

Audited Financial Statements
and Other Financial Information

Fletcher School District

June 30, 2019



Proven Expertise & Integrity

FLETCHER SCHOOL DISTRICT

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JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Fletcher School District
Fairfax, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fletcher School District as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Fletcher 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, each major fund and the aggregate remaining fund information of Fletcher School District as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 11 and 58 through 63 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 Fletcher 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 February 27, 2020, on our consideration of the Fletcher 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 Fletcher School District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
February 27, 2020

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

(UNAUDITED)

The following management's discussion and analysis of the Fletcher School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

The School District's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, pension and OPEB information 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 one column for the types of School District activity. The type of activity presented for the School District is:

- *Governmental activities* – The activities in this section are mostly supported by intergovernmental revenues (federal and state grants) support from the town and charges for services. All of the School District's basic services are reported in governmental activities, which include regular instruction and related services, special education and related services, support services - student based, administrative support services, buildings and grounds, transportation, food services and program expenses.

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 two categories: governmental funds and fiduciary funds.

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

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

The School District presents five columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's major funds are the general fund, capital projects fund, hot lunch fund and the school-wide program fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Net Position - Fiduciary Funds.

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the School District's governmental activities. The School District's total net position for governmental activities decreased by \$5,107 from \$333,805 to \$328,698.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased for governmental activities to a deficit balance of \$55,444 at the end of the fiscal year.

Table 1
Fletcher School District
Net Position
June 30,

	Governmental Activities	
	2019	2018
Assets:		
Current Assets	\$ 291,310	\$ 249,086
Noncurrent Assets	371,003	333,005
Total Assets	<u>\$ 662,313</u>	<u>\$ 582,091</u>
Deferred Outflows of Resources:		
Deferred Outflows of Resources Related to Pensions	\$ 21,623	\$ 26,912
Total Deferred Outflows of Resources	<u>\$ 21,623</u>	<u>\$ 26,912</u>
Liabilities:		
Current Liabilities	\$ 289,915	\$ 214,879
Noncurrent Liabilities	61,241	55,337
Total Liabilities	<u>\$ 351,156</u>	<u>\$ 270,216</u>
Deferred Inflows of Resources:		
Deferred Revenue	\$ 1,802	\$ 1,932
Deferred Inflows of Resources Related to Pensions	2,280	3,050
Total Deferred Inflows of Resources	<u>\$ 4,082</u>	<u>\$ 4,982</u>
Net Position:		
Net Investment in Capital Assets	\$ 364,180	\$ 308,582
Restricted	19,962	4,943
Unrestricted (Deficit)	(55,444)	20,280
Total Net Position	<u>\$ 328,698</u>	<u>\$ 333,805</u>

Revenues and Expenses

Revenues for the School District's governmental activities increased by 8.49%, while total expenses increased by 1.41%. The increase in revenues was mainly due to grants and contributions not restricted to specific programs and miscellaneous. Expenses increased in all areas except transportation, food services and program expenses.

Table 2
Fletcher School District
Changes in Net Position
For the Years Ended June 30,

	Governmental Activities	
	2019	2018
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 21,305	\$ 23,401
Operating grants and contributions	656,936	658,561
<i>General Revenues:</i>		
Grants and contributions not restricted to specific programs	3,238,971	2,935,787
Miscellaneous	17,209	8,923
Total Revenues	3,934,421	3,626,672
Expenses		
Regular instruction and related services	2,232,992	2,193,706
Special education and related services	143,765	124,151
Support services - student based	236,987	236,913
Administrative support services	337,096	324,230
Buildings and grounds	234,378	230,831
Transportation	77,210	81,784
Food services	67,984	68,401
On-behalf payments	535,561	495,777
Program expenses	73,555	129,086
Total Expenses	3,939,528	3,884,879
 Change in Net Position	 (5,107)	 (258,207)
 Net Position - July 1	 333,805	 592,012
 Net Position - June 30	 \$ 328,698	 \$ 333,805

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
Fletcher School District
Fund Balances - Governmental Funds
June 30,

	<u>2019</u>	<u>2018</u>
General Fund:		
Nonspendable	\$ 1,425	\$ -
Unassigned	(74,707)	(87,167)
Total General Fund	<u>\$ (73,282)</u>	<u>\$ (87,167)</u>
Capital Projects Fund:		
Assigned	\$ 58,325	\$ 131,053
Total Capital Projects Fund	<u>\$ 58,325</u>	<u>\$ 131,053</u>
Hot Lunch Fund:		
Nonspendable	\$ 829	\$ 1,045
Restricted	3,127	3,240
Total Hot Lunch Fund	<u>\$ 3,956</u>	<u>\$ 4,285</u>
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 16,532	\$ 1,703
Unassigned	(4,035)	-
Total Nonmajor Funds	<u>\$ 12,497</u>	<u>\$ 1,703</u>

The general fund total fund balance increased by \$13,885 from the prior fiscal year due to revenues exceeding expenditures. The capital projects fund total fund balance decreased by \$72,728 from the prior fiscal year due to capital project expenditures. The hot lunch fund total fund balance decreased by \$329 from the prior fiscal year due to expenditures exceeding revenues and transfers in. The nonmajor funds total fund balance increased by \$10,794 from the prior fiscal year mainly from the activity in HRA fund.

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 \$26,937 due to all areas being receipted in excess of budget except intergovernmental - state support grant.

The general fund actual expenditures were over budget by \$13,052. The areas of overspending were in special education and related services and buildings and grounds.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2019, the net book value of capital assets recorded by the School District increased by \$37,998. The increase was the result of capital additions of \$87,532 less current year depreciation expense of \$49,534.

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

	<u>2019</u>	<u>2018</u>
Land and non-depreciable assets	\$ 500	\$ 500
Buildings, building improvements and land improvements	348,457	286,943
Furniture and equipment	<u>22,046</u>	<u>45,562</u>
Total	<u>\$ 371,003</u>	<u>\$ 333,005</u>

Debt

At June 30, 2019, the School District had \$6,823 in a note from direct borrowings payable versus \$24,423 in the prior fiscal year. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

At this time, management is unaware of any known fact, decision or condition that is expected to have a significant effect on the financial position or the results of operations for the upcoming fiscal year.

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 School District at 4497 Highbridge Road, Fairfax, Vermont 05454.

FLETCHER SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 253,284
Accounts receivable (net of allowance for uncollectibles)	47
Due from other governments	35,725
Prepaid items	1,425
Inventory	829
Total current assets	<u>291,310</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	500
Buildings, building improvements and other assets, net of accumulated depreciation	<u>370,503</u>
Total noncurrent assets	<u>371,003</u>
TOTAL ASSETS	<u>662,313</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>21,623</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>21,623</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 683,936</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 243,974
Accrued expenses	11,089
Due to other governments	32,646
Current portion of long-term obligations	<u>2,206</u>
Total current liabilities	<u>289,915</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Note from direct borrowings payable	4,617
Net pension liability	<u>56,624</u>
Total noncurrent liabilities	<u>61,241</u>
TOTAL LIABILITIES	<u>351,156</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	1,802
Deferred inflows related to pensions	<u>2,280</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,082</u>
NET POSITION	
Net investment in capital assets	364,180
Restricted	19,962
Unrestricted (deficit)	<u>(55,444)</u>
TOTAL NET POSITION	<u>328,698</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 683,936</u>

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

FLETCHER SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Regular instruction and related services	\$ 2,232,992	\$ -	\$ -	\$ -	\$ (2,232,992)
Special education and related services	143,765	-	-	-	(143,765)
Support services - student based	236,987	-	-	-	(236,987)
Administrative support services	337,096	-	-	-	(337,096)
Buildings and grounds	234,378	-	-	-	(234,378)
Transportation	77,210	-	-	-	(77,210)
Food services	67,984	21,305	36,723	-	(9,956)
On-behalf payments	535,561	-	535,561	-	-
Program expenses	73,555	-	84,652	-	11,097
Total government	<u>\$ 3,939,528</u>	<u>\$ 21,305</u>	<u>\$ 656,936</u>	<u>\$ -</u>	<u>(3,261,287)</u>

STATEMENT B (CONTINUED)

FLETCHER SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(3,261,287)</u>
General revenues:	
Grants and contributions not restricted to specific programs	3,238,971
Miscellaneous	<u>17,209</u>
Total general revenues	<u>3,256,180</u>
Change in net position	(5,107)
NET POSITION - JULY 1	<u>333,805</u>
NET POSITION - JUNE 30	<u><u>\$ 328,698</u></u>

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

FLETCHER SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Capital Projects Fund	Hot Lunch Fund	School-wide Program	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 115,344	\$ 134,720	\$ 3,220	\$ -	\$ -	\$ 253,284
Accounts receivable (net of allowance for uncollectibles)	47	-	-	-	-	47
Due from other governments	-	-	8,590	27,135	-	35,725
Prepaid items	1,425	-	-	-	-	1,425
Inventory	-	-	829	-	-	829
Due from other funds	106,265	-	-	-	17,122	123,387
TOTAL ASSETS	<u>\$ 223,081</u>	<u>\$ 134,720</u>	<u>\$ 12,639</u>	<u>\$ 27,135</u>	<u>\$ 17,122</u>	<u>\$ 414,697</u>
LIABILITIES						
Accounts payable	\$ 235,506	\$ 760	\$ 7,708	\$ -	\$ -	\$ 243,974
Accrued expenses	11,089	-	-	-	-	11,089
Due to other governments	32,646	-	-	-	-	32,646
Due to other funds	17,122	75,635	-	26,832	3,798	123,387
TOTAL LIABILITIES	<u>296,363</u>	<u>76,395</u>	<u>7,708</u>	<u>26,832</u>	<u>3,798</u>	<u>411,096</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	-	-	975	-	827	1,802
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>975</u>	<u>-</u>	<u>827</u>	<u>1,802</u>
FUND BALANCES (DEFICITS)						
Nonspendable - prepaid items	1,425	-	829	-	-	2,254
Restricted	-	-	3,127	303	16,532	19,962
Committed	-	-	-	-	-	-
Assigned	-	58,325	-	-	-	58,325
Unassigned	(74,707)	-	-	-	(4,035)	(78,742)
TOTAL FUND BALANCES (DEFICITS)	<u>(73,282)</u>	<u>58,325</u>	<u>3,956</u>	<u>303</u>	<u>12,497</u>	<u>1,799</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	<u>\$ 223,081</u>	<u>\$ 134,720</u>	<u>\$ 12,639</u>	<u>\$ 27,135</u>	<u>\$ 17,122</u>	<u>\$ 414,697</u>

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

FLETCHER SCHOOL DISTRICT

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

	Total Governmental Funds
Total Fund Balances	\$ 1,799
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	371,003
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	21,623
Long-term obligations shown below are not due and payable in the current period and therefore are not reported in the funds shown above:	
Note from direct borrowings payable	(6,823)
Net pension liability	(56,624)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(2,280)</u>
Net position of governmental activities	<u><u>\$ 328,698</u></u>

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

FLETCHER SCHOOL DISTRICT

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

	General Fund	Capital Projects Fund	Hot Lunch Fund	School-wide Program	Other Governmental Funds	Total Governmental Funds
REVENUES						
Intergovernmental revenues	\$ 3,357,551	\$ -	\$ 36,723	\$ 63,359	\$ 21,293	\$ 3,478,926
Charges for services	-	-	21,305	-	-	21,305
Interest income	12,094	1,671	10	-	-	13,775
Miscellaneous revenues	2,654	780	-	-	-	3,434
TOTAL REVENUES	<u>3,372,299</u>	<u>2,451</u>	<u>58,038</u>	<u>63,359</u>	<u>21,293</u>	<u>3,517,440</u>
EXPENDITURES						
Current:						
Regular instruction and related services	2,271,135	-	-	-	-	2,271,135
Special education and related services	143,765	-	-	-	-	143,765
Support services - student based	254,587	-	-	-	-	254,587
Administrative support services	334,505	-	-	-	-	334,505
Buildings and grounds	149,632	75,179	-	-	-	224,811
Transportation	77,210	-	-	-	-	77,210
Food services	-	-	67,367	-	-	67,367
On-behalf payments	118,580	-	-	-	-	118,580
Program expenses	-	-	-	63,056	10,499	73,555
TOTAL EXPENDITURES	<u>3,349,414</u>	<u>75,179</u>	<u>67,367</u>	<u>63,056</u>	<u>10,499</u>	<u>3,565,515</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>22,885</u>	<u>(72,728)</u>	<u>(9,329)</u>	<u>303</u>	<u>10,794</u>	<u>(48,075)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	9,000	-	-	9,000
Transfers (out)	(9,000)	-	-	-	-	(9,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,000)</u>	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	13,885	(72,728)	(329)	303	10,794	(48,075)
FUND BALANCES - JULY 1 (DEFICITS)	<u>(87,167)</u>	<u>131,053</u>	<u>4,285</u>	<u>-</u>	<u>1,703</u>	<u>49,874</u>
FUND BALANCES - JUNE 30 (DEFICITS)	<u>\$ (73,282)</u>	<u>\$ 58,325</u>	<u>\$ 3,956</u>	<u>\$ 303</u>	<u>\$ 12,497</u>	<u>\$ 1,799</u>

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

FLETCHER SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (48,075)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	87,532
Depreciation expense	<u>(49,534)</u>
	<u>37,998</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>(5,289)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	<u>17,600</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>770</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Net pension liability	<u>(8,111)</u>
Change in net position of governmental activities (Statement B)	<u>\$ (5,107)</u>

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

FLETCHER SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 5,222
Due from other governments	<u>32,646</u>
TOTAL ASSETS	<u><u>\$ 37,868</u></u>
LIABILITIES	
Accounts payable	\$ 515
Dental plan funds available for future years	32,131
Deposits held for others	<u>5,222</u>
TOTAL LIABILITIES	<u><u>\$ 37,868</u></u>

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

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Fletcher School District was incorporated under the laws in the State of Vermont. The School District operates under the Board of Directors-superintendent form of government and provides the following services: regular instruction and related services, special education and related services, support services - student based, administrative support services, buildings and grounds, transportation, food services and program expenses.

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

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

Implementation of New Accounting Standards

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

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

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

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

Government-Wide and Fund Financial Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds).

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

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

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

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Measurement Focus - Basic Financial Statements and Fund Financial Statements

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

1. Governmental Funds:

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

Major Funds:

- 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.
- b. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. The Hot Lunch Fund is used to account for financial resources to be used in the operation of the nutrition of students.
- d. The School-wide Program Fund is used to account for financial resources from the State of Vermont to be used for activities related to school-wide grants.

Nonmajor Funds:

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

2. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the School District's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in the governmental activities category. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

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

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Revenues per budgetary basis	\$ 3,253,719
Add: On-behalf payments	118,580
Total GAAP basis	<u>\$ 3,372,299</u>
Expenditures per budgetary basis	\$ 3,239,834
Add: On-behalf payments	118,580
Total GAAP basis	<u>\$ 3,358,414</u>

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

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. The annual school budget is the planning management tool, which delineates the District's educational priorities and programs and forms the basis for voter review and approval of the budget according to applicable State of Vermont education finance laws.
2. The Board budget process includes input from school district administration and staff, educational priorities for the next school year, along with public hearings, which include the Board of Directors and general public.
3. The budget document itself is based upon the most current funding information available along with the projection of current revenues and expenditures for the next year. At the conclusion of the budget process, a final budget is approved by the Board of Directors.

Deposits and Investments

The 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:

- 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 Fletcher School District has no formal investment policy but instead follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$68,418 for

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). Inventory of the School District consists of school nutrition supplies and food on hand at the end of the year.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are record as prepaid items.

Interfund Receivables and Payables

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

Transactions Between Funds

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more for value and one-year life for software, office equipment, maintenance equipment, other equipment and capital improvements, \$10,000 value and one-year life for bulk asset purchases when the individual allowance does not exceed the \$5,000 threshold. All buildings and land must be reported regardless of value and useful life at date of acquisition. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

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

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the School District. The School District has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 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 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 funds is the same in the fund statements as it is in the government-wide statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of 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 School District meeting vote has provided otherwise in its commitment or assignment actions.

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of resources (revenue) until that time. The School District has deferred revenue that qualifies for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. Deferred inflows of resources related to pensions, which arises only under an accrual basis of accounting, qualifies for reporting in this category as well. 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).

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

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

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

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

or will not be able to recover collateral securities that are in possession of an outside party. The School District does not have a policy covering custodial credit risk.

At June 30, 2019, the School District's cash balance of \$219,593 was comprised of bank deposits of \$297,583. These two amounts are different because the first is presented on the accrual basis of accounting (i.e. it includes any outstanding checks, deposits in transit, etc.) and the second is presented on a cash basis, which is the actual amount the School District has at its financial institutions on June 30, 2019. All of these bank deposits were fully insured by federal depository insurance or by the NCUSIF and consequently were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 75,916
Money market accounts	124,750
ICS accounts	96,917
	<u>\$ 297,583</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.

At June 30, 2019, the School District had \$0 in investments.

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

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.

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

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

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 106,265	\$ 17,122
Capital Projects Fund	-	75,635
School-wide Program Fund	-	26,832
Nonmajor Special Revenue Funds	17,122	3,798
	<u>\$ 123,387</u>	<u>\$ 123,387</u>

NOTE 4 - CAPITAL ASSETS

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

	Balance 7/1/18	Additions	Disposals	Balance 6/30/19
<u>Governmental activities:</u>				
Non-depreciated assets:				
Land	\$ 500	\$ -	\$ -	\$ 500
	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
Depreciated assets:				
Buildings and improvements	759,895	87,532	-	847,427
Furniture and equipment	128,513	-	-	128,513
	888,408	87,532	-	975,940
Less: accumulated depreciation	(555,903)	(49,534)	-	(605,437)
	<u>332,505</u>	<u>37,998</u>	<u>-</u>	<u>370,503</u>
Net governmental capital assets	<u>\$ 333,005</u>	<u>\$ 37,998</u>	<u>\$ -</u>	<u>\$ 371,003</u>
<u>Current year depreciation:</u>				
Direct services				\$ 36,759
Buildings and grounds				9,567
Administration				2,591
Food service				617
Total depreciation expense				<u>\$ 49,534</u>

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - SHORT-TERM DEBT

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

	Balance, 6/30/18	Additions	Reductions	Balance, 6/30/19
Tax/revenue anticipation note	\$ -	\$ 300,000	\$ (300,000)	\$ -
Total	\$ -	\$ 300,000	\$ (300,000)	\$ -

On July 2, 2018, the School District issued a Tax/Revenue Anticipation Note through Union Bank in anticipation of revenues to meet its operating obligations during the fiscal year. The note allowed principal draws up to \$300,000 at 2.09% interest with a maturity date of June 28, 2019. At June 28, 2019, the note was paid in full. Interest expense for the note was \$6,201.

NOTE 6 - LONG-TERM DEBT

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

	Balance, 6/30/18	Additions	Deletions	Balance, 6/30/19	Current Year Portion
Note from direct borrowings payable	\$ 24,423	\$ -	\$ (17,600)	\$ 6,823	\$ 2,206

The following is a summary of the note from direct borrowings payable as of June 30, 2019:

\$11,044, 2017 Capital lease for color printers with MST Government Leasing dated August of 2016, due in annual principal and interest installments of \$2,414. Interest is charged at a fixed rate of 3.04% per annum. Maturity in August of 2021.	<u>\$ 6,823</u>
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In the event of default, outstanding amounts on the note from direct borrowings payable become immediately due.

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - LONG-TERM DEBT (CONTINUED)

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

Year Ending June 30,	Governmental Activities		Total Debt Service
	Note from direct borrowings payable Principal	Interest	
2020	\$ 2,206	\$ 207	\$ 2,413
2021	2,274	141	2,415
2022	2,343	71	2,414
2023	-	-	-
2024	-	-	-
	<u>\$ 6,823</u>	<u>\$ 419</u>	<u>\$ 7,242</u>

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

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

	Balance, 6/30/18	Additions	Deletions	Balance, 6/30/19	Current Year Portion
Net pension liability	<u>\$ 48,513</u>	<u>\$ 16,683</u>	<u>\$ (8,572)</u>	<u>\$ 56,624</u>	<u>\$ -</u>

Refer to Note 8 of Notes to the Financial Statements for detailed accrued compensated absences information and Note 14 for detailed net pension liability information.

NOTE 8 - ACCRUED COMPENSATED ABSENCES

The School District's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2019, the School District's liability for compensated absences is \$0.

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - NONSPENDABLE FUND BALANCES

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

Major funds:	
General fund:	
Prepaid items	\$ 1,425
Hot lunch fund:	
Inventory	829
	<u>\$ 2,254</u>

NOTE 10 - RESTRICTED FUND BALANCES

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

Hot lunch fund	\$ 3,127
School-wide programs	303
Nonmajor special revenue funds	16,532
	<u>\$ 19,962</u>

NOTE 11 - ASSIGNED FUND BALANCE

At June 30, 2019, the School District had the following assigned fund balance:

Capital projects fund	<u>\$ 58,325</u>
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NOTE 12 - OVERSPENT APPROPRIATIONS

The School District was noncompliant with the legally adopted budget, overspending the entire allowed appropriation of \$3,226,782 by \$13,052 at June 30, 2019.

NOTE 13 - DEFICIT FUND BALANCES

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

Major fund:	
General fund	\$ 73,282
Nonmajor special revenue funds (Schedule E):	
STARS	297
Title IIA	61
HSA	3,677
	<u>\$ 77,317</u>

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2017 (the most recent period available), the retirement system consisted of 22,193 participating members.

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

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

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

The VSTRS provides retirement and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. There

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Normal service retirement eligibility (no reduction)	Age 60 or 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula – normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC, 2.0% after attaining 20 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%, minimum of 1% after 12 months of normal retirement or age 65
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 \$118,580 or 15.75% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

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

Employee contributions totaled \$39,627 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 \$752,887 for the year ended June 30, 2019.

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

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

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

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

FLETCHER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

- Groups B and C - general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D - sworn police officers, firefighters and emergency medical personnel

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

VMERS	Group A	Group B	Group C	Group D
Normal service retirement eligibility	Age 65 with 5 years of service or age 55 with 35 years of service	Age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC

FLETCHER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VMERS	Group A	Group B	Group C	Group D
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

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

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

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group as of July 1, 2018 are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.625% of gross salary	5.0% of gross salary	10.125% of gross salary	11.475% of gross salary
Employer Contributions	4.125% of gross salary	5.625% of gross salary	7.375% of gross salary	9.975% of gross salary

Employee contributions are withheld pre-income tax by the School District and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2019 totaled \$2,089. The School District contributed \$3,283 for the year ended June 30, 2019. The School District's total payroll for the year ended June 30, 2019 for all employees covered under this plan was \$79,589.

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Liabilities

VSTRS Plan

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

School District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the School District	<u>1,931,833</u>
Total	<u><u>\$ 1,931,833</u></u>

The State of Vermont's proportionate share of the net pension liability associated with the School District is equal to the collective net pension liability, actuarially measured as of June 30, 2018, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the School District's proportion was 0.12788% which was an increase of 0.00156% from its proportion measured as of June 30, 2017.

VMERS Plan

At June 30, 2019, the School District reported a liability of \$56,624 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2018 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2018. The School District's proportion of the net pension liabilities were based on a projection of the School District's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2018, the School District's proportion was 0.04025% for VMERS, which was an increase of 0.00210% from its proportion measured as of June 30, 2017 for VMERS.

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2019, the School District recognized total pension expense of \$346,315 and revenue of \$346,315 for support provided by the State of Vermont for the VSTRS plan. In the same period, the School District recognized pension expense of \$12,630 for the VMERS plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 4,918	\$ 905
Changes of assumptions	-	-	6,563	-
Net difference between projected and actual earnings on pension plan investments	-	-	6,270	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	589	1,375
Contributions subsequent to the measurement date	-	-	3,283	-
Total	\$ -	\$ -	\$ 21,623	\$ 2,280

\$3,283 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS Plan	VMERS Plan
Plan year ended June 30:		
2019	\$ -	\$ 10,662
2020	-	3,451
2021	-	553
2022	-	1,394
2023	-	-
Thereafter	-	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using the actuarial assumptions outlined below.

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Inflation: For both plans, 2.50%.

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

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

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

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

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

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

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

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

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.

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 2.55% per annum for Group A members and 1.40% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement). The January 1, 2019 COLA is assumed to be 2.60% for Group A and 1.30% for Group C. For the VMERS plan, this occurs at the rate of 1.15% per annum for Group A members and 1.30% per annum for Groups B, C and D members (beginning Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for Group A, B and D members who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2019 COLA is 1.30% for all groups.

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

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

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

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.

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2018 are summarized in the following table:

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

Discount Rate

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

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

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

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.50%	7.50%	8.50%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.50%	7.50%	8.50%
School District's proportionate share of the net pension liability	\$ 95,909	\$ 56,624	\$ 24,675

Pension Plan Fiduciary Net Position

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

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2018 (the most recent period available), the plan consisted of 4,878 retired members or beneficiaries currently receiving benefits and 8,941 active members.

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

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

Benefits Provided

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

FLETCHER SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Contributions

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

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

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

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

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019. The State's portion of the collective net OPEB liability that was associated with the School District was as follows:

School District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the School District	<u>1,325,692</u>
Total	<u><u>\$ 1,325,692</u></u>

The State of Vermont's proportionate share of the net OPEB liability associated with the School District is equal to the collective net OPEB liability, actuarially measured as of June 30, 2018, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2018, the School District's proportion was 0.13892% which was a decrease of 0.00022% from its proportion measured as of June 30, 2017.

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

For the year ended June 30, 2019, the School District recognized total OPEB expense of \$70,666 and revenue of \$70,666 for support provided by the State of Vermont for the Plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

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

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

Discount Rate

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

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

Healthcare Trend Rate

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

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

Actuarial Methods and Assumptions

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

Actuarial Cost Method

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

Amortization

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

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Asset Valuation Method

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

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

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

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

Assumptions

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

Discount Rate	3.87%
Salary Increase Rate	Varies by age
Non-Medicare	7.15% graded to 4.50% over 12 years
Medicare	7.30% graded to 4.50% over 11 years

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Retiree Contributions	Equal to health trend
Pre-retirement Mortality	98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017.
Post-retirement Mortality	98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017.

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2018 with the following exceptions:

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for June 30, 2018. For the fiscal year ended June 30, 2018, the discount rate was increased from 3.58% to 3.87%.

OPEB Plan Fiduciary Net Position

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

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, students and guests; as well as natural disasters for which the School District either carries commercial insurance, participates in a public entity risk pool or is effectively self-insured. There have been no significant reductions in coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

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

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

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

FLETCHER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 - RISK MANAGEMENT (CONTINUED)

Multi-Line Intermunicipal School Program provides coverage for property; inland marine and boiler and machinery; crime; commercial general liability; automobile/garagekeepers; and educators legal liability. Annual contributions are based upon appropriate rates applicable to each member; such rates are set based on recommendations of a qualified actuary, plus a proportionate share of all operational and administrative cost including excess reinsurance premiums incurred by the trust. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the program will be terminated with each member assessed their proportionate share of the deficit.

NOTE 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.

NOTE 18 - RELATED ORGANIZATION

The School District has an ongoing financial responsibility to Franklin West Supervisory Union as defined in GASB 14, paragraph 71. Through Franklin West 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 Franklin West Supervisory Union are available from Franklin West Supervisory Union.

NOTE 19 - SUBSEQUENT EVENT

On July 1, 2019, the School District issued a Tax Anticipation Note through Union Bank in anticipation of revenues to meet its operating obligations during the fiscal year. The note principal is for \$360,000, at a fixed rate of 2.45% interest and matures on June 30, 2020.

Required Supplementary Information

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

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

FLETCHER SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance (Deficit), July 1	\$ (87,167)	\$ (87,167)	\$ (87,167)	\$ -
Resources (Inflows):				
Intergovernmental:				
State support grant	3,092,611	3,092,611	3,092,050	(561)
Other	133,271	133,271	146,921	13,650
Interest income	400	400	12,094	11,694
Miscellaneous	500	500	2,654	2,154
Amounts Available for Appropriation	<u>3,139,615</u>	<u>3,139,615</u>	<u>3,166,552</u>	<u>26,937</u>
Charges to Appropriations (Outflows):				
Regular instruction and related services	2,294,654	2,294,654	2,271,135	23,519
Special education and related services	109,368	109,368	143,765	(34,397)
Support services - student based	259,489	259,489	254,587	4,902
Administrative support services	337,356	337,356	334,505	2,851
Buildings and grounds	137,663	137,663	149,632	(11,969)
Transportation	77,252	77,252	77,210	42
Transfers to other funds	11,000	11,000	9,000	2,000
Total Charges to Appropriations	<u>3,226,782</u>	<u>3,226,782</u>	<u>3,239,834</u>	<u>(13,052)</u>
Budgetary Fund Balance (Deficit), June 30	<u>\$ (87,167)</u>	<u>\$ (87,167)</u>	<u>\$ (73,282)</u>	<u>\$ 13,885</u>

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

FLETCHER SCHOOL DISTRICT

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

	2019	2018	2017	2016	2015
<u>VSTRS:</u>					
Proportion of the net pension liability	0.13%	0.13%	0.12%	0.13%	0.09%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	1,931,833	1,872,545	1,573,096	1,589,854	907,741
Total	<u>\$ 1,931,833</u>	<u>\$ 1,872,545</u>	<u>\$ 1,573,096</u>	<u>\$ 1,589,854</u>	<u>\$ 907,741</u>
Covered payroll	\$ 864,487	\$ 834,717	\$ 778,182	\$ 747,300	\$ 536,873
Proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	54.81%	53.98%	55.31%	58.22%	64.02%
<u>VMERS:</u>					
Proportion of the net pension liability	0.04%	0.04%	0.04%	0.04%	0.04%
Proportionate share of the net pension liability	\$ 56,624	\$ 48,513	\$ 56,164	\$ 30,922	\$ 3,578
Covered payroll	\$ 176,261	\$ 163,477	\$ 165,818	\$ 140,183	\$ 126,426
Proportionate share of the net pension liability as a percentage of its covered payroll	32.13%	29.68%	33.87%	22.06%	2.83%
Plan fiduciary net position as a percentage of the total pension liability	82.60%	83.64%	80.95%	87.42%	98.32%

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

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

FLETCHER SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015
<u>VSTRS:</u>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 752,887	\$ 864,487	\$ 834,717	\$ 778,182	\$ 747,300
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
<u>VMERS:</u>					
Contractually required contribution	\$ 3,283	\$ 7,050	\$ 6,539	\$ 6,633	\$ 5,607
Contributions in relation to the contractually required contribution	<u>(3,283)</u>	<u>(7,050)</u>	<u>(6,539)</u>	<u>(6,633)</u>	<u>(5,607)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 79,589	\$ 176,261	\$ 163,477	\$ 165,818	\$ 140,183
Contributions as a percentage of covered payroll	4.12%	4.00%	4.00%	4.00%	4.00%

* 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.

FLETCHER SCHOOL DISTRICT

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

	<u>2019</u>	<u>2018</u>
<u>VSTRS OPEB Plan:</u>		
Proportion of the net OPEB liability	0.14%	0.14%
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>1,325,692</u>	<u>1,297,228</u>
Total	<u>\$ 1,325,692</u>	<u>\$ 1,297,228</u>
Covered payroll	\$ 864,487	\$ 834,717
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.76%	1.52%

* 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.

FLETCHER SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	2019	2018
<u>VSTRS OPEB Plan:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 752,887	\$ 864,487
Contributions as a percentage of covered payroll	0.00%	0.00%

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

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

FLETCHER SCHOOL DISTRICT

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

Changes of Assumptions

VSTRS Pension

The valuation liability for inactive members as reported by the System was lowered from 332.5% of accumulated contributions to 250.0% of accumulated contributions.

VSTRS OPEB

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

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

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

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

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

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

The assumed health trend rates were modified.

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

Other Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- 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
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

FLETCHER SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
State support grant	\$ 3,092,611	\$ 3,092,611	\$ 3,092,050	\$ (561)
State aid - vocational	83,271	83,271	83,271	-
Small schools grant	50,000	50,000	63,649	13,649
Other	-	-	1	1
Interest income	400	400	12,094	11,694
Miscellaneous:				
Other receipts	500	500	2,654	2,154
Amounts Available for Appropriation	<u>\$ 3,226,782</u>	<u>\$ 3,226,782</u>	<u>\$ 3,253,719</u>	<u>\$ 26,937</u>

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

FLETCHER SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Regular Instruction and Related Services				
Direct Instructional Services - Regular Programs				
Elementary				
Teachers' salaries	\$ 439,238	\$ 439,238	\$ 444,453	\$ (5,215)
Hourly wages	19,833	19,833	-	19,833
Substitutes	500	500	-	500
Health/dental/life insurance	82,955	82,955	61,234	21,721
Social security	35,531	35,531	34,506	1,025
Municipal retirement	818	818	-	818
Workers' compensation	-	-	3,265	(3,265)
Unemployment compensation	-	-	118	(118)
Tuition reimbursement	12,000	12,000	5,445	6,555
Contracted services	24,600	24,600	12,633	11,967
Contracted services - FWSU (Reg Ed Para's)	-	-	43,742	(43,742)
Postage	400	400	-	400
Travel	100	100	574	(474)
Supplies	13,500	13,500	13,073	427
Textbooks	2,000	2,000	1,869	131
Furniture/equipment	2,000	2,000	1,605	395
Other	1,800	1,800	-	1,800
Total Elementary	635,275	635,275	622,517	12,758
Secondary				
Tuition	1,348,225	1,348,225	1,385,313	(37,088)
Tuition - tech center	165,852	165,852	166,288	(436)
Total Secondary	1,514,077	1,514,077	1,551,601	(37,524)
Total Direct Instructional Services - Regular Programs	2,149,352	2,149,352	2,174,118	(24,766)
Compensatory Education				
Teachers' salaries	8,979	8,979	-	8,979
Health/dental/life insurance	3,218	3,218	-	3,218
Social security	687	687	-	687
Tuition reimbursement	1,300	1,300	-	1,300
Supplies	375	375	350	25
Textbooks	250	250	-	250
Total Compensatory Education	14,809	14,809	350	14,459
Early Education				
Teachers' salaries	56,358	56,358	39,451	16,907
Paraprofessionals	15,205	15,205	-	15,205
Substitutes	-	-	168	(168)
Health/dental/life insurance	17,100	17,100	11,045	6,055
Social security	5,475	5,475	2,809	2,666
Municipal retirement	627	627	-	627
Workers' compensation	-	-	291	(291)
Unemployment compensation	-	-	9	(9)
Tuition reimbursement	3,500	3,500	1,244	2,256
Contracted services	500	500	-	500
Contracted services - FWSU	7,909	7,909	23,209	(15,300)
Tuition	22,869	22,869	17,828	5,041
Travel	50	50	-	50
Supplies	600	600	366	234
Textbooks	200	200	109	91
Furniture and equipment	100	100	138	(38)
Total Early Education	130,493	130,493	96,667	33,826
Total Regular Instruction and Related Services	2,294,654	2,294,654	2,271,135	23,519

SCHEDULE B (CONTINUED)
FLETCHER SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Special Education and Related Services				
Special education assessment FWSU	109,368	109,368	143,765	(34,397)
Total Special Education and Related Services	<u>109,368</u>	<u>109,368</u>	<u>143,765</u>	<u>(34,397)</u>
Support Services - Student Based				
Speech and Language				
SLP assessment FWSU	14,216	14,216	13,321	895
Total Speech and Language	<u>14,216</u>	<u>14,216</u>	<u>13,321</u>	<u>895</u>
Guidance Services				
Counselor salaries	31,427	31,427	38,721	(7,294)
Health/dental/life insurance	12,840	12,840	13,418	(578)
Social security	2,404	2,404	2,557	(153)
Workers' compensation	-	-	284	(284)
Unemployment compensation	-	-	13	(13)
Tuition reimbursement	600	600	27	573
Supplies	500	500	521	(21)
Textbooks	150	150	50	100
Total Guidance Services	<u>47,921</u>	<u>47,921</u>	<u>55,591</u>	<u>(7,670)</u>
Health Services				
Nurse salaries	20,143	20,143	10,072	10,071
Health/dental/life insurance	251	251	-	251
Social security	1,541	1,541	771	770
Workers' compensation	-	-	74	(74)
Unemployment compensation	-	-	13	(13)
Tuition reimbursement	500	500	105	395
Supplies	650	650	654	(4)
Textbooks	100	100	-	100
Equipment	-	-	602	(602)
Total Health Services	<u>23,185</u>	<u>23,185</u>	<u>12,291</u>	<u>10,894</u>
Library				
Librarian salaries	23,211	23,211	11,622	11,589
Health/dental/life insurance	3,817	3,817	729	3,088
Social security	1,776	1,776	927	849
Workers' compensation	-	-	86	(86)
Unemployment compensation	-	-	3	(3)
Tuition reimbursement	1,500	1,500	36	1,464
Contracted services	350	350	-	350
Supplies	500	500	517	(17)
Books/periodicals	4,000	4,000	3,152	848
Audiovisual materials	300	300	-	300
Equipment	265	265	198	67
Total Library	<u>35,719</u>	<u>35,719</u>	<u>17,270</u>	<u>18,449</u>

SCHEDULE B (CONTINUED)

FLETCHER SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Support Services - Student Based (Continued)				
Professional Development				
Salaries	62,920	62,920	65,961	(3,041)
Health/dental/life insurance	19,100	19,100	20,726	(1,626)
Social security	4,813	4,813	4,708	105
Workers' compensation	-	-	469	(469)
Unemployment compensation	-	-	13	(13)
Tuition reimbursement	-	-	4,900	(4,900)
Contracted services	29,015	29,015	48,265	(19,250)
SU assessment - mentors	-	-	3,070	(3,070)
Tech repairs and maintenance	750	750	-	750
Travel	-	-	75	(75)
Supplies	2,845	2,845	883	1,962
Software	1,000	1,000	-	1,000
Books	250	250	-	250
Equipment	17,755	17,755	7,044	10,711
Total Professional Development	138,448	138,448	156,114	(17,666)
Total Support Services - Student Based	259,489	259,489	254,587	4,902
Administrative Support Services				
School Board				
Salaries	3,550	3,550	2,675	875
Social security	272	272	205	67
Contracted services	1,685	1,685	2,489	(804)
Legal	2,000	2,000	203	1,797
Insurance	1,907	1,907	1,621	286
Treasurers' office	2,500	2,500	2,500	-
Advertising	1,500	1,500	858	642
Travel	200	200	-	200
Dues and fees	1,850	1,850	50	1,800
Tax anticipation interest	3,000	3,000	6,201	(3,201)
Miscellaneous	1,361	1,361	985	376
Total School Board	19,825	19,825	17,787	2,038
Supervisory Union Assessments				
Services assessment	113,335	113,335	113,335	-
Total Supervisory Union Assessments	113,335	113,335	113,335	-
Principal's office				
Salaries	92,580	92,580	96,248	(3,668)
Hourly wages	55,850	55,850	52,281	3,569
Substitutes	500	500	-	500
Health/dental/life insurance	24,394	24,394	23,973	421
Social security	11,393	11,393	11,263	130
Municipal retirement	2,304	2,304	4,251	(1,947)
Workers' compensation	-	-	1,068	(1,068)
Unemployment compensation	-	-	25	(25)
Tuition reimbursement	2,000	2,000	547	1,453
Contracted services	1,000	1,000	239	761
Telephone	8,400	8,400	7,315	1,085
Postage	750	750	1,571	(821)
Travel	1,200	1,200	1,267	(67)
Supplies	700	700	1,123	(423)
Equipment	500	500	138	362
Dues and fees	2,625	2,625	2,074	551
Total Principal's Office	204,196	204,196	203,383	813
Total Administrative Support Services	337,356	337,356	334,505	2,851

SCHEDULE B (CONTINUED)
FLETCHER SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Buildings and Grounds				
Salaries	42,288	42,288	41,632	656
Substitutes	1,000	1,000	-	1,000
Health/dental/life insurance	11,133	11,133	19,734	(8,601)
Social security	3,312	3,312	3,098	214
Municipal retirement	1,703	1,703	1,141	562
Workers' compensation	-	-	2,259	(2,259)
Unemployment compensation	-	-	34	(34)
Tuition reimbursement	500	500	-	500
Repairs and maintenance	10,250	10,250	11,022	(772)
Insurance	6,263	6,263	4,983	1,280
Contracted services	18,840	18,840	18,243	597
Contracted services - FWSU	883	883	1,804	(921)
Supplies	9,900	9,900	9,056	844
Electricity	21,091	21,091	20,024	1,067
Heat/gas	9,000	9,000	16,156	(7,156)
Equipment/building improvements	1,500	1,500	446	1,054
Total Buildings and Grounds	<u>137,663</u>	<u>137,663</u>	<u>149,632</u>	<u>(11,969)</u>
Transportation				
FWSU assessment	71,502	71,502	73,650	(2,148)
Field trips, etc.	5,750	5,750	3,560	2,190
Total Transportation	<u>77,252</u>	<u>77,252</u>	<u>77,210</u>	<u>42</u>
Transfers to Other Funds				
Hot lunch fund	11,000	11,000	9,000	2,000
Total Transfers to Other Funds	<u>11,000</u>	<u>11,000</u>	<u>9,000</u>	<u>2,000</u>
 TOTAL DEPARTMENTAL OPERATIONS	 <u>\$ 3,226,782</u>	 <u>\$ 3,226,782</u>	 <u>\$ 3,239,834</u>	 <u>\$ (13,052)</u>

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

FLETCHER SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS		
Due from other governments	\$ -	\$ -
Due from other funds	17,122	17,122
TOTAL ASSETS	<u>\$ 17,122</u>	<u>\$ 17,122</u>
LIABILITIES		
Due to other funds	<u>\$ 3,798</u>	<u>\$ 3,798</u>
TOTAL LIABILITIES	<u>3,798</u>	<u>3,798</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue	<u>827</u>	<u>827</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>827</u>	<u>827</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	16,532	16,532
Committed	-	-
Assigned	-	-
Unassigned	<u>(4,035)</u>	<u>(4,035)</u>
TOTAL FUND BALANCES	<u>12,497</u>	<u>12,497</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 17,122</u>	<u>\$ 17,122</u>

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

FLETCHER SCHOOL DISTRICT

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

	Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES		
Intergovernmental revenues	\$ 21,293	\$ 21,293
TOTAL REVENUES	<u>21,293</u>	<u>21,293</u>
EXPENDITURES		
Other	10,499	10,499
TOTAL EXPENDITURES	<u>10,499</u>	<u>10,499</u>
NET CHANGE IN FUND BALANCES	10,794	10,794
FUND BALANCES - JULY 1	<u>1,703</u>	<u>1,703</u>
FUND BALANCES - JUNE 30	<u><u>\$ 12,497</u></u>	<u><u>\$ 12,497</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.

SCHEDULE E

FLETCHER SCHOOL DISTRICT

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

	STARS	Medicaid	Title IIA	Arts	Cultural Education	HRA	HSA	Professional Development	Total
ASSETS									
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	590	2,000	14,532	-	-	17,122
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 590</u>	<u>\$ 2,000</u>	<u>\$ 14,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,122</u>
LIABILITIES									
Due to other funds	\$ 60	\$ -	\$ 61	\$ -	\$ -	\$ -	\$ 3,677	\$ -	\$ 3,798
TOTAL LIABILITIES	<u>60</u>	<u>-</u>	<u>61</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,677</u>	<u>-</u>	<u>3,798</u>
DEFERRED INFLOWS OF RESOURCES									
Deferred revenue	237	-	-	590	-	-	-	-	827
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>237</u>	<u>-</u>	<u>-</u>	<u>590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>827</u>
FUND BALANCES (DEFICITS)									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	2,000	14,532	-	-	16,532
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	(297)	-	(61)	-	-	-	(3,677)	-	(4,035)
TOTAL FUND BALANCES (DEFICITS)	<u>(297)</u>	<u>-</u>	<u>(61)</u>	<u>-</u>	<u>2,000</u>	<u>14,532</u>	<u>(3,677)</u>	<u>-</u>	<u>12,497</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 590</u>	<u>\$ 2,000</u>	<u>\$ 14,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,122</u>

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

FLETCHER SCHOOL DISTRICT

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

	STARS	Medicaid	Title IIA	Arts	Cultural Education	HRA	HSA	Professional Development	Total
REVENUES									
Intergovernmental revenues	\$ 1,668	\$ 224	\$ 982	\$ -	\$ -	\$ 14,705	\$ 3,414	\$ 300	\$ 21,293
TOTAL REVENUES	<u>1,668</u>	<u>224</u>	<u>982</u>	<u>-</u>	<u>-</u>	<u>14,705</u>	<u>3,414</u>	<u>300</u>	<u>21,293</u>
EXPENDITURES									
Other	1,668	224	1,043	-	-	173	7,091	300	10,499
TOTAL EXPENDITURES	<u>1,668</u>	<u>224</u>	<u>1,043</u>	<u>-</u>	<u>-</u>	<u>173</u>	<u>7,091</u>	<u>300</u>	<u>10,499</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	(61)	-	-	14,532	(3,677)	-	10,794
FUND BALANCES (DEFICITS) - JULY 1	<u>(297)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,703</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ (297)</u>	<u>\$ -</u>	<u>\$ (61)</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 14,532</u>	<u>\$ (3,677)</u>	<u>\$ -</u>	<u>\$ 12,497</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.

FLETCHER SCHOOL DISTRICT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Direct services	\$ 500	\$ 639,182	\$ 94,615	\$ -	\$ 734,297
Buildings and grounds	-	191,349	-	-	191,349
Administration	-	13,655	29,348	-	43,003
Food service	-	3,241	4,550	-	7,791
Total General Capital Assets	500	847,427	128,513	-	976,440
Less: Accumulated Depreciation	-	(498,970)	(106,467)	-	(605,437)
Net General Capital Assets	<u>\$ 500</u>	<u>\$ 348,457</u>	<u>\$ 22,046</u>	<u>\$ -</u>	<u>\$ 371,003</u>

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

FLETCHER SCHOOL DISTRICT

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

	General Capital Assets 6/30/18	Additions	Deletions	General Capital Assets 6/30/19
Direct services	\$ 646,765	\$ 87,532	\$ -	\$ 734,297
Buildings and grounds	191,349	-	-	191,349
Administration	43,003	-	-	43,003
Food service	7,791	-	-	7,791
Total General Capital Assets	888,908	87,532	-	976,440
Less: Accumulated Depreciation	(555,903)	(49,534)	-	(605,437)
Net General Capital Assets	<u>\$ 333,005</u>	<u>\$ 37,998</u>	<u>\$ -</u>	<u>\$ 371,003</u>

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



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
Fletcher School District
Fairfax, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Fletcher School District as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Fletcher School District's basic financial statements and have issued our report thereon dated February 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fletcher 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 Fletcher School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fletcher 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 Fletcher School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
February 27, 2020