricted net position:

General fund	
Enterprise fund:	\$ 37,101
Childcare Program	114,230
Special revenue funds:	
Dental access	513
Curriculum reserve	8,375
Wellness	2,953
Library fund	549
Vase small equipment	100
Medicaid IEP	630
PEDG	392
Reading grant	2,316
Student Activities	18,894
	<u>\$ 186,053</u>

NOTE 9 - NONSPENDABLE FUND BALANCES

General fund:	
Prepaid items	<u>\$ 3,111</u>

SHARON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 - RESTRICTED FUND BALANCES

At June 30, 2021, the School District had the following restricted fund balances:

General Fund	37,101
Nonmajor special revenue funds (Schedule E)	34,722
	\$ 71,823

NOTE 11 - COMMITTED FUND BALANCES

At June 30, 2021, the School District had the following committed fund balances:

Nonmajor capital projects funds (Schedule G)	\$ 62,637
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NOTE 12 - ASSIGNED FUND BALANCES

At June 30, 2021, the School District had the following assigned fund balances:

General fund:	
Downer Library	\$ 2,133
Blair Fund	3,624
	\$ 5,757

NOTE 13 - DEFICIT NET POSITION AND FUND BALANCES

At June 30, 2021, the School District had the following deficit net position and fund balances:

Net position:	
School lunch	\$ 35,299
Fund balances:	
General fund	\$ 96,508
Special revenue fund:	
Wellborn outside	24
School-wide program	11,495
VCGN Mini grant	3
Farm to school	2,519
911 enhanced	3,960
	\$ 114,509

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - 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, 2019 (the most recent period available), the retirement system consisted of 22,951 participating members.

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

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

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report 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: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](#).

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A and Group C - for public school teachers employed within the State of Vermont on or after July 1, 1990. Group C also includes those teachers hired prior to July 1, 1990 and were in Group B on July 1, 1990. When Act 74 became effective on June 30, 2010, Group C was further bifurcated into Groups #1 and #2. Group #1 contains members who were at least 57 years of age or had at least 25 years of service and Group #2 contains members who were less than 57 years of age and had less than 25 years of service.

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

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 7/1/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 7/1/90 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% for each year prior to age 62	Actuarial reduction

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - 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 \$156,875 or 19.00% 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; contributions stop after 25 years of creditable service	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 \$46,308 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 \$825,656 for the year ended June 30, 2021.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost sharing, multi-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 persons employed on a regular basis by a school district or by a supervisory union for no fewer than 1,040 hours in a year and for no fewer than 30 hours a week for the school year, as defined in 16 V.S.A. § 1071 or for no fewer than 1,040 hours in a year and for no fewer than 24 hours a week year-round; provided, however, that if a person who was employed on a regular basis by a school district as either a special education or transportation employee and who was transferred to and is working in a supervisory union in the same capacity pursuant to 16 V.S.A. § 261a(a)(6) or (8)(E) and if that person is also employed on a regular basis by a school district within the supervisory union, then the person is an "employee" if these criteria are met by the combined hours worked for the supervisory union and school district. The term shall also mean persons employed on a regular basis by a municipality other than a school district for no fewer than 1,040 hours in a year and for no fewer than 24 hours per week, including persons employed in a library at least one-half of whose operating expenses are met by municipal funding. For the year ended June 30, 2019 (the most recent data available), the retirement system consisted of 14,755 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. That report may be viewed on the State's Department of Finance and Management website at: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](#)

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - 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 B. 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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VMERS	Group A	Group B	Group C	Group D
Early Retirement Reduction	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

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

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

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund and to certify the rates of contributions payable employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group as of July 1, 2020 are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	3.000% of gross salary	5.375% of gross salary	10.500% of gross salary	11.850% of gross salary
Employer Contributions	4.500% of gross salary	6.000% of gross salary	7.750% of gross salary	10.350% 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, 2021 totaled \$13,439. The School District contributed \$14,999 for the year ended June 30, 2021. The School District's total payroll for the year ended June 30, 2021 for all employees covered under this plan was \$249,983.

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

recorded at June 30, 2021. The State's portion of the collective net pension liability that was associated with the School District was as follows:

School District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the School District	<u>2,170,938</u>
Total	<u>\$ 2,170,938</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, 2020, 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, 2020, the School District's proportion was 0.11126578% which was an decrease of 0.01032% from its proportion measured as of June 30, 2019.

VMERS Plan

At June 30, 2021, the School District reported a liability of \$138,107 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2020 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2019. 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, 2019, the School District's proportion was 0.05459335% for VMERS, which was an increase of 0.01301% from its proportion measured as of June 30, 2019 for VMERS.

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

For the year ended June 30, 2021, the School District recognized total pension expense of \$269,564 and revenue of \$269,564 for support provided by the State of Vermont for the VSTRS plan. In the same period, the School District recognized pension expense of \$34,295 for the VMERS plan. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - 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	\$ -	\$ -	\$ 12,438	\$ 409
Changes of assumptions	-	-	18,516	-
Net difference between projected and actual earnings on pension plan investments	-	-	13,209	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	18,068	11,480
Contributions subsequent to the measurement date	-	-	14,999	-
Total	\$ -	\$ -	\$ 77,230	\$ 11,889

\$14,999 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, 2022. 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:		
2021	\$ -	\$ 19,154
2022	-	15,645
2023	-	10,636
2024	-	4,907
2025	-	-
Thereafter	-	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using the actuarial assumptions outlined below.

Investment Rate of Return: For both plans, 7.00%, net of pension plan investment expenses, including inflation.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Inflation: For both plans, 2.30%.

Salary Increases: For the VSTRS plan, increases ranging from 3.30% to 10.50%. For the VMERS plan, varying, service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.

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

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 98% of RP-2006 tables, blended with a 60% Blue Collar Employee and 40% Healthy Employee and Group D with 100% of RP-2006 Blue Collar Employee

Healthy Retiree - Groups A, B and C with a 98% of RP-2006 tables, blended 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: For both plans, valuation liability equals 100% of accumulated contributions. Inactive who are vested immediately become Deferred Members and the liabilities for all Deferred Members are based on the accrued benefit.

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.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 2.40% per annum for Group A members and 1.35% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement). The January 1, 2020 and January 1, 2021 COLAs are 1.60% and 0.00%, respectively, for Group A and 1.00% and 1.00%, respectively for Group C. For the VMERS plan, this occurs at the rate of 1.10% per annum for Group A members and 1.20% 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, 2020 and January 1, 2021 COLAs are 0.80% and 0.40%, respectively, 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.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	29.00%	7.07%
US Equity - Large Cap	4.00%	6.19%
US Equity - Small/Mid Cap	3.00%	6.93%
Non-US Equity - Large Cap	5.00%	7.01%
Non-US Equity - Small Cap	2.00%	7.66%
Emerging Markets Debt	4.00%	3.66%
Core Bonds	20.00%	0.39%
Private and Alternative Credit	10.00%	6.03%
US TIPS	3.00%	-0.20%
Core Real Estate	5.00%	4.06%
Non-Core Real Estate	3.00%	6.43%
Private Equity	10.00%	11.27%
Infrastructure/Farmland	2.00%	5.44%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% 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 7.00% 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 (6.00%) or 1 percentage point higher (8.00%) than the current rate:

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.00%	7.00%	8.00%
School's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.00%	7.00%	8.00%
School's proportionate share of the net pension liability	\$ 211,000	\$ 138,107	\$ 78,132

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. That report can be viewed on the State's Department of Finance and Management website at: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](http://AnnualComprehensiveFinancialReport|DepartmentofFinanceandManagement.vermont.gov).

NOTE 15 - 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, 2019, the Plan consisted of 6,878 retired members or beneficiaries currently receiving benefits and 9,862 active members.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 - 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 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: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](#).

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:

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 - 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 if meet the following years of service at retirement requirement:	
	Less than 10 years of service at June 30, 2010:			
	Less than 15 years at retirement	0% of premium	Less than 10 years	Less than 15 years at retirement
	15-19.99 years at retirement	60% of premium	10-14.99 years	15-19.99 years at retirement
	20-24.99 years at retirement	70% of premium	15-24.99 years	20-24.99 years at retirement
25 years or more at retirement	80% of premium	25-29.99 years	25 years or more at retirement 5 additional years from June 30, 2010	

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

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

Retirees pay full cost of dental benefits.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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 recorded at June 30, 2021. 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>1,608,630</u>
Total	\$	<u><u>1,608,630</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, 2020, 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, 2020, the School District's proportion was 0.1595% which was an increase of 0.0134% from its proportion measured as of June 30, 2019.

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

For the year ended June 30, 2021, the School District recognized total OPEB expense of \$242,599 and revenue of \$242,599 for support provided by the State of Vermont for the Plan. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 - 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	-	-
Total	\$ -	\$ -

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:	
2021	\$ -
2022	-
2023	-
2024	-
2025	-
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:

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	Decrease	Rate	Increase
VSTRS OPEB Plan:			
Discount rate	1.21%	2.21%	3.21%
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, 2020, 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 a closed 30-year period. The amortization method is a level percent of payroll method.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Asset Valuation Method

The Asset Valuation Method used is market value as of the measurement date.

The long-term expected rate of return on OPEB plan investments are developed for each major asset class. These returns are 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.

The target allocation, long-term expected rates of return for each major asset class and expected inflation, as of June 30, 2020, are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.25%
International equity	15.00%	9.00%
Emerging international equity	5.00%	11.25%
Core bonds	60.00%	2.50%
Inflation		2.00%
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, 2019, they are as follows:

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount Rate	2.21%
Salary Increase Rate	Varies by age
Non-Medicare	6.925% graded to 4.50% over 11 years
Medicare	6.140% graded to 4.50% over 12 years
Retiree Contributions	Equal to health trend
Pre-retirement Mortality	PubT-2010 Teacher Employee Headcount-Weighted Table with generational projection using scale MP-2019
Post-retirement Mortality	Retirees: PubT-2010 Teacher Healthy Retiree Headcount-Weighted Table Spouses: 109 % of the Pub-2010 Contingent Survivor Headcount-Weighted Table, both Retirees and Spouses with generational projection using scale MP-2019.

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2020 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 remaining was twenty-eight years as of July 1, 2020. For the fiscal year ended June 30, 2020, the discount rate was decreased from 3.50% to 2.21%.

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. That report can be viewed on the State's Department of Finance and Management website at: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](https://www.vermont.gov/finance/annual-report).

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 16 - RISK MANAGEMENT

The School 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 carries commercial insurance or participates in a public entity and self-insured risk pool.

Based on the coverage provided by the insurance purchased, the School is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2021. 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.

In addition, the School 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 Schools and is owned by the participating Schools. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

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

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

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

Multi-Line Intermunicipal School Program provides coverage for property; inland marine and boiler and machinery; crime; commercial general liability;

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 16 - RISK MANAGEMENT (CONTINUED)

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 17 - 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.

On June 2, 2021, the United States Court of Appeals ruled to invalidate the State of Vermont's prohibition on the use of public funds for tuition to religious schools. In addition, the Vermont Board of Education has determined that Districts may pay tuition at the allowable rate to religiously affiliated schools in fiscal year 2022. There have been no lawsuits or claims to date that management has been made aware of concerning fiscal year 2021 tuition payments. However, management believes that any potential future liabilities concerning fiscal year 2021 tuition payments would not have a materially adverse impact on the Sharon School District's financial position.

NOTE 18 - 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.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 19 - RESTATEMENT

The net position of the governmental activities and the governmental funds have both been restated at July 1, 2020 to account for the reclassification of funds from fiduciary to governmental as required by the implementation of GASB Statement No. 84, "Fiduciary Activities". The beginning governmental activities net position and the beginning special revenue funds were both restated by \$16,398. The resulting restatements increased governmental activities net position from \$80,442 to \$96,840 and increased special revenue funds total fund balance from a deficit of \$9,373 to fund balance of \$7,025.

NOTE 20 - SUBSEQUENT EVENTS

On July 1, 2021, the School District issued a Tax/Revenue Anticipation note with Community National Bank to meet its operating obligation during the 2022 fiscal year. The note allows principal draws up to \$1,394,878 at 1.25% interest with a maturity date of June 30, 2022.

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 and Special Revenue Fund 200
- 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

SHARON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND 200
 FOR THE YEAR ENDED JUNE 30, 2021

	General Fund				Special Revenue Fund 200				Total			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final			Original	Final			Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (160,494)	\$ (160,494)	\$ (160,494)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (160,494)	\$ (160,494)	\$ (160,494)	\$ -
Resources (Inflows):												
Intergovernmental:												
State support	4,544,764	4,544,764	4,544,764	-	-	-	-	-	4,544,764	4,544,764	4,544,764	-
Other	163,265	163,265	151,650	(11,615)	53,000	53,000	39,000	(14,000)	216,265	216,265	190,650	(25,615)
Tuition	2,377	2,377	20,919	18,542	-	-	-	-	2,377	2,377	20,919	18,542
Interest income	18,000	18,000	9,819	(8,181)	-	-	-	-	18,000	18,000	9,819	(8,181)
Miscellaneous	2,000	2,000	8,949	6,949	-	-	-	-	2,000	2,000	8,949	6,949
Amounts Available for Appropriation	4,569,912	4,569,912	4,575,607	5,695	53,000	53,000	39,000	(14,000)	4,622,912	4,622,912	4,614,607	(8,305)
Charges to Appropriations (Outflows):												
School instruction	3,541,076	3,541,076	3,443,413	97,663	-	-	-	-	3,541,076	3,541,076	3,443,413	97,663
Special education	444,784	444,784	465,740	(20,956)	-	-	-	-	444,784	444,784	465,740	(20,956)
Board of Education	18,980	18,980	27,673	(8,693)	-	-	-	-	18,980	18,980	27,673	(8,693)
Fiscal services	110,881	110,881	113,136	(2,255)	-	-	-	-	110,881	110,881	113,136	(2,255)
Superintendent's office	125,197	125,197	113,977	11,220	-	-	-	-	125,197	125,197	113,977	11,220
Operations and maintenance	208,644	208,644	232,020	(23,376)	-	-	-	-	208,644	208,644	232,020	(23,376)
Transportation	110,255	110,255	78,334	31,921	-	-	-	-	110,255	110,255	78,334	31,921
School administration	173,738	173,738	176,110	(2,372)	-	-	-	-	173,738	173,738	176,110	(2,372)
Program expense	-	-	-	-	29,691	29,691	39,000	(9,309)	29,691	29,691	39,000	(9,309)
Debt service:												
Principal	18,246	18,246	19,785	(1,539)	-	-	-	-	18,246	18,246	19,785	(1,539)
Interest	1,914	1,914	1,927	(13)	-	-	-	-	1,914	1,914	1,927	(13)
Total Charges to Appropriations	4,753,715	4,753,715	4,672,115	81,600	29,691	29,691	39,000	(9,309)	4,783,406	4,783,406	4,711,115	72,291
Budgetary Fund Balance (Deficit), June 30	\$ (183,803)	\$ (183,803)	\$ (96,508)	\$ 87,295	\$ 23,309	\$ 23,309	\$ -	\$ (23,309)	\$ (160,494)	\$ (160,494)	\$ (96,508)	\$ 63,986

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

SHARON SCHOOL DISTRICT

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

	2021	2020	2019	2018	2017	2016	2015
<u>VSTRS:</u>							
Proportion of the net pension liability	0.11%	0.12%	0.12%	0.12%	0.13%	0.12%	0.12%
Proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	2,170,938	1,897,544	1,807,359	1,816,805	1,660,816	1,504,405	1,126,762
Total	<u>\$ 2,170,938</u>	<u>\$ 1,897,544</u>	<u>\$ 1,807,359</u>	<u>\$ 1,816,805</u>	<u>\$ 1,660,816</u>	<u>\$ 1,504,405</u>	<u>\$ 1,126,762</u>
Covered payroll	\$ 803,876	\$ 835,477	\$ 810,055	\$ 809,871	\$ 821,576	\$ 707,135	\$ 666,411
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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	50.00%	54.96%	54.81%	53.98%	55.31%	58.22%	64.02%
<u>VMERS:</u>							
Proportion of the net pension liability	0.05%	0.07%	0.05%	0.03%	0.00%	0.00%	0.00%
Proportionate share of the net pension liability	\$ 138,107	\$ 113,171	\$ 73,455	\$ 38,342	\$ -	\$ -	\$ -
Covered payroll	\$ 196,776	\$ 222,808	\$ 166,286	\$ 93,964	\$ -	\$ -	\$ -
Proportionate share of the net pension liability as a percentage of its covered payroll	70.18%	50.79%	44.17%	40.80%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

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

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

SHARON SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015
<u>VSTRS:</u>							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 825,656	\$ 803,876	\$ 835,477	\$ 810,055	\$ 809,871	\$ 821,576	\$ 707,135
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>VMERS:</u>							
Contractually required contribution	\$ 14,999	\$ 11,315	\$ 12,533	\$ 9,146	\$ 5,168	\$ -	\$ -
Contributions in relation to the contractually required contribution	(14,999)	(11,315)	(12,533)	(9,146)	(5,168)	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 249,983	\$ 196,776	\$ 222,808	\$ 166,286	\$ 93,964	\$ -	\$ -
Contributions as a percentage of covered payroll	6.00%	5.75%	5.63%	5.50%	5.50%	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.

SHARON SCHOOL DISTRICT

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>VSTRS OPEB Plan:</u>					
Proportion of the net OPEB liability	0.16%	0.15%	0.14%	0.14%	0.15%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the School District	2,006,865	1,608,630	1,347,317	1,321,625	-
Total	<u>\$ 2,006,865</u>	<u>\$ 1,608,630</u>	<u>\$ 1,347,317</u>	<u>\$ 1,321,625</u>	<u>\$ -</u>
Covered payroll	\$ 803,876	\$ 835,477	\$ 810,055	\$ 809,871	\$ 707,135
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	0.69%	0.03%	-2.85%	-2.94%	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.

SHARON SCHOOL DISTRICT
 SCHEDULE OF CONTRIBUTIONS - OPEB
 LAST 10 FISCAL YEARS*

	<u>2021</u>	<u>2020</u>	<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	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 825,656	\$ 803,876	\$ 835,477	\$ 810,055	\$ 809,871
Contributions as a percentage of covered payroll	0.00%	0.00%	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.

SHARON SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR YEAR ENED JUNE 30, 2021

Changes of Assumptions

VSTRS Pension Plan:

- The investment return assumption was lowered from 7.50% to 7.00%.
- The inflation assumption was lowered from 2.50% to 2.30%.
- The COLA assumption was lowered from 2.55% to 2.40% for Group A members and from 1.40% to 1.35% for Group C members.
- The mortality assumptions were updated as follows with generational projection using scale MP-2019:
 - Pre-Retirement: PubT-2010 Teacher Employee Table.
 - Healthy Post-Retirement – Retirees: PubT-2010 Teacher Healthy Retiree Table.
 - Healthy Post-Retirement – Beneficiaries: 109% of the Pub-2010 Contingent Survivor Table.
 - Disabled Retirees: PubNS-2010 Non-Safety Disabled Retiree Mortality Table.
- There were minor increases to the merit and seniority (and productivity) portion of individual salary increases for members between age 20-59 and minor decreases for members age 60 and older plus the revised inflation assumption.
- The active retirement assumptions were updated as follows:
 - For Group A and Group C-Grandfathered: One set of age-based rates for members eligible for unreduced benefits and one set of age-based rates for all other members.

SHARON SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED) FOR YEAR ENDED JUNE 30, 2021

- For Group C-Non-grandfathered: A rate of 30% for members during the first year of unreduced eligibility, one set of age-based rates for members after the first year of unreduced eligibility and one set of age-based rates for all members.
- The inactive retirement assumptions were updated as follows:
 - For Group A and Group C-Grandfathered: Add a rate of 10% from ERA for each year until NRA, then 100% at NRA.
 - Group C-Nongrandfathered: A rate of 50% from age 62-69, then 100% at age 70.
- The liability load of accumulated contributions for Inactive Members was removed. Liabilities for Inactive Members are now based on 100% of the accumulated contributions. Inactive members who are vested immediately become Deferred Members and the liabilities for all Deferred members are based on accrued benefit.
- There were major reductions to all rates of termination.
- The disability retirement rates were increased by 5% for females and decreased by 10% for males.

VMERS Pension Plan:

- The investment return assumption was lowered from 7.50% to 7.00%.
- The inflation assumption was lowered from 2.50% to 2.30%.
- The COLA assumption was lowered from 1.15% to 1.10% for Group A members and from 1.30% to 1.20% for Groups B, C and D members.
- The mortality assumptions were updated as follows with generational projection using scale MP-2019:

SHARON SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED) FOR YEAR ENDED JUNE 30, 2021

- Pre- Retirement – Groups A/B/C - 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, Group D - PubG-2010 General Employee above-median
 - Healthy Post Retirement – Retirees – Groups A/B/C - 104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree
 - Healthy Post-Retirement – Beneficiaries – Groups A/B/C - 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor. Group D – Pub-2010 Contingent Survivor.
 - Disabled Retirees – All Groups – PubNS-2010 Non-Safety Disabled Retiree Mortality Table.
-
- The salary scale assumption was revised for varying service based rates from 0-10 years of service, then a single rate of 2.20% for all subsequent years, plus revised inflation of 2.30%.
 - The active retirement rates were updated as follows:
 - Group A - Decreased the rates throughout all ages.
 - Group B – For females, slightly decreased the rates at younger ages and then increase the rates at later ages. For males, slightly decreased the rates at most ages.
 - Group C – Simplified the assumption to a unisex table that more accurately aligns with the actual experience for both males and females.
 - Group D – For members with less than 20 years of service, increased the rates for ages 55-59.

SHARON SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED) FOR YEAR ENDED JUNE 30, 2021

- The inactive retirement assumption was updated to add a rate of 10% from early retirement age for each year until normal retirement age, then 100% at normal retirement age.
- The liability load of accumulated contributions for Inactive Members was removed. Liabilities for Inactive Members are now based on 100% of the accumulated contributions. Inactive Members who are vested immediately become Deferred Members and the liabilities for all Deferred Members are based on the accrued benefit.
- The termination rates were simplified for females to one set of slightly reduced rates for all females.

VSTRS OPEB Plan:

The discount rate was decreased from 3.50% to 2.21%.

The excise tax was repealed on December 20, 2020.

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

The assumed health trend rates were modified.

The assumed salary scale, mortality rates, disability rates, withdrawal rates and retirement rates were modified.

The percentage of terminated vested participants who are eligible for a subsidy assumed to elect coverage was decreased from 60% to 50%.

The percentage of current retirees who have not elected coverage and are eligible for a subsidy and have retired within the past year assumed to elect coverage was increased from 40% to 60%.

The percentage of future retirees who elect to continue their health coverage at retirement assumed to have an eligible spouse who also opts for health coverage was decreased from 60% to 40% for males and 50% to 25% for females.

Other Supplementary Information

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

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

SHARON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
State support	\$ 4,544,764	\$ 4,544,764	\$ 4,544,764	\$ -
Transportation aid	43,470	43,470	41,806	(1,664)
Tech center support grant	65,426	65,426	65,426	-
Small schools grant	54,369	54,369	44,418	(9,951)
Tuition:				
PreK tuition	2,377	2,377	20,919	18,542
Interest income	18,000	18,000	9,819	(8,181)
Miscellaneous:				
Other receipts	2,000	2,000	8,949	6,949
Amounts Available for Appropriation	<u>\$ 4,730,406</u>	<u>\$ 4,730,406</u>	<u>\$ 4,736,101</u>	<u>\$ 5,695</u>

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

SCHEDULE B

SHARON SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
School instruction -				
Elementary -				
Regular education	\$ 710,498	\$ 710,498	\$ 687,231	\$ 23,267
Art	27,299	27,299	20,856	6,443
Foreign language	890	890	9,267	(8,377)
Physical education	21,226	21,226	16,079	5,147
Music	18,643	18,643	97	18,546
Remedial	77,696	77,696	18	77,678
Guidance	38,100	38,100	38,264	(164)
Psychological services	2,000	2,000	-	2,000
Staff development	32,830	32,830	15,565	17,265
504	13,000	13,000	9,340	3,660
Health	63,425	63,425	70,178	(6,753)
Library	75,781	75,781	77,785	(2,004)
Preschool	261,190	261,190	300,659	(39,469)
Secondary -				
General education	2,139,627	2,139,627	2,132,648	6,979
Tech centers	58,871	58,871	65,426	(6,555)
	<u>3,541,076</u>	<u>3,541,076</u>	<u>3,443,413</u>	<u>97,663</u>
Special Education				
Assessment	444,784	444,784	465,740	(20,956)
	<u>444,784</u>	<u>444,784</u>	<u>465,740</u>	<u>(20,956)</u>
Board of Education -				
Stipends/salaries/benefits	8,321	8,321	20,603	(12,282)
Consulting services	1,000	1,000	-	1,000
Liability insurance	2,884	2,884	4,369	(1,485)
Advertising	2,000	2,000	1,612	388
Printing/postage/supplies/travel	200	200	-	200
Dues and fees	2,000	2,000	175	1,825
Legal services	2,575	2,575	914	1,661
	<u>18,980</u>	<u>18,980</u>	<u>27,673</u>	<u>(8,693)</u>
Fiscal services -				
Fiscal services assessment	84,604	84,604	89,413	(4,809)
Short term interest	25,000	25,000	21,556	3,444
Treasurer	1,077	1,077	1,077	-
Postage, supplies, dues and fees	200	200	1,090	(890)
	<u>110,881</u>	<u>110,881</u>	<u>113,136</u>	<u>(2,255)</u>

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

SCHEDULE B (CONTINUED)
SHARON SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Superintendent's office -				
Central office assessments	54,891	54,891	54,891	-
Curriculum	15,068	15,068	15,068	-
Grant coordinator assessment	9,758	9,758	9,758	-
Technology services assessment	45,480	45,480	34,260	11,220
	<u>125,197</u>	<u>125,197</u>	<u>113,977</u>	<u>11,220</u>
School Administration				
Salaries and benefits	155,888	155,888	159,492	(3,604)
Contracted services	1,750	1,750	150	1,600
Telephone/postage/printing/travel	5,300	5,300	10,322	(5,022)
Supplies/books/av/equipment	8,800	8,800	3,378	5,422
Dues and fees/graduation expenses	2,000	2,000	2,768	(768)
	<u>173,738</u>	<u>173,738</u>	<u>176,110</u>	<u>(2,372)</u>
Operations and maintenance -				
Custodial	90,694	90,694	111,902	(21,208)
Buildings and grounds	117,950	117,950	120,118	(2,168)
	<u>208,644</u>	<u>208,644</u>	<u>232,020</u>	<u>(23,376)</u>
Transportation -				
Transportation assessment	100,255	100,255	75,616	24,639
Field trips	10,000	10,000	2,718	7,282
	<u>110,255</u>	<u>110,255</u>	<u>78,334</u>	<u>31,921</u>
Debt service -				
Principal	18,246	18,246	19,785	(1,539)
Interest	1,914	1,914	1,927	(13)
	<u>20,160</u>	<u>20,160</u>	<u>21,712</u>	<u>(1,552)</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 4,753,715</u>	<u>\$ 4,753,715</u>	<u>\$ 4,672,115</u>	<u>\$ 81,600</u>

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

SHARON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 62,896	\$ 62,896
Due from other governments	85,664	-	85,664
Due from other funds	112,292	1,986	114,278
TOTAL ASSETS	\$ 197,956	\$ 64,882	\$ 262,838
LIABILITIES			
Accounts payable	\$ 4,122	\$ -	\$ 4,122
Due to other funds	84,771	2,245	87,016
TOTAL LIABILITIES	88,893	2,245	91,138
FUND BALANCES (DEFICITS)			
Nonspendable	-	-	-
Restricted	34,722	-	34,722
Committed	-	62,637	62,637
Assigned	92,342	-	92,342
Unassigned	(18,001)	-	(18,001)
TOTAL FUND BALANCES (DEFICITS)	109,063	62,637	171,700
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 197,956	\$ 64,882	\$ 262,838

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

SHARON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental	\$ 354,212	\$ -	\$ 354,212
Interest income	-	5	5
TOTAL REVENUES	<u>354,212</u>	<u>5</u>	<u>354,217</u>
EXPENDITURES			
Other	252,174	-	252,174
TOTAL EXPENDITURES	<u>252,174</u>	<u>-</u>	<u>252,174</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	102,038	5	102,043
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	<u>7,025</u>	<u>62,632</u>	<u>69,657</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u><u>\$ 109,063</u></u>	<u><u>\$ 62,637</u></u>	<u><u>\$ 171,700</u></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.

SHARON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2021

	Dental Access	SRSA	Curriculum Reserve	Wellness	Library Fund	Vase Small Equipment	School-Wide Program
ASSETS							
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,393
Due from other funds	513	4,122	8,375	2,953	549	100	-
TOTAL ASSETS	<u>\$ 513</u>	<u>\$ 4,122</u>	<u>\$ 8,375</u>	<u>\$ 2,953</u>	<u>\$ 549</u>	<u>\$ 100</u>	<u>\$ 26,393</u>
LIABILITIES							
Accounts payable	\$ -	\$ 4,122	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	37,888
TOTAL LIABILITIES	<u>-</u>	<u>4,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,888</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	513	-	8,375	2,953	549	100	-
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(11,495)
TOTAL FUND BALANCES (DEFICITS)	<u>513</u>	<u>-</u>	<u>8,375</u>	<u>2,953</u>	<u>549</u>	<u>100</u>	<u>(11,495)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 513</u>	<u>\$ 4,122</u>	<u>\$ 8,375</u>	<u>\$ 2,953</u>	<u>\$ 549</u>	<u>\$ 100</u>	<u>\$ 26,393</u>

SHARON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2021

	VCGN Mini Grant	Farm to School	Medicaid IEP	911 Enhanced	Wellborn Outdoor	PEDG	Reading Grant
ASSETS							
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	630	-	-	392	2,316
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 392</u>	<u>\$ 2,316</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	3	2,519	-	3,960	24	-	-
TOTAL LIABILITIES	<u>3</u>	<u>2,519</u>	<u>-</u>	<u>3,960</u>	<u>24</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	630	-	-	392	2,316
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	(3)	(2,519)	-	(3,960)	(24)	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>(3)</u>	<u>(2,519)</u>	<u>630</u>	<u>(3,960)</u>	<u>(24)</u>	<u>392</u>	<u>2,316</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 392</u>	<u>\$ 2,316</u>

SHARON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2021

	ESSER 1	CRF CN Equipment	CRF LEA	CRF Summer Food	CRF HVAC	Student Activities	Land Improvement	Total
ASSETS								
Due from other governments	\$ 40,377	\$ -	\$ -	\$ -	\$ -	\$ 18,894	\$ -	\$ 85,664
Due from other funds	-	-	-	-	-	-	92,342	112,292
TOTAL ASSETS	\$ 40,377	\$ -	\$ -	\$ -	\$ -	\$ 18,894	\$ 92,342	\$ 197,956
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,122
Due to other funds	40,377	-	-	-	-	-	-	84,771
TOTAL LIABILITIES	40,377	-	-	-	-	-	-	88,893
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	18,894	-	34,722
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	92,342	92,342
Unassigned	-	-	-	-	-	-	-	(18,001)
TOTAL FUND BALANCES (DEFICITS)	-	-	-	-	-	18,894	92,342	109,063
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 40,377	\$ -	\$ -	\$ -	\$ -	\$ 18,894	\$ 92,342	\$ 197,956

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

SHARON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Dental Access	SRSA	Curriculum Reserve	Wellness	Library Fund	Vase Small Equipment	School-Wide Program
REVENUES							
Intergovernmental	\$ -	\$ 4,808	\$ -	\$ -	\$ -	\$ 1,000	\$ 39,000
TOTAL REVENUES	<u>-</u>	<u>4,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>39,000</u>
EXPENDITURES							
Other	-	-	-	-	-	900	39,000
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>900</u>	<u>39,000</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	4,808	-	-	-	100	-
FUND BALANCES (DEFICITS) - JULY 1	<u>513</u>	<u>(4,808)</u>	<u>8,375</u>	<u>2,953</u>	<u>549</u>	<u>-</u>	<u>(11,495)</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 513</u>	<u>\$ -</u>	<u>\$ 8,375</u>	<u>\$ 2,953</u>	<u>\$ 549</u>	<u>\$ 100</u>	<u>\$ (11,495)</u>

SHARON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	VCGN Mini Grant	Farm to School	Medicaid IEP	911 Enhanced	Wellborn Outdoor	PEDG	Reading Grant
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 1,250	\$ -	\$ 12,000
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250</u>	<u>-</u>	<u>12,000</u>
EXPENDITURES							
Other	-	-	-	-	1,274	-	9,684
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,274</u>	<u>-</u>	<u>9,684</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	-	-	(24)	-	2,316
FUND BALANCES (DEFICITS) - JULY 1	<u>(3)</u>	<u>(2,519)</u>	<u>630</u>	<u>(3,960)</u>	<u>-</u>	<u>392</u>	<u>-</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ (3)</u>	<u>\$ (2,519)</u>	<u>\$ 630</u>	<u>\$ (3,960)</u>	<u>\$ (24)</u>	<u>\$ 392</u>	<u>\$ 2,316</u>

SHARON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>ESSER</u>	<u>CRF CN Equipment</u>	<u>CRF LEA</u>	<u>CRF Summer Food</u>	<u>CRF HVAC</u>	<u>Student Activities</u>	<u>Land Improvement</u>	<u>Total</u>
REVENUES								
Intergovernmental	\$ 40,377	\$ 6,262	\$ 52,671	\$ 218	\$ 85,000	\$ 11,874	\$ 99,752	\$ 354,212
TOTAL REVENUES	<u>40,377</u>	<u>6,262</u>	<u>52,671</u>	<u>218</u>	<u>85,000</u>	<u>11,874</u>	<u>99,752</u>	<u>354,212</u>
Other	40,377	6,262	52,671	218	85,000	9,378	7,410	252,174
TOTAL EXPENDITURES	<u>40,377</u>	<u>6,262</u>	<u>52,671</u>	<u>218</u>	<u>85,000</u>	<u>9,378</u>	<u>7,410</u>	<u>252,174</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	-	-	-	2,496	92,342	102,038
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	-	-	-	-	-	16,398	-	\$ 7,025
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,894</u>	<u>\$ 92,342</u>	<u>\$ 109,063</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.

SHARON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2021

	Equipment	Building Reserve	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 62,896	\$ 62,896
Due from other funds	1,986	-	1,986
TOTAL ASSETS	<u>\$ 1,986</u>	<u>\$ 62,896</u>	<u>\$ 64,882</u>
LIABILITIES			
Due to other funds	\$ -	\$ 2,245	\$ 2,245
TOTAL LIABILITIES	<u>-</u>	<u>2,245</u>	<u>2,245</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	1,986	60,651	62,637
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>1,986</u>	<u>60,651</u>	<u>62,637</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,986</u>	<u>\$ 62,896</u>	<u>\$ 64,882</u>

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

SHARON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Equipment</u>	<u>Building Reserve</u>	<u>Total</u>
REVENUES			
Interest income	\$ -	\$ 5	\$ 5
TOTAL REVENUES	<u>-</u>	<u>5</u>	<u>5</u>
EXPENDITURES			
Other	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	5	5
FUND BALANCES - JULY 1	<u>1,986</u>	<u>60,646</u>	<u>62,632</u>
FUND BALANCES - JUNE 30	<u>\$ 1,986</u>	<u>\$ 60,651</u>	<u>\$ 62,637</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.

SHARON SCHOOL DISTRICT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2021

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Operations and maintenance	\$ -	\$ 315,761	\$ 67,112	\$ 127,584	\$ 510,457
District-wide	-	1,537,642	67,098	-	1,604,740
School lunch	-	52,777	19,238	-	72,015
Total General Capital Assets	-	1,906,180	153,448	127,584	2,187,212
Less: Accumulated Depreciation	-	(1,673,952)	(120,977)	(51,034)	(1,845,963)
Net General Capital Assets	\$ -	\$ 232,228	\$ 32,471	\$ 76,550	\$ 341,249

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

SHARON SCHOOL DISTRICT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2021

	General Capital Assets 7/1/20	Additions	Deletions	General Capital Assets 6/30/21
Operations and maintenance	\$ 510,457	\$ -	\$ -	\$ 510,457
District-wide	1,596,690	8,050	-	1,604,740
School Lunch	72,015	-	-	72,015
Total General Capital Assets	2,179,162	8,050	-	2,187,212
Less: Accumulated Depreciation	(1,820,581)	(25,382)	-	(1,845,963)
Net General Capital Assets	\$ 358,581	\$ (17,332)	\$ -	\$ 341,249

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
Sharon School District
Sharon, 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 Sharon School District as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Sharon School District's basic financial statements and have issued our report thereon dated January 11, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sharon School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sharon School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sharon School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sharon School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to the management of Sharon School District in a separate letter dated December 6, 2021.

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
January 11, 2022