

NORWICH SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

**NORWICH SCHOOL DISTRICT
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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Norwich School District
Norwich, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Norwich School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

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 aggregate remaining fund information of the Norwich School District, as of June 30, 2017, and the respective changes in financial position and, the respective budgetary comparison for the general fund 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 (pages 3-8), the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 33), the Schedule of the School District's Proportionate Share of Net Pension Liability (page 34), and the Schedule of

*Norwich School District
Independent Auditor's Report*

School District Contributions (page 35) 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 Norwich School District's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules are the responsibility of management and were derived from and relate 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 combining and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

January 24, 2018

*Plodzik & Sanderson
Professional Association*

NORWICH SCHOOL DISTRICT

Norwich, Vermont

Management's Discussion And Analysis (MD&A) of the Annual Financial Report For The Year Ended June 30, 2017

The Superintendent of Schools and Business Administrator of School Administrative Unit (SAU) #70, as management of the Norwich School District, Norwich, Vermont (the District), offer readers of the District's annual financial statements this narrative discussion and analysis of the financial activities of the District for the fiscal year which ended June 30, 2017. This discussion and analysis is prepared in accordance with the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34). We encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual audit.

FINANCIAL HIGHLIGHTS

The District's total net position for the year ending June 30, 2017, was \$3,724,712. The District's net position decreased by \$148,928, or 3.8% between July 1, 2016 and June 30, 2017. This decrease was due to a planned drawdown in one of its long-term reserve funds. The District's total net position included \$1,595,240 in capital assets net of depreciation. The District's long-term obligations of \$527,266 consisted of \$270,000 in long-term debt, \$83,021 in post employment benefits, \$22,302 in compensated absences and \$151,943 in net pension liability. These liabilities are reflected as a reduction in net position. The District authorized a \$450,000 building renovation project during the 2013-14 year, and is paying that off over ten years.

During the year, the District's expenses of \$12,411,357 were \$148,928 more than revenues of \$12,262,429. Revenues consist of: charges for services; operating grants and contributions; and general revenues (which consist of local and state property tax assessments, state and federal grants, and contributions not restricted as to purpose).

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's annual financial report, which consists of basic financial statements, notes, and related financial and compliance information. The District's annual financial report consists of four elements: (1) government-wide financial statements; (2) fund financial statements; (3) notes to the financial statements; and (4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the District based upon measurement focus and basis of accounting. The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Financial Statements

The Government-wide Financial Statements show functions of the District that are principally supported by property taxes and intergovernmental revenues as Governmental Activities. Intergovernmental revenues include local, state, and federal monies. The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

Fund Financial Statements

A fund is a self-balancing group of related accounts that is used to maintain control over resources that the district segregates for specific activities or objectives. Fund definitions are part of a uniform accounting system and chart of accounts mandated by the federal and state governments for all school districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A detailed statement of financial activity is reported annually to the State of Vermont through the "Annual Statistical Report" and other periodic reports.

All of the funds of the District are reported herein as governmental funds. The General Fund, including expendable trust funds, and Special Gifts Fund are reported as major funds. The Food Service Fund, Grants Fund, Medicaid Fund, and "Other" Fund are all reported as Governmental Funds, and are consolidated in the governmental funds statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. The largest portion of the District's net position is unrestricted. The District uses capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Summaries of the capital assets, depreciation and long-term debt obligations can be found in the Notes to Financial Statements. Depreciation is included by accounting convention, thus the depreciated value of a District asset, as reflected in these reports, does not reflect an asset's useful, market, or replacement value. Comparative Net Position for the periods ending June 30, 2016 and June 30, 2017 are shown below. On June 30, 2017, the district had no net position that was restricted. A portion of the net position is invested in capital assets. Unrestricted net position represents those assets that are available without constraint to finance day-to-day operations.

**Norwich School District, Norwich Vermont
Management Discussion and Analysis for Fiscal Year 2017**

**Norwich School District - Governmental Activities
Summary of Net Position - Two Year Comparison**

	<u>2017</u>	<u>2016</u>	<u>Change 2016-2017</u>	<u>% Change 2016-2017</u>
Assets				
Current Assets	\$ 2,526,273	\$ 2,533,208	\$ (6,935)	0%
Capital Assets	<u>1,865,240</u>	<u>2,014,593</u>	<u>(149,353)</u>	<u>-7.41%</u>
Total Assets	<u>4,391,513</u>	<u>4,547,801</u>	<u>(156,288)</u>	<u>-3.44%</u>
Deferred Outflows of Resources	<u>97,939</u>	<u>58,544</u>	<u>39,395</u>	<u>67.29%</u>
Liabilities				
Other Liabilities	213,467	212,861	606	0.28%
Long Term Liabilities	<u>527,266</u>	<u>505,201</u>	<u>22,065</u>	<u>4.37%</u>
Total Liabilities	<u>740,733</u>	<u>718,062</u>	<u>22,671</u>	<u>3.16%</u>
Deferred Inflows of Resources	<u>24,007</u>	<u>14,643</u>	<u>9,364</u>	<u>100.00%</u>
Net Investment in Capital Assets	1,595,240	1,699,593	(104,353)	-6.14%
Unrestricted Net Position	<u>2,129,472</u>	<u>2,174,047</u>	<u>(44,575)</u>	<u>-2.05%</u>
Total Net Position	<u>\$ 3,724,712</u>	<u>\$ 3,873,640</u>	<u>\$ (148,928)</u>	<u>-3.84%</u>

Change in Net Position

During 2016-17 the District's total revenues were 12,262,429; total expenses were \$12,411,357 resulting in a decrease of net position of \$148,928. The largest part of the District's revenues, \$11,182,989 came from the local property tax levy. Here, since it is nominally a state tax "returned" to the District, it is termed "Grants and Contributions not restricted". Other revenue sources include federal and various state categorical grant programs. The District's expenditures were largely for instruction and support services, 46.4%. An intergovernmental transfer of \$6,461,540 recognizes the cost of educating the District's 7th through 12th graders at the Dresden School District's Hanover High and Richmond Middle schools. Depreciation accounts for \$130,595 of total expenses.

Comparative Statement of Activities

The Comparative Statement of Changes in Activities provides an important record of overall expenditures and revenues for the fiscal year. The government-wide financial statements provide a summary of governmental activities. The largest share of revenue, \$11,182,989 (91.1% of all revenues), was from the property tax. This revenue statement includes all revenues from local, state, and federal sources. Program expenses decreased by \$529,147 (3.1%) from FY16 to FY17. Norwich's assessment to Dresden is based on a per-pupil cost pro-ration. The above amounts are all displayed in the table below.

Norwich School District, Norwich Vermont
Management Discussion and Analysis for Fiscal Year 2017

Norwich School District - Governmental Activities
Statement of Activities - Two Year Comparison

	June 30, <u>2017</u>	June 30, <u>2016</u>	<u>Change</u>	<u>Change in %</u>
Revenues				
Program Revenue				
Charges for Services	\$ 44,855	\$ 44,536	\$ 319	0.72%
Operating Grants & Contributions	984,579	1,303,121	(318,542)	-24.44%
General Revenue				
Unrestricted Grants and Contributions	11,182,989	11,269,829	(86,840)	-0.77%
Miscellaneous	50,006	83,689	(33,683)	-40.25%
Total Revenues	<u>\$ 12,262,429</u>	<u>\$ 12,701,175</u>	<u>\$ (438,746)</u>	<u>-3.45%</u>
Program Expenses				
Instruction	\$ 4,187,919	\$ 4,413,044	\$ (225,125)	-5.10%
Support Services:				
Student	191,225	182,195	9,030	4.96%
Instructional Staff	165,630	176,079	(10,449)	-5.93%
General Administration	30,829	31,772	(943)	-2.97%
Executive Administration	235,289	235,253	36	0.02%
School Administration	297,507	285,589	11,918	4.17%
Operation and Maintenance of Plant	338,011	356,284	(18,273)	-5.13%
Student Transportation	314,837	266,574	48,263	18.10%
Noninstructional Services	39,348	45,747	(6,399)	-13.99%
Interest on Long-Term Debt	4,166	3,550	616	17.35%
Facilities Acquisition and Construction	14,461	13,956	505	3.62%
Intergovernmental Transfers	6,461,540	6,790,934	(329,394)	-4.85%
Depreciation - unallocated	130,595	139,527	(8,932)	-6.40%
Total Expenses	<u>12,411,357</u>	<u>12,940,504</u>	<u>(529,147)</u>	<u>-4.09%</u>
Change in Net Position	(148,928)	(239,329)	90,401	-37.77%
Net Position, beginning, as restated	3,873,640	4,112,969	(239,329)	-5.82%
Net Position, ending	<u>\$ 3,724,712</u>	<u>\$ 3,873,640</u>	<u>\$ (148,928)</u>	<u>-3.84%</u>

FUND FINANCIAL STATEMENTS

General Fund

The Norwich School District governmental funds include the General Fund, the Special Gifts Fund, and the Other Governmental Funds. The School District uses separate fund accounting for each of its funds to ensure and demonstrate compliance with finance-related legal requirements. Information from the fund accounting system is essential in managing budgets as the financial year progresses and is useful in assessing financial resource needs for future operation of the school. The General Fund is what most people think of as "the budget" since it is the focal point of the Annual District Meeting and largely supported by locally raised taxes.

Schedules 1, 2, and 3 detail general fund activity for FY2017. Budgeted revenues totaled \$11,952,460; actual revenues equaled \$12,121,845. Significant revenue variances arose from Special Education Reimbursements: \$199,182 more than budgeted; Extraordinary Aid Reimbursement: \$52,171 less than budgeted; Tuition: \$13,788 more than budgeted and Investment Earnings: \$11,558 more than budgeted. At \$10,832,433, property taxes (here termed: "Homestead Tax Liability") comprise 89% of general fund revenues.

Norwich School District, Norwich Vermont
Management Discussion and Analysis for Fiscal Year 2017

Exclusive of the assessment to the Dresden School District (a separate legal entity which is responsible for education of Norwich students in grades 7-12), the cost of instruction makes up 69% of all general fund expenditures, while Support Services comprise 29% of local expenditures. The remaining 2% includes debt service and other outlays.

Other Funds

Activity for the “Food Service”, “Local Grants”, “Medicaid”, and Other” funds, is shown on Schedules 4 and 5. Ending fund balances for each of these funds were \$0, \$0, \$16,850 and \$880, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2017, the District reported capital assets of \$1,865,240 (net of accumulated depreciation), on a range of capital assets, including land and improvements, buildings and improvements, and machinery and equipment. The District annually invests in new furnishings, computers and peripherals, printed media, and musical/athletic equipment.

**Norwich School District Governmental Activities
Capital Assets - Two Year Comparison**

	Governmental Activities		Increase	% Increase
	2017	2016	(Decrease)	(Decrease)
Land	\$ 2,500	\$ 2,500	-	0.00%
Land Improvements	120,439	120,439	-	100.00%
Building & Building Improvements	4,378,457	4,378,457	-	0.00%
Equipment & Vehicles	268,618	268,618	-	0.00%
Total Historical Costs	4,770,014	4,770,014	-	0.00%
Total Accumulated Depreciation	(2,904,774)	(2,755,421)	(149,353)	5.42%
Net Capital Assets	\$ 1,865,240	\$ 2,014,593	\$ (149,353)	-7.41%

Long-Term Debt

The District has \$270,000 of long-term debt outstanding. The District’s liability for “Other Post Employment Benefits” (OPEB) at June 30, 2017 is reported at \$83,021. The district has an additional \$22,302 in compensated absences payable. The following table illustrates the changes and balances for all long-term liabilities.

**Norwich School District, Norwich Vermont
Management Discussion and Analysis for Fiscal Year 2017**

**Norwich School District Governmental Activities
Long Term Debt - Two Year Comparison**

	<u>Governmental Activities</u>		<u>Increase</u>	<u>% Increase</u>
	<u>2017</u>	<u>2016</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
General Obligation Bonds	\$ 270,000	\$ 315,000	\$ (45,000)	-14.29%
Compensated Absences	22,302	20,514	1,788	8.72%
Other Postemployment Benefits	83,021	73,921	9,100	12.31%
Net Pension Liability	151,943	95,766	56,177	58.66%
Total Long Term Debt	<u>\$ 527,266</u>	<u>\$ 505,201</u>	<u>\$ 22,065</u>	<u>4.37%</u>

FUTURE BUDGETARY IMPLICATIONS

Norwich residents have a long history of strong support for the education of their children and for providing sufficient resources for quality education. There is no indication of any change in this support. Nonetheless, funding for education is a matter of concern in view of a changing economy and state legislation. School policymakers constantly struggle with the challenges of operating the District's programs. With a state financing system that relies heavily on a statewide property tax, firm property values in Norwich combined with softening values elsewhere will put upward pressure on tax obligations, regardless of the level of local spending on schools. Further, since the system is based on per pupil, rather than total, costs, flat or declining enrollments will also put upward pressure on tax rates. Further budgetary challenges will undoubtedly include increases in special education requirements, health insurance, energy, electricity, heating fuel, and technology. The recent economic downturn will present still unknown consequences for future budgets. School administrators are constantly mindful of the financial impact of school budgets on taxpayers. The administration and school board are committed to continually looking for ways to contain cost increases and to keep budgets as low as possible, while at the same time not compromising services to students. Residents have shown patience in that they have not let taxation issues detract from their financial support of their schools.

Contacting School District's Financial Management

Questions regarding this report should be directed to Jay Badams, PhD, Superintendent of Schools or to Jamie Teague, Business Administrator, at (603)-643-6050 or by mail at:

Norwich School District
c/o School Administrative Unit #70
41 Lebanon Street, Suite 2
Hanover, New Hampshire 03755

BASIC FINANCIAL STATEMENTS

EXHIBIT A
NORWICH SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,251,826
Investments	23,145
Intergovernmental receivable	221,525
Other receivables	1,680
Prepaid items	28,097
Capital assets, not being depreciated	2,500
Capital assets, net of accumulated depreciation	1,862,740
Total assets	4,391,513
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	97,939
LIABILITIES	
Accounts payable	28,723
Accrued interest payable	239
Accrued salaries and benefits	184,331
Retainage payable	174
Noncurrent obligations:	
Due within one year	45,000
Due in more than one year	482,266
Total liabilities	740,733
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - Grants	16,614
Amounts related to pensions	7,393
Total deferred inflows of resources	24,007
NET POSITION	
Net investment in capital assets	1,595,240
Unrestricted	2,129,472
Total net position	\$ 3,724,712

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT B
NORWICH SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 4,187,919	\$ 25,590	\$ 865,444	\$ (3,296,885)
Support services:				
Student	191,225	-	-	(191,225)
Instructional staff	165,630	-	-	(165,630)
General administration	30,829	-	-	(30,829)
Executive administration	235,289	-	-	(235,289)
School administration	297,507	-	-	(297,507)
Operation and maintenance of plant	338,011	-	-	(338,011)
Student transportation	314,837	-	111,508	(203,329)
Noninstructional services	39,348	19,265	7,627	(12,456)
Interest on long-term debt	4,166	-	-	(4,166)
Facilities acquisition and construction	14,461	-	-	(14,461)
Intergovernmental transfers	6,461,540	-	-	(6,461,540)
Depreciation - unallocated	130,595	-	-	(130,595)
Total governmental activities	<u>\$ 12,411,357</u>	<u>\$ 44,855</u>	<u>\$ 984,579</u>	<u>(11,381,923)</u>
General revenues:				
Grants and contributions not restricted to specific programs				11,182,989
Miscellaneous				50,006
Total general revenues				<u>11,232,995</u>
Change in net position				(148,928)
Net position, beginning				3,873,640
Net position, ending				<u>\$ 3,724,712</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-1
NORWICH SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2017

	General	Special Gifts	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,162,551	\$ 75,028	\$ 14,247	\$ 2,251,826
Investments	23,145	-	-	23,145
Receivables, net of allowance for uncollectible:				
Accounts receivables	1,680	-	-	1,680
Intergovernmental receivables	198,674	-	22,851	221,525
Interfund receivables	250	-	-	250
Prepaid items	28,097	-	-	28,097
Total assets	<u>\$ 2,414,397</u>	<u>\$ 75,028</u>	<u>\$ 37,098</u>	<u>\$ 2,526,523</u>
LIABILITIES				
Accounts payable	\$ 4,553	\$ 21,840	\$ 2,330	\$ 28,723
Accrued salaries and benefits	184,331	-	-	184,331
Interfund payable	-	-	250	250
Other	-	-	174	174
Total liabilities	<u>188,884</u>	<u>21,840</u>	<u>2,754</u>	<u>213,478</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Grants	-	-	16,614	16,614
FUND BALANCES				
Nonspendable	28,097	-	-	28,097
Restricted	-	-	17,730	17,730
Committed	1,741,366	53,188	-	1,794,554
Assigned	5,869	-	-	5,869
Unassigned	450,181	-	-	450,181
Total fund balances	<u>2,225,513</u>	<u>53,188</u>	<u>17,730</u>	<u>2,296,431</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,414,397</u>	<u>\$ 75,028</u>	<u>\$ 37,098</u>	<u>\$ 2,526,523</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-2
NORWICH SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,296,431
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 4,770,014	
Less accumulated depreciation	<u>(2,904,774)</u>	1,865,240
Certain items are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 97,939	
Deferred inflows of resources related to pensions	<u>(7,393)</u>	90,546
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (250)	
Payables	<u>250</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(239)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Note	\$ 270,000	
Compensated absences	22,302	
Other postemployment benefits	83,021	
Net pension liability	<u>151,943</u>	<u>(527,266)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 3,724,712</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-3
NORWICH SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017

	General	Special Gifts	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local	\$ 75,596	\$ 40,025	\$ 21,700	\$ 137,321
State	11,837,615	-	388	11,838,003
Federal	-	-	287,105	287,105
Total revenues	<u>11,913,211</u>	<u>40,025</u>	<u>309,193</u>	<u>12,262,429</u>
EXPENDITURES				
Current:				
Instruction	3,839,835	37,031	274,893	4,151,759
Support services:				
Student	191,225	-	-	191,225
Instructional staff	165,630	-	-	165,630
General administration	29,153	-	-	29,153
Executive administration	235,289	-	-	235,289
School administration	292,729	-	-	292,729
Operation and maintenance of plant	333,930	-	-	333,930
Student transportation	314,837	-	-	314,837
Noninstructional services	1,493	-	37,855	39,348
Debt service:				
Principal	315,000	-	-	315,000
Interest	3,927	-	-	3,927
Facilities acquisition and construction	14,461	-	-	14,461
Total expenditures	<u>5,737,509</u>	<u>37,031</u>	<u>312,748</u>	<u>6,087,288</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,175,702</u>	<u>2,994</u>	<u>(3,555)</u>	<u>6,175,141</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	10,963	10,963
Transfers out	(10,963)	-	-	(10,963)
Note issued	270,000	-	-	270,000
Intergovernmental transfer out	(6,461,540)	-	-	(6,461,540)
Total other financing sources (uses)	<u>(6,202,503)</u>	<u>-</u>	<u>10,963</u>	<u>(6,191,540)</u>
Net change in fund balances	(26,801)	2,994	7,408	(16,399)
Fund balances, beginning	2,252,314	50,194	10,322	2,312,830
Fund balances, ending	<u>\$ 2,225,513</u>	<u>\$ 53,188</u>	<u>\$ 17,730</u>	<u>\$ 2,296,431</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-4
NORWICH SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ (16,399)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Depreciation expense		(149,353)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (10,963)	
Transfers out	10,963	
		-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Issuance of note	\$ (270,000)	
Principal repayment of note	315,000	
		45,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (239)	
Increase in compensated absences payable	(1,788)	
Increase in other postemployment benefits	(9,100)	
Change in net pension liability and deferred outflows and inflows of resources related to pensions	(17,049)	
		(28,176)
Change in net position of governmental activities (Exhibit B)		\$ (148,928)

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D
NORWICH SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Local	\$ 31,520	\$ 52,887	\$ 21,367
State	11,689,597	11,837,615	148,018
Total revenues	<u>11,721,117</u>	<u>11,890,502</u>	<u>169,385</u>
EXPENDITURES			
Current:			
Instruction	3,787,999	3,840,956	(52,957)
Support services:			
Student	177,551	191,425	(13,874)
Instructional staff	193,341	165,630	27,711
General administration	27,565	30,077	(2,512)
Executive administration	235,289	235,289	-
School administration	298,490	292,729	5,761
Operation and maintenance of plant	355,311	334,370	20,941
Student transportation	293,501	316,021	(22,520)
Debt service:			
Principal	45,000	45,000	-
Interest	4,000	3,927	73
Facilities acquisition and construction	27,300	16,461	10,839
Noninstructional	1,500	1,493	7
Total expenditures	<u>5,446,847</u>	<u>5,473,378</u>	<u>(26,531)</u>
Excess of revenues over expenditures	<u>6,274,270</u>	<u>6,417,124</u>	<u>142,854</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	231,343	231,343	-
Transfers out	(12,000)	(10,963)	1,037
Intergovernmental transfers out	(6,493,613)	(6,461,540)	32,073
Total other financing sources (uses)	<u>(6,274,270)</u>	<u>(6,241,160)</u>	<u>33,110</u>
Net change in fund balance	<u>\$ -</u>	175,964	<u>\$ 175,964</u>
Increase in nonspendable fund balance		(17,947)	
Unassigned fund balance, beginning		292,164	
Unassigned fund balance, ending		<u>\$ 450,181</u>	

The notes to the basic financial statements are an integral part of this statement.

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Norwich School District, in Norwich, Vermont (the School District), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2017 the School District implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a government should apply.

1-A Reporting Entity

The Norwich School District is a municipal corporation governed by an elected 5-member School Board. In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School District has no component units to include in its reporting entity.

1-B Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. Generally, the effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through assessments and intergovernmental revenues.

The *Statement of Net Position* presents the financial position of the School District at year-end. This statement includes all of the School District's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Assessments and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the governmental fund financial statements, expenditures are reported by character: current, debt service or facilities acquisition and construction. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds or notes. Capital outlay includes expenditures for equipment, real property, or infrastructure.

Other Financing Sources (Uses) – These additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds. Transfers are reported when incurred as “transfers in” by the receiving fund and as “transfers out” by the disbursing fund.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement Focus and Basis of Accounting - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement based grants, which use a period of one year. District assessments, intergovernmental revenue, and other local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Financial Statement Presentation - A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The School District reports the following major governmental funds:

General Fund – is the School District’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include district assessments, state and federal grants, and other local sources. The primary expenditures are for instruction, support services, debt service, and facilities acquisition and construction. Under GASB Statement No. 54 guidance the expendable trust funds are consolidated in the general fund.

Special Gifts Fund- accounts for various local grants, awards, donations, and other gifts given to the School District to support various student projects.

Nonmajor Funds – The School District also reports four nonmajor governmental funds. All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

1-D Cash and Cash Equivalents

The School District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and cash equivalents.”

1-E Investments

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the School District. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Fair Value Measurement of Investments – In accordance with GASB Statement No. 72 *Fair Value Measurement and Application*, except for investments measured using the net asset value (NAV) as a practical expedient to estimate fair value, the School District categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets and liabilities that the School District has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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JUNE 30, 2017

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. Holdings in U.S. government obligations and corporate bonds would be examples of Level 2 investments.

Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments. The School District held no Level 3 investments as of June 30, 2017.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level of the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the School District and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified as Level 1. Corporate fixed income securities and certain government securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair value for shares in registered mutual funds and exchange traded funds are based on published share prices and classified in Level 1.

Investments held by the School District consist of certificates of deposit with original maturity dates at the date of issuance over 90 days.

1-F Receivables

Receivables in the government-wide and governmental fund financial statements represent amounts due to the School District at June 30, recorded as revenue, which will be collected in the future and consist primarily of accounts and intergovernmental receivables.

1-G Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental fund financial statements and expensed as the items are used.

1-H Capital Assets

Capital assets are defined by the School District as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, sidewalks, drainage, and similar items) and are reported in governmental activities.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the School District as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide Statement of Net Position. When cost of general capital assets cannot be determined from available records, estimated historical cost is used.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Capital assets of the School District are depreciated or amortized using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20-40
Buildings and building improvements	20-40
Equipment and vehicles	5

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

1-I Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity 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” (i.e. the current portion of interfund loans. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-J Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-K Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

1-L Compensated Absences

The School District’s policy allows certain employees to earn varying amounts of vacation pay based on the employee’s length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

An expense and a liability for vacation pay and salary-related payments are accrued as the leave is earned in the government-wide financial statements. The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used.

1-M Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules are prepared by the Vermont State Teachers’ Retirement System, and are audited by the plan’s independent auditors.

1-N Net Position/Fund Balances

Government-wide statements – Equity is classified as net position and displayed in two components:

Net Investment in Capital Assets – This classification includes the School District’s capital assets, net of accumulated depreciation, reduced by the outstanding balances of notes that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted Net Position – This classification typically includes unrestricted liquid assets.

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extend of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (School District Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Business Administrator through the budgetary process.

Unassigned – This classification is the portion of fund balance that has not been restricted, committed, or assigned for a specific purpose.

When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

The School Board will attempt to maintain an unassigned general fund balance equal to three to five percent of the total general fund budget.

1-O Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District's operations. At its annual meeting, the School District adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

2-B Budgetary Reconciliation to GAAP Basis

The School District employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 12,121,845
Adjustments:	
Basis difference:	
Short-term note issuance	270,000
GASB Statement No. 54:	
Miscellaneous revenue of blended funds	22,709
Other State and local revenue of the blended funds	(231,343)
Per Exhibit C-3 (GAAP Basis)	<u>\$ 12,183,211</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 11,945,881
Adjustments:	
Basis difference:	
Encumbrances, ending	(5,869)
Repayment of short-term note	270,000
Per Exhibit C-3 (GAAP basis)	<u>\$ 12,210,012</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School District's deposits was \$2,251,826 and the bank balances totaled \$1,759,343. Petty cash totaled \$400.

NOTE 4 – INVESTMENTS

Note 1-E describes statutory requirements covering the investment of the School District funds. The School District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the School District's mission, the School District determines that the disclosures related to these investments only need to be disaggregated by major type. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The School District's investment balance of \$23,145 is entirely invested in certificates of deposit with five-year maturity dates.

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

NOTE 5 – RECEIVABLES

Receivables at June 30, 2017, consisted of accounts and intergovernmental amounts arising from tuition, grants, and the school lunch program. Receivables are recorded on the School District’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 consisted of the following:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Balance, ending</u>
At cost:			
Not being depreciated:			
Land	\$ 2,500	\$ -	\$ 2,500
Being depreciated:			
Land improvements	120,439	-	120,439
Buildings and building improvements	4,378,457	-	4,378,457
Equipment and vehicles	268,618	-	268,618
Total capital assets being depreciated	<u>4,767,514</u>	<u>-</u>	<u>4,767,514</u>
Total capital assets	<u>4,770,014</u>	<u>-</u>	<u>4,770,014</u>
Less accumulated depreciation:			
Land improvements	(84,017)	(2,415)	(86,432)
Buildings and building improvements	(2,456,797)	(127,800)	(2,584,597)
Equipment and vehicles	(214,607)	(19,138)	(233,745)
Total accumulated depreciation	<u>(2,755,421)</u>	<u>(149,353)</u>	<u>(2,904,774)</u>
Net book value, capital assets being depreciated	<u>2,012,093</u>	<u>(149,353)</u>	<u>1,862,740</u>
Net book value, all capital assets	<u>\$ 2,014,593</u>	<u>\$ (149,353)</u>	<u>\$ 1,865,240</u>

Depreciation expense was charged to functions of the School District based on their usage of the related assets. The amounts allocated to each function are as follows:

Instruction	\$ 18,758
Unallocated	<u>130,595</u>
Total depreciation expense	<u>\$ 149,353</u>

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2017 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor	<u>\$ 250</u>

The interfund transfer in the amount of \$10,963 was made from the general fund to the nonmajor food service fund to cover an operating deficit for the year.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$97,939 in the governmental activities at June 30, 2017 consists of amounts related to pensions, see Note 10 for further information on deferred amounts related to pensions.

Deferred inflows of resources at June 30, 2017 are as follows:

	Governmental Activities	Other Governmental Funds
Federal grant revenue collected in advance of eligible expenditures being made	\$ 16,614	\$ 16,614
Deferred amounts related to pensions (see Note 10)	7,393	-
Total deferred inflows of resources	\$ 24,007	\$ 16,614

NOTE 9 – LONG-TERM LIABILITIES

Changes in the School District’s long-term liabilities consisted of the following for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
General obligation note	\$ 315,000	270,000	\$(315,000)	\$ 270,000	\$ 45,000
Compensated absences	20,514	1,788	-	22,302	-
Net other postemployment benefits	73,921	9,100	-	83,021	-
Pension related liability	95,766	56,177	-	151,943	-
Total long-term liabilities	\$ 505,201	\$ 337,065	\$ (315,000)	\$ 527,266	\$ 45,000

Long-term note is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2017
General obligation note payable: HVAC project	\$ 270,000	2017	2023	2.15%	\$ 270,000

The annual requirements to amortize the general obligation note outstanding as of June 30, 2017, including interest payments, is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 45,000	\$ 3,430	\$ 48,430
2019	45,000	4,594	49,594
2020	45,000	3,626	48,626
2021	45,000	2,667	47,667
2022	45,000	1,691	46,691
2023	45,000	724	45,724
Totals	\$ 270,000	\$ 16,732	\$ 286,732

All debt is general obligation debt of the School District, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

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NOTE 10 – DEFINED BENEFIT PENSION PLAN

Plan Description

Vermont Municipal Employees’ Retirement System – The Vermont Municipal Employees’ Retirement System (VMERS) is a cost-sharing, multi-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. 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 an 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. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125. The general administration and responsibility for formulating administrative policy and procedures of VMERS 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 elected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Board Association. The System issues a publicly available financial report that may be obtained by writing the Vermont State Treasurer’s Office, 133 State Street, Montpelier, VT 05633.

Vermont State Teachers’ Retirement System – The Vermont State Teachers’ Retirement System (VSTRS) is a cost-sharing, multi-employer defined benefit plan with a special funding situation. It 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 in classes is a condition of employment. The plan was created in 1947, and is governed by Title 16, V.S.A. Chapter 55. Management of the plan is vested in the VSTRS 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).

Benefits Provided

Vermont Municipal Employees’ Retirement System – 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.
- Group B & C – general employees who legislative bodies have elected to become members of Group B or Group C.
- Group D – sworn police officers, firefighters and emergency medical personnel.

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, and are summarized below:

	Group A	Group B	Group C	Group D
Normal Retirement (no reduction)	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

(Continued)

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Vermont Municipal Employee's pension plan membership group benefits continued:

	Group A	Group B	Group C	Group D
Benefit Formula	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 service x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 62**	6% per year from age 65**	N/A	No reduction

Vermont State Teachers' Retirement System – The Pension Plan is divided into the following membership groups:

- Group A – for public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A.
- Groups C – for public school teachers employed within the State of Vermont on or after July 1, 1990, or hired before July 1, 1990 and were a member of Group B at that time.

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, and are summarized below:

VSTRS	Group A	Group C - Group #1*	Group C - Group #2++
Normal service retirement eligibility (no reduction)	Age 60 or with 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
VSTRS	Group A	Group C - Group #1*	Group C - Group #2++
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

(Continued)

NORWICH SCHOOL DISTRICT
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Vermont State Teacher's pension plan membership group benefits continued:

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 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 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
Disability Benefit	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently

*Group #1 are members who were within 5 years of normal retirement (age 62 or 30 years of service) on June 30, 2010.

++ Group #2 are members who were less than 57 years of age or had less than 25 years of service on June 30, 2010.

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

Contributions: Contribution requirements for the Vermont Teachers' Retirement System were 5.0% of gross salary from employees only (no employer contribution; state contributes 100% of employer portion based on actuarial recommendation) with the State contributing \$502,013 which has been recognized as both a pension expense and intergovernmental revenue on the Statement of Activities. Contribution requirements for the Vermont Municipal Employees' Retirement System – Group A were 2.5% of gross salaries for employees and 4.0% from the School District (no state contribution). Employer contributions for the plan were \$21,149 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions: The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions

NORWICH SCHOOL DISTRICT
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of all participating towns and school districts, actuarially determined. At June 30, 2016, the School District's proportion was 0.1181% which was a decrease of 0.0061% in its proportion measured as of June 30, 2015.

At June 30, 2017, the School District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the School District. The amount recognized by the School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the School District were as follows:

School District's proportionate share of the net pension liability	\$ 151,943
State's proportionate share of the net pension liability associated with the School District	4,878,768
Total position of the net pension liability	<u>\$ 5,030,711</u>

For the year ended June 30, 2017, the School District recognized pension expense of \$540,211. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 24,402	\$ -
Differences between expected and actual experience	3,121	-
Net difference between projected and actual investment earnings on pension plan investments	49,267	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	7,393
Contributions subsequent to the measurement date	21,149	-
Total	<u>\$ 97,939</u>	<u>\$ 7,393</u>

The \$21,149 reported as deferred outflows of resources related to pensions results from the 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2017	\$ 17,529
2018	17,529
2019	25,839
2020	8,500
Thereafter	-
Totals	<u>\$ 69,397</u>

Actuarial Assumptions: The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015 with update procedures used to roll forward the total pension liability to June 30, 2016.

Long-term Rates of Return: The long-term expected rate of return on System investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimates ranges were combined to produce forecasts of the short, intermediate, and longer-term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage.

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The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

Asset Class	Target Allocation		Long-term expected real rate of return
	VMERS	VSTRS	
Equity	35.00%	35.00%	8.54%
Fixed Income	32.00%	32.00%	2.36%
Alternatives	16.00%	16.00%	8.35%
Multi-strategy	17.00%	17.00%	4.90%
Total	100.00%	100.00%	

Discount Rate: The discount rate used to measure the total pension liability was 7.95% for the Vermont Municipal Employees' Retirement System and 7.95% for the Vermont State Teachers' Retirement System. 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. 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 Statement No. 68.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.95% 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 (6.95%) or 1-percentage point higher (8.95%) than the current rate:

Retirement Plan	1% Decrease 6.95%	Current Single Rate Assumption		1% Increase 8.95%
		7.95%		
VMERS	\$ 252,241	\$ 151,943		\$ 67,964
VSTRS	\$ 6,104,956	\$ 4,878,768		\$ 3,849,676

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Vermont Municipal Employees' Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Annual OPEB Cost - The School District provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provision of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the School District's contractual agreements.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The School District has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2017:

Annual required contribution/OPEB cost	\$ 15,135
Interest on net OPEB obligation	2,508
Adjustment to annual required contribution	<u>(2,224)</u>
Annual OPEB cost (expense)	15,419
Contributions made	<u>(6,319)</u>
Increase in net OPEB obligation	9,100
Net OPEB obligation - beginning of year	<u>73,921</u>
Net OPEB obligation - end of year	<u><u>\$ 83,021</u></u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual Required Contribution	Expected Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2017	\$ 15,419	\$ 6,319	40.98%	\$ 83,021
June 30, 2016	\$ 15,482	\$ 3,361	21.71%	\$ 73,921
June 30, 2015	\$ 14,435	\$ 3,061	21.21%	\$ 61,800

As of July 1, 2016, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$128,965, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$128,965. The covered payroll (annual payroll of active employees covered by the plan) was \$2,711,165 during fiscal year 2017, and the ratio of the UAAL to the covered payroll was 4.77%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the projected unit credit with linear proration to decrement cost method was used. The actuarial assumptions included a 4.5% investment rate of return per annum. The projected annual healthcare cost trend is 7.5% initially, reduced by decrements to an ultimate rate of 5.0% for years 2026 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2017 was 29 years.

NORWICH SCHOOL DISTRICT
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NOTE 12 – ENCUMBRANCES

Encumbrances outstanding in the general fund at June 30, 2017 are as follows:

Current:	
Instruction:	
Regular programs	\$ 1,000
Special programs	121
Total instruction	<u>1,121</u>
Support services:	
Student	200
General administration	924
Operation and maintenance of plant	440
Student transportation	1,184
Total support services	<u>2,748</u>
Facilities acquisition and construction	<u>2,000</u>
Total encumbrances	<u><u>\$ 5,869</u></u>

NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2017 include the following:

Net investment in capital assets:	
Net book value of all capital assets	\$ 1,865,240
Less:	
General obligation note payable	<u>(270,000)</u>
Total net investment in capital assets	1,595,240
Unrestricted	<u>2,129,472</u>
Total net position	<u><u>\$ 3,724,712</u></u>

None of the net position is restricted by enabling legislation.

NOTE 14 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2017 consist of the following:

	General Fund	Special Gifts	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid	\$ 28,097	\$ -	\$ -	\$ 28,097
Restricted:				
Medicaid	-	-	16,850	16,850
Other	-	-	880	880
Total restricted fund balance	<u>-</u>	<u>-</u>	<u>17,730</u>	<u>17,730</u>
Committed:				
Expendable trust	1,741,366	-	-	1,741,366
Other gifts	-	53,188	-	53,188
Total committed fund balance	<u>1,741,366</u>	<u>53,188</u>	<u>-</u>	<u>1,794,554</u>
Assigned:				
Encumbrances	5,869	-	-	5,869
Unassigned	450,181	-	-	450,181
Total governmental fund balances	<u><u>\$ 2,225,513</u></u>	<u><u>\$ 53,188</u></u>	<u><u>\$ 17,730</u></u>	<u><u>\$ 2,296,431</u></u>

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 – CONTINGENT LIABILITIES

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the School District believes such disallowances, if any, will be immaterial.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through January 24, 2018, the date the June 30, 2017 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT E
NORWICH SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended June 30, 2017

Fiscal Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
June 30, 2017	July 1, 2016	\$ -	\$ 128,965	\$ 128,965	0.00%	\$ 2,711,165	4.76%
June 30, 2016	July 1, 2015	\$ -	\$ 131,022	\$ 131,022	0.00%	\$ 2,680,363	4.89%
June 30, 2015	July 1, 2014	\$ -	\$ 119,384	\$ 119,384	0.00%	\$ 2,589,723	4.61%
June 30, 2014	July 1, 2013	\$ -	\$ 228,893	\$ 228,893	0.00%	\$ 2,708,853	8.45%
June 30, 2013	July 1, 2012	\$ -	\$ 222,690	\$ 222,690	0.00%	\$ 2,617,249	8.50%
June 30, 2012	July 1, 2011	\$ -	\$ 186,866	\$ 186,866	0.00%	\$ 2,652,732	7.00%
June 30, 2011	July 1, 2010	\$ -	\$ 173,274	\$ 173,274	0.00%	\$ 2,563,025	6.80%
June 30, 2010	July 1, 2009	\$ -	\$ 193,647	\$ 193,647	0.00%	\$ 194,578	99.50%

The notes to the required supplementary information is an integral part of this schedule.

EXHIBIT F
NORWICH SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of Net Pension Liability
Vermont State Teachers' Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2017

Fiscal Year End	Valuation Date	District's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	District Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	July 1, 2016	0.1181%	\$ 151,943	\$ 448,600	33.87%	80.95%
June 30, 2016	July 1, 2015	0.1242%	\$ 95,766	\$ 434,100	22.06%	87.42%
June 30, 2015	July 1, 2014	0.1481%	\$ 13,514	\$ 477,514	2.83%	98.32%
June 30, 2014	July 1, 2013	0.1481%	\$ 53,933	\$ 444,545	12.13%	92.71%

The notes to the required supplementary information is an integral part of this schedule.

EXHIBIT G
NORWICH SCHOOL DISTRICT
Schedule of School District Contributions
Vermont State Teachers' Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2017

Fiscal Year End	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2017	July 1, 2016	\$ 17,944	\$ 17,944	\$ -	\$ 448,600	4.00%
June 30, 2016	July 1, 2015	\$ 17,364	\$ 17,364	\$ -	\$ 434,100	4.00%
June 30, 2015	July 1, 2014	\$ 19,101	\$ 19,101	\$ -	\$ 477,514	4.00%
June 30, 2014	July 1, 2013	\$ 17,782	\$ 17,782	\$ -	\$ 444,545	4.00%

The notes to the required supplementary information is an integral part of this schedule.

NORWICH SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
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Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, as amended in December 2009 by GASB Statement No. 57, Exhibit E represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2017, and the seven preceding years.

Actuarial Methods and Assumptions

Measurement Date	June 30, 2017 with results that were actuarially rolled back to July 1, 2016
Discount Rate	4.5
Payroll Growth	3.5% per year
Cost Method	Projected Unit Credit with linear proration to decrement
Employer Funding Policy	Pay-as-you-go cash basis
Amortization	Level % of pay over thirty years based on an open group
Census Data	Census data was provided by the District in October 2017. We have reviewed it for reasonableness and no material modifications were made to the census data.
Health Care Trend Rates	Annual health care trend rates by plan are as shown below:

<u>FYE</u>	<u>Health</u>	<u>VEHI</u>
2018	8.00%	8.00%
2019	7.50%	7.00%
2020	7.00%	6.00%
2021	6.75%	5.00%
2022	6.50%	5.00%
2023	6.25%	5.00%
2024	6.00%	5.00%
2025	5.75%	5.00%
2026	5.50%	5.00%
2027	5.25%	5.00%
2028+	5.00%	5.00%

NORWICH SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

Schedule of the School District's Proportionate Share of Net Pension Liability & Schedule of School District Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the School District's pension plan at June 30, 2017, and the three preceding years.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2016:

Vermont Municipal Employees' Retirement System:

Actuarial cost method	Entry age normal - level percentage of pay.
Asset valuation method	A smoothing method is used, under which the value of assets for actuarial purposes equal market value less a five-year phase-in of the differences between actual and assumed investment return.
Investment rate of return	7.95%
Salary Increases	5% per year
Deaths	Groups A, B, and C RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 60% Blue collar adjustment. Group D RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 100% Blue collar adjustment.
Inflation	The separately stated assumptions for investment return, salary increases, and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% per year.

Vermont State Teachers' Retirement System:

Actuarial cost method	Entry age normal - level percentage of pay.
Asset valuation method	A smoothing method is used, under which the value of assets for actuarial purposes equal market value less a five-year phase-in of the differences between actual and assumed investment return.
Salary Increases	Representative values of the assumed annual rates of future salary increase are as follows:

Age	Annual rate of salary increase
25	8.15%
30	6.84
35	5.97
40	5.29
45	4.80
50	4.46
55	4.22
60	4.12
65	4.12

Inflation	The separately stated assumptions for investment return, salary increases, and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.
Cost of Living Adjustments	Assumed to occur on January 1 following one year of retirement at the rate of 3% per annum for Group A members and 10.5% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement).

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
NORWICH SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Estimated	Actual	Variance Positive (Negative)
Other local sources:			
Tuition	\$ 11,800	\$ 25,588	\$ 13,788
Investment earnings	800	12,358	11,558
Rentals	14,570	14,610	40
Miscellaneous	4,350	331	(4,019)
Total from other local sources	<u>31,520</u>	<u>52,887</u>	<u>21,367</u>
State sources:			
Educational spending fund (Homestead tax)	10,832,433	10,832,433	-
Transportation	114,071	111,508	(2,563)
Block grant	261,124	261,124	-
Vocational aid	25,449	25,449	-
Special education reimbursement	356,483	555,665	199,182
Essential early education	47,866	47,866	-
Extraordinary reimbursement	52,171	-	(52,171)
Other (special education)	-	3,570	3,570
Total from state sources	<u>11,689,597</u>	<u>11,837,615</u>	<u>148,018</u>
Other financing sources:			
Transfers in	<u>231,343</u>	<u>231,343</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 11,952,460</u>	<u>\$ 12,121,845</u>	<u>\$ 169,385</u>

SCHEDULE 2
NORWICH SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Current:				
Instruction:				
Regular programs	\$ 2,725,256	\$ 2,738,213	\$ 1,000	\$(13,957)
Special programs	1,062,743	1,101,622	121	(39,000)
Total instruction	<u>3,787,999</u>	<u>3,839,835</u>	<u>1,121</u>	<u>(52,957)</u>
Support services:				
Student	177,551	191,225	200	(13,874)
Instructional staff	193,341	165,630	-	27,711
General administration	27,565	29,153	924	(2,512)
Executive administration	235,289	235,289	-	-
School administration	298,490	292,729	-	5,761
Operation and maintenance of plant	355,311	333,930	440	20,941
Student transportation	293,501	314,837	1,184	(22,520)
Total support services	<u>1,581,048</u>	<u>1,562,793</u>	<u>2,748</u>	<u>15,507</u>
Debt service:				
Principal of long-term debt	45,000	45,000	-	-
Interest on long-term debt	4,000	3,927	-	73
Total debt service	<u>49,000</u>	<u>48,927</u>	<u>-</u>	<u>73</u>
Facilities acquisition and construction	<u>27,300</u>	<u>14,461</u>	<u>2,000</u>	<u>10,839</u>
Noninstructional	<u>1,500</u>	<u>1,493</u>	<u>-</u>	<u>7</u>
Other financing uses:				
Transfers out	12,000	10,963	-	1,037
Intergovernmental transfers out	6,493,613	6,461,540	-	32,073
Total other financing uses	<u>6,505,613</u>	<u>6,472,503</u>	<u>-</u>	<u>33,110</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 11,952,460</u>	<u>\$ 11,940,012</u>	<u>\$ 5,869</u>	<u>\$ 6,579</u>

SCHEDULE 3
NORWICH SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

Unassigned fund balance, beginning		\$ 292,164
2016-2017 Budget summary:		
Revenue surplus (Schedule 1)	\$ 169,385	
Unexpended balance of appropriations (Schedule 2)	6,579	
2016-2017 Budget surplus		175,964
Increase in nonspendable fund balance		(17,947)
Unassigned fund balance, ending		\$ 450,181

SCHEDULE 4
NORWICH SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds				Total
	Food Service	Grants	Medicaid	Other	
ASSETS					
Cash and cash equivalents	\$ -	\$ 7,614	\$ 5,753	\$ 880	\$ 14,247
Intergovernmental receivable	424	9,388	13,039	-	22,851
Total assets	<u>\$ 424</u>	<u>\$ 17,002</u>	<u>\$ 18,792</u>	<u>\$ 880</u>	<u>\$ 37,098</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 388	\$ 1,942	\$ -	\$ 2,330
Interfund payable	250	-	-	-	250
Other	174	-	-	-	174
Total liabilities	<u>424</u>	<u>388</u>	<u>1,942</u>	<u>-</u>	<u>2,754</u>
Deferred inflows of resources:					
Unavailable revenue - Grants	<u>-</u>	<u>16,614</u>	<u>-</u>	<u>-</u>	<u>16,614</u>
Fund balances:					
Restricted	<u>-</u>	<u>-</u>	<u>16,850</u>	<u>880</u>	<u>17,730</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 424</u>	<u>\$ 17,002</u>	<u>\$ 18,792</u>	<u>\$ 880</u>	<u>\$ 37,098</u>

SCHEDULE 5
NORWICH SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds				Total
	Food Service	Grants	Medicaid	Other	
Revenues					
Local	\$ 19,265	\$ 2,435	\$ -	\$ -	\$ 21,700
State	-	388	-	-	388
Federal	7,627	230,071	49,407	-	287,105
Total revenues	<u>26,892</u>	<u>232,894</u>	<u>49,407</u>	<u>-</u>	<u>309,193</u>
Expenditures:					
Current:					
Instruction	-	232,894	41,999	-	274,893
Noninstructional services	37,855	-	-	-	37,855
Total expenditures	<u>37,855</u>	<u>232,894</u>	<u>41,999</u>	<u>-</u>	<u>312,748</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,963)</u>	<u>-</u>	<u>7,408</u>	<u>-</u>	<u>(3,555)</u>
Other financing sources:					
Transfers in	<u>10,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,963</u>
Net change in fund balances	-	-	7,408	-	7,408
Fund balances, beginning	-	-	9,442	880	10,322
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,850</u>	<u>\$ 880</u>	<u>\$ 17,730</u>