

NORWICH SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

**NORWICH SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

TABLE OF CONTENTS

		<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT		1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS		3 - 8
 BASIC FINANCIAL STATEMENTS 		
Government-wide Financial Statements		
A	Statement of Net Position	9
B	Statement of Activities.....	10
Fund Financial Statements		
<i>Governmental Funds</i>		
C-1	Balance Sheet.....	11
C-2	Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	12
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	13
C-4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	14
<i>Budgetary Comparison Information</i>		
D	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	15
NOTES TO THE BASIC FINANCIAL STATEMENTS		16 - 38
 REQUIRED SUPPLEMENTARY INFORMATION 		
E	Schedule of the School District's Proportionate Share of Net Pension Liability	39
F	Schedule of School District Contributions - Pensions	40
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY		41
G	Schedule of the School District's Proportionate Share of Net Other Postemployment Liability - (VSTRS)	42
H	Schedule of School District Contributions – Other Postemployment Benefits – (VSTRS).....	43
I	Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios ..	44
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS LIABILITY		45
 COMBINING AND INDIVIDUAL FUND SCHEDULES 		
Governmental Funds		
<i>Major General Fund</i>		
1	Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	46
2	Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	47
3	Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)	48
<i>Nonmajor Governmental Funds</i>		
4	Combining Balance Sheet.....	49
5	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	50



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX- 603-224-1380

INDEPENDENT AUDITOR'S REPORT

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

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, 2018, 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, 2018, 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.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2018 the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

**Norwich School District
Independent Auditor's Report**

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis,
- Schedule of the School District's Proportionate Share of Net Pension Liability,
- Schedule of School District Contributions – Pensions
- Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of the School District Contributions – Other Postemployment Benefits,
- Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

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.

*Plodzik & Sanderson
Professional Association*

February 27, 2019

NORWICH SCHOOL DISTRICT
Norwich, Vermont
Management's Discussion And Analysis (MD&A)
of the
Annual Financial Report For The Year Ended June 30, 2018

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, 2018. 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 School District implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$45,196 for the District's local OPEB plan to retroactively report the increase in the net OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.

The District's total net position for the year ending June 30, 2018, was \$3,305,602. The District's net position decreased by \$373,914, or 10.1% between July 1, 2017 and June 30, 2018. This decrease was due to a planned drawdown in one of its long-term reserve funds and a considerable increase in accumulated appreciation. The District's total net position included \$1,520,285 in capital assets net of depreciation. The District's long-term obligations of \$520,490 consisted of \$225,000 in long-term debt, \$121,979 in post employment benefits, \$15,866 in compensated absences and \$157,645 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 consolidated expenses of \$13,638,432 were \$373,914 more than revenues of \$13,264,518. 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, including this discussion and analysis. 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.

Norwich School District, Norwich, Vermont
Management Discussion and Analysis for Fiscal Year 2018

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, as well as the special revenue funds: Food Service Fund, Grants Fund, Medicaid Fund, "Other" fund, and the Special Gifts 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, 2017 and June 30, 2018 are shown below. On June 30, 2018, 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 2018

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

	<u>2018</u>	<u>2017</u> <u>(As restated)</u>	<u>Change</u> <u>2017-2018</u>	<u>%</u> <u>Change</u> <u>2017-</u> <u>2018</u>
Assets				
Current Assets	\$2,242,819	\$2,526,273	\$(283,454)	-11%
Capital Assets	1,745,285	1,865,240	(119,955)	-6.43%
Total Assets	<u>3,988,104</u>	<u>4,391,513</u>	<u>(403,409)</u>	<u>-9.19%</u>
Deferred Outflows of Resources	91,827	97,939	(6,112)	-6.24%
Liabilities				
Other Liabilities	212,661	213,467	(806)	-0.38%
Long Term Liabilities	520,490	482,070	38,420	7.97%
Total Liabilities	<u>733,151</u>	<u>695,537</u>	<u>37,614</u>	<u>5.41%</u>
Deferred Inflows of Resources	41,178	24,007	17,171	100.00%
Net Investment in Capital Assets	1,520,285	1,595,240	(74,955)	-4.70%
Unrestricted Net Position	1,785,317	2,084,276	(298,959)	-14.34%
Total Net Position	<u>\$3,305,602</u>	<u>\$3,679,516</u>	<u>\$(373,914)</u>	<u>-10.16%</u>

Change in Net Position

During 2017-18 the District's total revenues were \$13,264,518; total expenses were \$13,638,432 resulting in a decrease of net position of \$373,914. The largest part of the District's revenues, \$11,275,305 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 \$4,993,112 and support services \$1,612,281, or 48.4%. An intergovernmental transfer of \$6,847,499 (50.20%) 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 \$130,160 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, \$11,275,305 (91.1% of all revenues), was from the property tax. This revenue statement includes all revenues from local, state, and federal sources. Program expenses increased by \$1,227,075 or 9.89% from FY17 to FY18. Norwich's assessment to Dresden is based on a per-pupil cost pro-ration.

Norwich School District, Norwich, Vermont
Management Discussion and Analysis for Fiscal Year 2018

The above amounts are all displayed in the table below.

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

	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>	<u>Change</u>	<u>Change in</u> <u>%</u>
Revenues				
Program Revenue				
Charges for Services	\$ 16,720	\$ 44,855	\$ (28,135)	-62.72%
Operating Grants & Contributions	1,920,574	984,579	935,995	95.07%
General Revenue				
Unrestricted Grants and Contributions	11,275,305	11,182,989	92,316	0.83%
Miscellaneous	51,919	50,006	1,913	3.83%
Total Revenues	\$ 13,264,518	\$ 12,262,429	\$ 1,002,089	8.17%
Program Expenses				
Instruction	\$ 4,993,112	\$ 4,187,919	\$ 805,193	19.23%
Support Services:				
Student	193,526	191,225	2,301	1.20%
Instructional Staff	166,941	165,630	1,311	0.79%
General Administration	49,162	30,829	18,333	59.47%
Executive Administration	229,504	235,289	(5,785)	-2.46%
School Administration	365,372	297,507	67,865	22.81%
Operation and Maintenance of Plant	325,826	338,011	(12,185)	-3.60%
Student Transportation	281,950	314,837	(32,887)	-10.45%
Noninstructional Services	42,455	39,348	3,107	7.90%
Interest on Long-Term Debt	5,321	4,166	1,155	27.72%
Facilities Acquisition and Construction	7,604	14,461	(6,857)	-47.42%
Intergovernmental Transfers	6,847,499	6,461,540	385,959	5.97%
Depreciation - unallocated	130,160	130,595	(435)	-0.33%
Total Expenses	\$ 13,638,432	\$ 12,411,357	1,227,075	9.89%
Change in Net Position	(373,914)	(148,928)	(224,986)	151.07%
Less: Effect of accounting principle change for GASB Statement No. 75	-	(45,196)		
Net Position, beginning, as restated	3,679,516	3,873,640	(194,124)	-5.01%
Net Position, ending	\$ 3,305,602	\$ 3,679,516	\$ (373,914)	-10.16%

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 FY2018. Budgeted revenues totaled \$12,420,793 including the use of \$292,164 from fund balance; actual revenues equaled \$12,323,536. Significant revenue variances arose from Special Education Reimbursements: \$210,649 more than budgeted; Extraordinary Aid Reimbursement: \$20,721 less than budgeted; Essential Early Education:

Norwich School District, Norwich, Vermont
Management Discussion and Analysis for Fiscal Year 2018

\$9,206 more than budgeted; State Placed Student reimbursement: \$12,207 more than budgeted; Tuition: \$11,001 less than budgeted and Investment Earnings: \$29,626 more than budgeted. At \$10,926,700, property taxes (here termed: "Homestead Tax Liability") comprise 88% of general fund revenues.

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 69.5% of all general fund expenditures, while Support Services comprise 29% of local expenditures. The remaining 1.5% includes debt service and other outlays.

Other Funds

Activity for the "Food Service", "Grants", "Medicaid", and "Other" funds, is shown on Schedules 4 and 5. Ending fund balances for each of these funds were \$0, \$0, \$35,117 and \$880, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2018, the District reported capital assets of \$1,745,285 (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

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
	<u>2018</u>	<u>2017</u>		
Land	\$2,500	\$2,500	\$-	0.00%
Land Improvements	120,439	120,439	-	0.00%
Building & Building Improvements	4,378,457	4,378,457	-	0.00%
Equipment & Vehicles	297,576	268,618	28,958	10.78%
Total Historical Costs	4,798,972	4,770,014	28,958	0.61%
Total Accumulated Depreciation	(3,053,687)	(2,904,774)	(148,913)	5.13%
Net Capital Assets	\$1,745,285	\$1,865,240	\$(119,955)	-6.43%

Long-Term Debt

The District has \$225,000 of long-term debt outstanding. The District's liability for "Other Post Employment Benefits" (OPEB) at June 30, 2018 is reported at \$121,979. The district has an additional \$15,866 in compensated absences payable, and \$157,645 in a pension related liability.

Norwich School District, Norwich, Vermont
Management Discussion and Analysis for Fiscal Year 2018

The following table illustrates the changes and balances for all long-term liabilities.

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

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
	<u>2018</u>	<u>2017 (As restated)</u>		
General Obligation Bonds	\$ 225,000	\$ 270,000	\$ (45,000)	-16.67%
Compensated Absences	15,866	22,302	(6,436)	-28.86%
Other Postemployment Benefits	121,979	128,217	(6,238)	-4.87%
Net Pension Liability	157,645	151,943	5,702	3.75%
Total Long Term Debt	\$ 520,490	\$ 572,462	\$ (51,972)	-9.08%

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. 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

EXHIBIT A
NORWICH SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,995,191
Investments	23,435
Intergovernmental receivable	222,394
Prepaid items	1,799
Capital assets, not being depreciated	2,500
Capital assets, net of accumulated depreciation	1,742,785
Total assets	3,988,104
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	91,827
LIABILITIES	
Accounts payable	34,683
Accrued salaries and benefits	175,812
Accrued interest payable	2,166
Noncurrent obligations:	
Due within one year	45,000
Due in more than one year	475,490
Total liabilities	733,151
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - Grants	20,375
Amounts related to pensions	8,830
Amounts related to other postemployment benefits	11,973
Total deferred inflows of resources	41,178
NET POSITION	
Net investment in capital assets	1,520,285
Unrestricted	1,785,317
Total net position	\$ 3,305,602

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, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 4,993,112	\$ -	\$ 1,801,870	\$(3,191,242)
Support services:				
Student	193,526	-	-	(193,526)
Instructional staff	166,941	-	-	(166,941)
General administration	49,162	-	-	(49,162)
Executive administration	229,504	-	-	(229,504)
School administration	365,372	-	-	(365,372)
Operation and maintenance of plant	325,826	-	-	(325,826)
Student transportation	281,950	-	111,483	(170,467)
Noninstructional services	42,455	16,720	7,221	(18,514)
Interest on long-term debt	5,321	-	-	(5,321)
Facilities acquisition and construction	7,604	-	-	(7,604)
Intergovernmental transfers	6,847,499	-	-	(6,847,499)
Depreciation unallocated	130,160	-	-	(130,160)
Total governmental activities	<u>\$ 13,638,432</u>	<u>\$ 16,720</u>	<u>\$ 1,920,574</u>	<u>(11,701,138)</u>
General revenues:				
Grants and contributions not restricted to specific programs				11,275,305
Miscellaneous				51,919
Total general revenues				<u>11,327,224</u>
Change in net position				(373,914)
Net position, beginning as restated (see Note 15)				<u>3,679,516</u>
Net position, ending				<u>\$ 3,305,602</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, 2018

	General	Special Gifts	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,871,751	\$ 82,530	\$ 40,910	\$ 1,995,191
Investments	23,435	-	-	23,435
Intergovernmental receivables	206,186	-	16,208	222,394
Prepaid items	1,799	-	-	1,799
Total assets	<u>\$ 2,103,171</u>	<u>\$ 82,530</u>	<u>\$ 57,118</u>	<u>\$ 2,242,819</u>
LIABILITIES				
Accounts payable	\$ 9,774	\$ 24,343	\$ 566	\$ 34,683
Accrued salaries and benefits	175,632	-	180	175,812
Total liabilities	<u>185,406</u>	<u>24,343</u>	<u>746</u>	<u>210,495</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Grants	-	-	20,375	20,375
FUND BALANCES				
Nonspendable	1,799	-	-	1,799
Restricted	-	-	35,997	35,997
Committed	1,511,202	58,187	-	1,569,389
Assigned	7,281	-	-	7,281
Unassigned	397,483	-	-	397,483
Total fund balances	<u>1,917,765</u>	<u>58,187</u>	<u>35,997</u>	<u>2,011,949</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,103,171</u>	<u>\$ 82,530</u>	<u>\$ 57,118</u>	<u>\$ 2,242,819</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 - Governmental Funds to the Statement of Net Position
June 30, 2018

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,011,949
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 4,798,972	
Less accumulated depreciation	<u>(3,053,687)</u>	1,745,285
Pension and other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 91,827	
Deferred inflows of resources related to pensions	(8,830)	
Deferred inflows of resources related to OPEB	<u>(11,973)</u>	71,024
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(2,166)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Note	\$ 225,000	
Compensated absences	15,866	
Other postemployment benefits	121,979	
Net pension liability	<u>157,645</u>	<u>(520,490)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 3,305,602</u></u>

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

EXHIBIT C-3
NORWICH SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018

	General	Special Gifts	Other Governmental Funds	Total Governmental Funds
REVENUES				
Other local	\$ 51,919	\$ 36,560	\$ 16,720	\$ 105,199
State	12,041,453	-	789	12,042,242
Federal	-	-	264,427	264,427
Total revenues	<u>12,093,372</u>	<u>36,560</u>	<u>281,936</u>	<u>12,411,868</u>
EXPENDITURES				
Current:				
Instruction	3,863,710	31,561	239,728	4,134,999
Support services:				
Student	193,526	-	-	193,526
Instructional staff	166,941	-	-	166,941
General administration	49,162	-	-	49,162
Executive administration	229,504	-	-	229,504
School administration	373,231	-	-	373,231
Operation and maintenance of plant	321,085	-	-	321,085
Student transportation	281,950	-	-	281,950
Noninstructional services	-	-	42,455	42,455
Debt service:				
Principal	45,000	-	-	45,000
Interest	3,394	-	-	3,394
Facilities acquisition and construction	7,604	-	-	7,604
Total expenditures	<u>5,535,107</u>	<u>31,561</u>	<u>282,183</u>	<u>5,848,851</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,558,265</u>	<u>4,999</u>	<u>(247)</u>	<u>6,563,017</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	18,514	18,514
Transfers out	(18,514)	-	-	(18,514)
Intergovernmental transfer out	(6,847,499)	-	-	(6,847,499)
Total other financing sources (uses)	<u>(6,866,013)</u>	<u>-</u>	<u>18,514</u>	<u>(6,847,499)</u>
Net change in fund balances	(307,748)	4,999	18,267	(284,482)
Fund balances, beginning	<u>2,225,513</u>	<u>53,188</u>	<u>17,730</u>	<u>2,296,431</u>
Fund balances, ending	<u>\$ 1,917,765</u>	<u>\$ 58,187</u>	<u>\$ 35,997</u>	<u>\$ 2,011,949</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 - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ (284,482)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 28,958	
Depreciation expense	<u>(148,913)</u>	(119,955)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (18,514)	
Transfers out	<u>18,514</u>	-
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal repayment of bond		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	\$ (1,927)	
Decrease in compensated absences payable	6,436	
Decrease in other postemployment benefits	6,238	
Increase in deferred outflows and inflows of resources related to other postemployment benefits	(11,973)	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	<u>(13,251)</u>	(14,477)
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (373,914)</u></u>

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, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Local	\$ 31,450	\$ 51,631	\$ 20,181
State	<u>11,866,727</u>	<u>12,041,453</u>	<u>174,726</u>
Total revenues	<u>11,898,177</u>	<u>12,093,084</u>	<u>194,907</u>
EXPENDITURES			
Current:			
Instruction	3,835,153	3,866,462	(31,309)
Support services:			
Student	202,123	193,526	8,597
Instructional staff	193,324	166,941	26,383
General administration	29,316	49,438	(20,122)
Executive administration	229,504	229,504	-
School administration	297,415	373,231	(75,816)
Operation and maintenance of plant	371,884	320,653	51,231
Student transportation	331,702	280,766	50,936
Debt service:			
Principal	45,000	45,000	-
Interest	4,000	3,394	606
Facilities acquisition and construction	20,350	7,604	12,746
Noninstructional	<u>1,600</u>	<u>-</u>	<u>1,600</u>
Total expenditures	<u>5,561,371</u>	<u>5,536,519</u>	<u>24,852</u>
Excess of revenues over expenditures	<u>6,336,806</u>	<u>6,556,565</u>	<u>219,759</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	230,452	230,452	-
Transfers out	(12,000)	(18,514)	(6,514)
Intergovernmental transfers out	<u>(6,847,422)</u>	<u>(6,847,499)</u>	<u>(77)</u>
Total other financing sources (uses)	<u>(6,628,970)</u>	<u>(6,635,561)</u>	<u>(6,591)</u>
Net change in fund balance	<u>\$ (292,164)</u>	(78,996)	<u>\$ 213,168</u>
Decrease in nonspendable fund balance		26,298	
Unassigned fund balance, beginning		<u>450,181</u>	
Unassigned fund balance, ending		<u>\$ 397,483</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, 2018

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity.....	1-A
Government-wide and Fund Financial Statements	1-B
Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	1-C
Cash and Cash Equivalents	1-D
Investments	1-E
Receivables	1-F
Prepaid Items	1-G
Capital Assets	1-H
Interfund Transfers	1-I
Accounts Payable.....	1-J
Deferred Outflows/Inflows of Resources.....	1-K
Long-term Obligations.....	1-L
Compensated Absences	1-M
Defined Benefit Pension Plan	1-N
Postemployment Benefits Other Than Pensions (OPEB)	1-O
Net Position/Fund Balances	1-P
Use of Estimates	1-Q
Stewardship, Compliance, and Accountability	2
Budgetary Information.....	2-A
Budgetary Reconciliation to GAAP Basis	2-B
Accounting Change/Restatement	2-C

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Investments	4
Receivables	5
Capital Assets.....	6
Interfund Transfers.....	7
Deferred Outflows/Inflows of Resources	8
Long-term Liabilities.....	9
Defined Benefit Pension Plan.....	10
Plan Description.....	10-A
Benefits Provided.....	10-B
Postemployment Benefits Other Than Pensions (OPEB).....	11
Vermont State Teachers Retirement System (VSTRS).....	11-A
Retiree Health Benefit Program	11-B
Encumbrances.....	12
Governmental Activities Net Position	13
Governmental Fund Balances	14
Prior Period Adjustment.....	15
Contingent Liabilities	16
Subsequent Events	17

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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 U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2018 the School District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which changed the way other postemployment benefit (OPEB) liabilities and related expenses are recorded. See Note 11 for further information on this pronouncement.

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.

The following is a summary of the more significant accounting policies:

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. All remaining governmental funds are aggregated and reported as nonmajor governmental funds and are presented in the other governmental column of 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*. 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
JUNE 30, 2018

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, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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. 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, 2018.

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 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 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 using the straight-line method over the following estimated useful lives:

Capital Asset Class:	<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, 2018

1-I 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 Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2018.

1-K 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) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

1-L 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-M 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-N 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 prepared by the Vermont Municipal Employees' Retirement System and Vermont State Teachers' Retirement System and are audited by the plan's independent auditors.

1-O Postemployment Benefits Other Than Pensions (OPEB)

The School District maintains two separate other postemployment benefit plans, as follows:

Vermont State Teachers' Retirement System Plan (VSTRS)– The School District is a member of the VSTRS, a cost-sharing multiple employer OPEB plan with special funding situation as defined in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The State of Vermont is the sole contributor to the plan, and is considered a nonemployer contributing entity. Employer contributions are required by statute to be made by the State on behalf of

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

member employers. Since the School District does not contribute directly to VSTRS, there is no net OPEB liability, deferred inflows or resources, or deferred outflows of resources to report in the School District's financial statements. The School District does disclose their portion of the State's total proportionate share of the collective net OPEB liability, deferred outflows of resources, and deferred inflows of resources as noted in Note 11-A. The School District recognizes pension expense and revenue equal to the amount of the State's total proportionate share of the collective OPEB expense associated with the School District.

Single Employer Plan – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the School District's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

1-P Net Position/Fund Balances

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

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of a note attributable to the acquisition, construction, or improvement of those assets.

Unrestricted Net Position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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 extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – 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 – 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 – 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 – 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 – 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-Q 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

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

of accounts receivable and the useful lives of capital 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.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2018, \$292,164 of the beginning general fund unassigned fund balance was applied for this purpose.

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)	\$12,323,536
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings related to the blended expendable trust funds	288
To remove transfer from the blended expendable trust fund to the general fund	<u>(230,452)</u>
Per Exhibit C-3 (GAAP Basis)	<u>\$12,093,372</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$12,402,532
Adjustments:	
Basis difference:	
Encumbrances, beginning	5,869
Encumbrances, ending	<u>(7,281)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$12,401,120</u>

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

2-C Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, deferred inflows and outflows of resources as follows:

	Local OPEB
	<u> </u>
Change in total OPEB liability under current standards, July 1	\$ (45,196)
Initial balance of deferred outflows of resources	-
Initial balance of deferred inflows of resources	-
Cumulative restatement related to GASB No. 75 implementation (see Note 15)	<u>\$ (45,196)</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 \$1,995,191 and the bank balances totaled \$2,495,698. 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 \$23,435 is entirely invested in certificate of deposits with five-year maturity dates. These certificates of deposit are considered Level 1 inputs.

NOTE 5 – RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental amounts arising from tuition, grants, and 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, 2018 consisted of the following:

	<u>Balance,</u> <u>beginning</u>	<u>Additions</u>	<u>Balance,</u> <u>ending</u>
At cost:			
Not being depreciated:			
Land	\$ 2,500	\$ -	\$ 2,500
			(continued)

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Capital assets continued:

	Balance, beginning	Additions	Balance, ending
Being depreciated:			
Land improvements	120,439	-	120,439
Buildings and building improvements	4,378,457	-	4,378,457
Equipment and vehicles	268,618	28,958	297,576
Total capital assets being depreciated	<u>4,767,514</u>	<u>28,958</u>	<u>4,796,472</u>
Total capital assets	<u>4,770,014</u>	<u>28,958</u>	<u>4,798,972</u>
Less accumulated depreciation:			
Land improvements	(86,432)	(2,410)	(88,842)
Buildings and building improvements	(2,584,597)	(127,796)	(2,712,393)
Equipment and vehicles	(233,745)	(18,707)	(252,452)
Total accumulated depreciation	<u>(2,904,774)</u>	<u>(148,913)</u>	<u>(3,053,687)</u>
Net book value, capital assets being depreciated	<u>1,862,740</u>	<u>(119,955)</u>	<u>1,742,785</u>
Net book value, all capital assets	<u>\$ 1,865,240</u>	<u>\$ (119,955)</u>	<u>\$ 1,745,285</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	\$ 18,753
Unallocated	<u>130,160</u>
Total depreciation expense	<u>\$ 148,913</u>

NOTE 7 – INTERFUND TRANSFERS

The interfund transfer in the amount of \$18,514 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.

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$91,827 in the governmental activities at June 30, 2018 consists of amounts related to pensions. See Note 10 for further information.

Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	Governmental Activites	Other Governmental Funds
Federal grant revenue collected in advance of eligible expenditures being made	\$ 20,375	\$ 20,375
Deferred amounts related to pensions (see Note 10)	8,830	-
Deferred amounts related to OPEB (see Note 11)	<u>11,973</u>	<u>-</u>
Total deferred inflows of resources	<u>\$ 41,178</u>	<u>\$ 20,375</u>

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

NOTE 9 – LONG-TERM LIABILITIES

Changes in the School District’s long-term liabilities consisted of the following for the year ended June 30, 2018:

	Balance				
	July 1, 2017			Balance	Due Within
	(as restated)	Additions	Reductions	June 30, 2018	One Year
General obligation note	\$ 270,000	\$ -	\$ (45,000)	\$ 225,000	\$ 45,000
Compensated absences	22,302	2,791	(9,227)	15,866	-
Net other postemployment benefits	128,217	-	(6,238)	121,979	-
Pension related liability	151,943	5,702	-	157,645	-
Total long-term liabilities	<u>\$ 572,462</u>	<u>\$ 8,493</u>	<u>\$ (60,465)</u>	<u>\$ 520,490</u>	<u>\$ 45,000</u>

The long-term note is comprised of the following:

	Original		Maturity	Interest	Outstanding at
	Amount	Issue Date	Date	Rate	June 30, 2018
General obligation note payable:					
HVAC project	\$ 270,000	2017	2023	2.15%	<u>\$ 225,000</u>

The annual requirements to amortize the general obligation note outstanding as of June 30, 2018, including interest payments, are as follows:

Fiscal Year Ending			
June 30,	Principal	Interest	Total
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	<u>\$ 225,000</u>	<u>\$ 13,302</u>	<u>\$ 238,302</u>

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.

NOTE 10 – DEFINED BENEFIT PENSION PLAN

10-A 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.

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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).

10-B 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:

VMERS	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
VMERS	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

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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
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.

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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 \$693,063 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 \$24,136 for the fiscal year ended June 30, 2018.

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, 2017, 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 of all participating towns and school districts, actuarially determined. At June 30, 2017, the School District's proportion was 0.1301% which was an increase of 0.012% in its proportion measured as of June 30, 2016.

At June 30, 2018, 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	\$ 157,645
State's proportionate share of the net pension liability associated with the School District	<u>5,542,108</u>
Total position of the net pension liability	<u><u>\$ 5,699,753</u></u>

For the year ended June 30, 2018, the School District recognized pension expense of \$730,551. At June 30, 2018, 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 proportion	\$ 6,138	\$ 4,927
Net difference between projected and actual investment earnings on pension plan investments	26,257	-
Changes in assumptions	33,003	-
Differences between expected and actual experience	2,293	3,903
Contributions subsequent to the measurement date	<u>24,136</u>	<u>-</u>
Total	<u><u>\$ 91,827</u></u>	<u><u>\$ 8,830</u></u>

The \$24,136 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, 2019. 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,		
2018	\$	19,870
2019		29,026
2020		9,666
2021		298
Thereafter		<u>-</u>
Totals	\$	<u><u>58,860</u></u>

Actuarial Assumptions: The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 with update procedures used to roll forward the total pension liability to June 30, 2017.

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Long-term Rates of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Asset Class	Target Allocation		Long-term expected real rate of return
	VMERS	VSTRS	
US Equity	16.00%	16.00%	6.07%
Non-US Equity	16.00%	16.00%	7.42%
Global Equity	9.00%	9.00%	6.85%
Fixed Income	24.00%	24.00%	2.41%
Real Estate	8.00%	8.00%	4.62%
Private Markets	15.00%	15.00%	7.80%
Hedge Funds	8.00%	8.00%	3.95%
Risk Parity	4.00%	4.00%	4.84%
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	
		7.95%	1% Increase 8.95%
VMERS	\$ 281,465	\$ 157,645	\$ 54,956
VSTRS	\$ 6,867,470	\$ 5,542,108	\$ 4,435,906

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 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

11-A Vermont State Teachers Retirement System (VSTRS)

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

The plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2017, the plan consisted of 266 participating employers.

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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

All assets of the Plan are held in a single trust and are available to pay OPEB benefits to all members.

VSTRS does not issue stand-alone financial reports but are instead included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed at the State's Department of Finance and Management website at: <http://finance.vermont.gov/reports-and-publications/cafr>.

Summary of Plan:

Eligibility: VSTRS retirees and their spouses are eligible for health coverage if the retiree is eligible for pension benefits. Pension eligibility requirements are below:

Group A - Public school teachers employed within the State of Vermont prior to July 1,1981 and elected to remain in Group A

- Retirement: Attainment of 30 years of creditable service, or age 55

Group C - Public school teachers employed within the State of Vermont on or after July 1,1990. Teachers hired before July 1,1990 and were Group B members in service on July 1,1990 are now Group C members. Grandfathered participants are Group C members who were within five years of normal retirement eligibility as defined prior to July 1,2010.

- Retirement Group C Grandfathered: Attainment of age 62, or 30 years creditable service, or age 55 with 5 years of creditable service.
- Retirement Group C Non-grandfathered: Attainment of age 65, or age plus creditable service equal to 90, or age 55 with 5 years of creditable service.

Vesting and Disability: 5 years of creditable service. Participants who terminate with 5 years of service under the age of 55 may elect coverage upon receiving pension benefits.

Benefit Types: Medical and prescription drug. Retirees pay the full cost for dental benefits.

Duration of Coverage: Lifetime

Spousal Benefits: Same benefits as for retirees

Spousal Coverage: Lifetime

Retiree Contributions:

Retired before June 30, 2010 - Retirees with at least 10 years of service pay premium costs in excess of an 80% VSTRS subsidy. Retirees with less than 10 years of service do not receive any premium subsidy. Spouses do not receive any premium subsidy, regardless of the retiree's service.

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Retired after June 30, 2010 - Retirees pay premium costs in excess of the following VSTRS subsidy, based on service:

Retiree Subsidy Level	Subsidy
Years of service at June 30, 2010:	
10 years or more	80.00%
Less than 10 years	
Less than 15 years at retirement	0.00%
15-19.99 years at retirement	60.00%
20-24.99 years at retirement	70.00%
25 or more years at retirement	80.00%

Spouses of retirees can receive an 80% subsidy, if they meet the following requirements:

Spouse Coverage with 80% Subsidy	
Years of service at June 30, 2010:	Required years of serviced at retirement:
Less than 10 years	25 years of service at retirement
Between 10 and 14.99 years	25 years of service at retirement
Between 15 and 24.99 years	10 additional years from June 30, 2010
Between 25 and 29.99 years	35 years of service at retirement
30 or more years	5 additional years from June 30, 2010

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

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

Contributions: The State of Vermont, as a non-employer contributing entity makes 100% of the contributions to the VSTRS, there are no employee or employer contributions. Contributions are actuarially determined, but the State has elected to appropriate State contributions to fund current year retiree health expenses on a pay-as-you-go basis. State contributions for the fiscal year ended June 30, 2018 totaled \$159,587, which has been recognized as both an OPEB expense and intergovernmental revenue on the Statement of Activities. (See Exhibit B.)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2018, the School District disclosed a liability of \$2,903,200 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. For the year ended June 30, 2018, the School District recorded OPEB expense of \$159,587. At June 30, 2018, the School District disclosed deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	-
Changes in assumptions	-	79,545
Differences between expected and actual experience	-	-
Total	\$ -	\$ 79,545

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

The \$79,545 reported as deferred inflows of resources will be recognized in OPEB expenses as follows:

Fiscal Year Ending June 30,	
2019	\$ (23,816)
2020	(23,816)
2021	(23,816)
2022	(8,097)
Thereafter	-
Totals	<u>\$ (79,545)</u>

Actuarial Assumptions: The total OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 with update procedures used to roll forward the total pension liability to June 30, 2017.

The Total OPEB Liability used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate: 3.58% based on the 20-year Bond Buyer GO index

Salary Increase Rate: Varies by age. Representative values of the assumed annual rates of future salary increases are as follows:

<u>Service</u>	<u>Annual Rate of Salary Increase (%)</u>
25	7.78%
30	6.47%
35	5.60%
40	4.92%
45	4.43%
50	4.09%
55	3.85%
60	3.75%

Inflation: 2.75%

Healthcare Cost Trend Rates: Non-Medicare - 7.50% graded to 4.50% over 12 years
Medicare - 7.75% graded to 4.50% over 11 years

Retiree Contributions: Equal to health trend

Pre-retirement Mortality: 98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017

Post-retirement Mortality: 98% of RP-2014 With Collar Annuitant with generational projection using Scale SSA-2017

Disabled Mortality: RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017

Actuarial Cost Method: Entry-Age Normal, Level Percentage of Pay

Asset Valuation Method: Market Value

Measurement Date: June 30, 2017

Actuarial Valuation Date: June 30, 2016

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Per Capita Cost Development:

Medical and Prescription Drug - Per capita claims costs were based on claims for the period July 1, 2015 through June 30, 2017. Claims were separated by non-Medicare and Medicare retirees, and by medical and prescription drug. Claims were separated by plan year, then adjusted as follows:

- Total claims were divided by the number of adult members to yield a per capita claim,
- The per capita claim was trended to the midpoint of the valuation year at assumed trend rates, and
- The per capita claim was adjusted for the effect of any plan changes.

Per capita claims for each plan year were then combined by taking a weighted average. The weights used in this average account for a number of factors including each plan year's volatility of claims experience and distance to the valuation year. Actuarial factors were then applied to the weighted average cost to estimate individual retiree and spouse costs by age and by gender.

Administrative Expenses - Per capita claims costs were based on claims for the period July 1, 2015 through June 30, 2017. Claims were separated by plan year, then adjusted as described above to yield a combined weighted average per capita claims cost.

Per Capita Health Costs: Medical and prescription drug claims for the year beginning July 1, 2017 are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

<u>Age</u>	<u>Medical</u>				<u>Prescription Drugs</u>			
	<u>Retiree</u>		<u>Spouse</u>		<u>Retiree</u>		<u>Spouse</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
50	\$ 7,969	\$ 9,077	\$ 5,566	\$ 7,288	\$ 1,515	\$ 1,725	\$ 1,058	\$ 1,385
55	9,464	9,771	7,448	8,436	1,799	1,857	1,416	1,603
60	11,239	10,532	9,971	9,784	2,136	2,002	1,895	1,860
64	12,894	11,172	12,587	11,012	2,451	2,123	2,392	2,093
65	1,472	1,251	1,472	1,251	1,896	1,612	1,896	1,612
70	1,706	1,348	1,706	1,348	2,197	1,737	2,197	1,737
75	1,839	1,451	1,839	1,451	2,368	1,869	2,368	1,869

Administrative Expenses: An annual administrative expense of \$526 per participant with health and welfare coverage increasing at 3.0% per year was added to projected incurred claim costs in developing the benefit obligations.

Health Care Cost Trend Rates: Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are "net" and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that is applied to that year's cost to yield the next year's projected cost.

<u>Year Ending</u>	<u>Rate (%)</u>	
	<u>Pre-Medicare</u>	<u>Medicare</u>
<u>June 30,</u>	<u>Health Costs</u>	<u>Health Costs</u>
2018	7.50%	7.75%
2019	7.25%	7.45%
2020	7.00%	7.15%
2021	6.75%	6.85%
2022	6.50%	6.55%
2023	6.25%	6.25%
2024	6.00%	5.95%
2025	5.75%	5.65%
2026	5.50%	5.35%
2027	5.25%	5.05%
2028	5.00%	4.75%
2029	4.75%	4.50%
2030+	4.50%	4.50%

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

The trend rate assumptions were developed using Segal’s internal guidelines, which are established each year using the data sources such as the 2018 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P and Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics.

Retiree Contribution Increase Rate: Retiree contributions were assumed to increase with health trends. Retiree contribution rates were based on 2017 premiums. Plan premiums were weighted by actual retiree and dependent enrollment, separately for non-Medicare and Medicare.

Health Care Reform Assumption: The Plan is assumed to be in compliance with the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 as of the valuation date. The valuation includes the projected effect of the Act’s provision which imposes an excise tax on high cost employer-sponsored health coverage beginning in 2020. The excise tax limit is assumed to increase by 2.5% each year after 2018.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term expected real rate of return</u>
Large cap equity	20.00%	5.92%
International equity	15.00%	6.71%
Emerging international equity	5.00%	9.70%
Core bonds	60.00%	1.38%
Total	<u>100.00%</u>	

Discount Rate – The projection of cash flow used to determine the discount rate assumed by the plan’s contributions would be made at rates equal to the projected benefit payments for the upcoming year. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be exhausted within the first year. Therefore, the long-term bond rate expected rate of return of 3.58% on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The 3.58% is based on the 20-year Bond Buyer GO index at June 30, 2017. The discount rate used in the prior year was 2.85%.

Sensitivity of the School District’s OPEB Liability to Changes in the Discount Rate – The June 30, 2016 actuarial valuation was prepared using a discount rate of 3.58%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$2,545,756 or by 12.31%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$3,335,522 or by 14.89%.

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Baseline 3.58%</u>	<u>1% Increase</u>
Net OPEB Liability	<u>\$ 3,335,522</u>	<u>\$ 2,903,200</u>	<u>\$ 2,545,756</u>

Sensitivity of the School District’s OPEB Liability to Changes in the Healthcare Cost Trend Rates – The June 30, 2016 actuarial valuation was prepared using an initial trend rate of 7.50% for pre-Medicare health costs, and 7.75% for Medicare health costs. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$3,423,958 or by 17.94%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$2,491,310 or by 14.19%.

	<u>Healthcare Cost Trend Rates</u>		
	<u>Baseline</u>		
	<u>1% Decrease</u>	<u>7.50% - Non-Medicare</u>	<u>7.75% - Medicare</u>
Net OPEB Liability	<u>\$ 2,491,310</u>	<u>\$ 2,903,200</u>	<u>\$ 3,423,958</u>

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued Vermont State Teachers’ Retirement System Actuarial Valuation and Review of Other Postemployment Benefits Report.

11-B Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The School District provides postemployment healthcare benefits for certain eligible retirees. The School District provides medical benefits to its eligible retirees. The benefits are provided through the New Hampshire Inter-Local Trust.

Employees Covered by Benefit Terms – At July 1, 2016 none of the employees were covered by the benefit terms.

Total OPEB Liability – The School District’s total OPEB liability of \$121,979 was measured as of June 30, 2018 and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$121,979 in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.87%
Healthcare Cost Trend Rates:	
Current Year Trend	9.00%
Second Year Trend	8.00%
Decrement	1.00%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2022

The discount rate was based on the index provided by the *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of July 1, 2016.

Mortality rates were based on the RP-2000 Combined Health Participant Table Projected 10 years using Projection Scale AA.

Changes in the Total OPEB Liability

	<u>June 30, 2018</u>
Total OPEB liability beginning of year, as restated	\$ 128,217
Changes for the year:	
Service cost	7,231
Interest	4,768
Changes in benefit terms	-
Assumption changes and difference between actual and expected experience	(13,684)
Change in actuarial cost method	-
Benefit payments	<u>(4,553)</u>
Total OPEB liability end of year	<u>\$ 121,979</u>

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate – The July 1, 2016 actuarial valuation was prepared using a discount rate of 3.87%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$113,104 or by 7.23%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$131,445 or by 7.76%.

	Discount Rate		
	1% Decrease	Baseline 3.87%	1% Increase
Total OPEB Liability	\$ 131,445	\$ 121,979	\$ 113,104

Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2016 actuarial valuation was prepared using an initial trend rate of 9.00%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$133,724 or by 9.63%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$111,648 or by 8.47%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 9.00%	1% Increase
Total OPEB Liability	\$ 111,648	\$ 121,979	\$ 133,724

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the School District recognized OPEB expense of \$10,289. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	11,095
Changes in assumptions	-	878
Differences between expected and actual experience	-	-
Contributions subsequent to the measurement date	-	-
Total	\$ -	\$ 11,973

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

Fiscal Year Ending June 30,	
2018	\$ (1,710)
2019	(1,710)
2020	(1,710)
2021	(1,710)
2022-2026	(1,710)
Thereafter	(3,423)
Totals	\$ (11,973)

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

NOTE 12 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2018 are as follows:

Current:	
Instruction:	
Regular programs	<u>\$ 3,873</u>
Support services:	
Student	200
General administration	1,200
Operation and maintenance of plant	<u>8</u>
Total support services	<u>1,408</u>
Facilities acquisition and construction	<u>2,000</u>
Total encumbrances	<u><u>\$ 7,281</u></u>

NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2018 include the following:

Net investment in capital assets:	
Net book value of all capital assets	\$ 1,745,285
Less:	
General obligation note payable	<u>(225,000)</u>
Total net investment in capital assets	1,520,285
Unrestricted	<u>1,785,317</u>
Total net position	<u><u>\$ 3,305,602</u></u>

None of the net position is restricted by enabling legislation.

NOTE 14 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2018 consist of the following:

	<u>General Fund</u>	<u>Special Gifts</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid	\$ 1,799	\$ -	\$ -	\$ 1,799
Restricted:				
Medicaid	-	-	35,117	35,117
Other	-	-	880	880
Total restricted fund balance	<u>-</u>	<u>-</u>	<u>35,997</u>	<u>35,997</u>
Committed:				
Expendable trust	1,511,202	-	-	1,511,202
Other gifts	-	58,187	-	58,187
Total committed fund balance	<u>1,511,202</u>	<u>58,187</u>	<u>-</u>	<u>1,569,389</u>
Assigned:				
Encumbrances	7,281	-	-	7,281
Unassigned	<u>397,483</u>	<u>-</u>	<u>-</u>	<u>397,483</u>
Total governmental fund balances	<u><u>\$ 1,917,765</u></u>	<u><u>\$ 58,187</u></u>	<u><u>\$ 35,997</u></u>	<u><u>\$ 2,011,949</u></u>

NORWICH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Net position at July 1, 2017 was restated due to the following:

	Government-wide Statements
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-C	\$ (45,196)
Net position, as previously reported	3,724,712
Net position, as restated	\$ 3,679,516

NOTE 16 – 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 17 – 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 February 27, 2019, the date the June 30, 2018 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

EXHIBIT E
NORWICH SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of Net Pension Liability
Vermont Municipal Employees' Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30,				
	2014	2015	2016	2017	2018
School District's proportion of the net pension liability	0.1481%	0.1481%	0.1242%	0.1181%	0.1301%
School District's proportionate share of the net pension liability	\$ 53,933	\$ 13,514	\$ 95,766	\$ 151,943	\$ 157,645
School District's covered payroll	\$ 444,545	\$ 477,514	\$ 434,100	\$ 448,600	\$ 531,225
School District's proportionate share of the net pension liability as a percentage of its covered payroll	12.13%	2.83%	22.06%	33.87%	29.68%
Plan fiduciary net position as a percentage of the total pension liability	92.71%	98.32%	87.42%	80.95%	83.64%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

EXHIBIT F
NORWICH SCHOOL DISTRICT
Schedule of School District Contributions - Pensions
Vermont Municipal Employees' Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution	\$ 17,782	\$ 19,101	\$ 17,364	\$ 17,944	\$ 21,249
Contributions in relation to the contractually required contributions	17,782	19,101	17,364	17,944	21,249
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 444,545	\$ 477,514	\$ 434,100	\$ 448,600	\$ 531,225
Contributions as a percentage of covered payroll	4.00%	4.00%	4.00%	4.00%	4.00%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

EXHIBIT H
NORWICH SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability
Vermont State Teachers Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30, 2018
School District's proportion of the net OPEB liability	0.31141%
School District's proportionate share of the net OPEB liability	\$ -
State of Vermont's proportionate share of the net OPEB liability	2,903,200
Total proportionate share of the net OPEB liability	\$ 2,903,200
School District's covered payroll	\$ 1,826,080
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	158.99%
Plan fiduciary net position as a percentage of the total OPEB liability	-2.94%

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

EXHIBIT I
NORWICH SCHOOL DISTRICT
Schedule of School District Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30, 2018
Contractually required contribution	\$ 111,853
Contributions in relation to the contractually required contribution	(74,237)
Contribution deficiency (excess)	\$ 37,616
School District's covered payroll	\$ 1,826,080
Contributions as a percentage of covered payroll	4.07%

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

EXHIBIT J
NORWICH SCHOOL DISTRICT
Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018

	June 30, 2018
OPEB liability, beginning of year	\$ 128,217
Changes for the year:	
Service cost	7,231
Interest	4,768
Changes to benefit terms	-
Assumption changes and difference between actual and expected experience	(13,684)
Change in actuarial cost method	-
Benefit payments	(4,553)
OPEB liability, end of year	\$ 121,979
Covered payroll	\$ 410,422
Total OPEB liability as a percentage of covered payroll	29.72%

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

NORWICH SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Schedule of the School District’s Proportionate Share of Net Other Postemployment Benefits Liability and Schedule of School District Contributions – Other Postemployment Benefits

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the School District’s other postemployment benefits at June 30, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Change in assumptions: In the 2016 actuarial valuation, the discount rate was adjusted from 2.85% to 3.58% to reflect the change in the 20-year Bond Buyer GO index.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Pay
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	Market value
Price Inflation	<i>Non-Medicare</i> – 7.50% graded to 4.50% over 12 years <i>Medicare</i> – 7.75% graded to 4.50% over 11 years
Wage Inflation	Varies by age
Salary Increases	5.11% average, including inflation
Municipal Bond Rate	3.58% per year
Investment Rate of Return	7.50% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	<i>Pre-retirement mortality</i> – 98% of RP-2014 White Collar Employee with generational projection using scale SSA-2017. <i>Post-retirement mortality</i> – 98% of RP-2014 White Collar Employee with generational projection using scale SSA-2017. <i>Disabled mortality</i> – RP-2014 Disabled Mortality Table with generational projection using scale SSA-2017.

Schedule of Changes in School District’s Total Other Postemployment Benefits Liability and Related Ratios

As required by GASB Statement No. 75, Exhibit J represents the actuarial determined costs associated with the School District’s other postemployment benefits at June 30, 2018. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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, 2018

	<u>Estimated</u>	<u>Actual</u>	Variance Positive (Negative)
Other local sources:			
Tuition	12,800	1,799	(11,001)
Investment earnings	4,000	33,626	29,626
Rentals	14,650	13,710	(940)
Miscellaneous	-	2,496	2,496
Total from other local sources	<u>31,450</u>	<u>51,631</u>	<u>20,181</u>
State sources:			
Educational spending fund (Homestead tax, net Act 85 recapture)	10,963,725	10,926,700	(37,025)
Transportation	111,073	111,483	410
Block grant	273,331	273,331	-
Vocational aid	25,777	25,777	-
Essential early education	44,189	53,395	9,206
Extraordinary reimbursement	38,457	17,736	(20,721)
Special education reimbursement	410,175	620,824	210,649
State placed student - special reimbursement	-	12,207	12,207
Total from state sources	<u>11,866,727</u>	<u>12,041,453</u>	<u>174,726</u>
Other financing sources:			
Transfers in	<u>230,452</u>	<u>230,452</u>	<u>-</u>
Total revenues and other financing sources	12,128,629	<u>\$ 12,323,536</u>	<u>\$ 194,907</u>
Use of fund balance to reduce school district assessment	<u>292,164</u>		
Total revenues, other financing sources, and use of fund balance	<u>\$ 12,420,793</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, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 1,000	\$ 2,682,146	\$ 2,683,689	\$ 3,873	\$ (4,416)
Special programs	121	1,153,007	1,180,021	-	(26,893)
Total instruction	<u>1,121</u>	<u>3,835,153</u>	<u>3,863,710</u>	<u>3,873</u>	<u>(31,309)</u>
Support services:					
Student	200	202,123	193,526	200	8,597
Instructional staff	-	193,324	166,941	-	26,383
General administration	924	29,316	49,162	1,200	(20,122)
Executive administration	-	229,504	229,504	-	-
School administration	-	297,415	373,231	-	(75,816)
Operation and maintenance of plant	440	371,884	321,085	8	51,231
Student transportation	1,184	331,702	281,950	-	50,936
Total support services	<u>2,748</u>	<u>1,655,268</u>	<u>1,615,399</u>	<u>1,408</u>	<u>41,209</u>
Debt service:					
Principal of long-term debt	-	45,000	45,000	-	-
Interest on long-term debt	-	4,000	3,394	-	606
Total debt service	<u>-</u>	<u>49,000</u>	<u>48,394</u>	<u>-</u>	<u>606</u>
Facilities acquisition and construction	<u>2,000</u>	<u>20,350</u>	<u>7,604</u>	<u>2,000</u>	<u>12,746</u>
Noninstructional	<u>-</u>	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>1,600</u>
Other financing uses:					
Transfers out	-	12,000	18,514	-	(6,514)
Intergovernmental transfers out	-	6,847,422	6,847,499	-	(77)
Total other financing uses	<u>-</u>	<u>6,859,422</u>	<u>6,866,013</u>	<u>-</u>	<u>(6,591)</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 5,869</u>	<u>\$ 12,420,793</u>	<u>\$ 12,401,120</u>	<u>\$ 7,281</u>	<u>\$ 18,261</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, 2018

Unassigned fund balance, beginning		\$ 450,181
Changes:		
Unassigned fund balance used to reduce school district assessment		(292,164)
2017-2018 Budget summary:		
Revenue surplus (Schedule 1)	\$ 194,907	
Unexpended balance of appropriations (Schedule 2)	<u>18,261</u>	
2017-2018 Budget surplus		213,168
Decrease in nonspendable fund balance		<u>26,298</u>
Unassigned fund balance, ending		<u><u>\$ 397,483</u></u>

SCHEDULE 4
NORWICH SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds				Total
	Food Service	Grants	Medicaid	Other	
ASSETS					
Cash and cash equivalents	\$ 364	\$ 10,079	\$ 29,587	\$ 880	\$ 40,910
Intergovernmental receivable	382	10,296	5,530	-	16,208
Total assets	<u>\$ 746</u>	<u>\$ 20,375</u>	<u>\$ 35,117</u>	<u>\$ 880</u>	<u>\$ 57,118</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 566	\$ -	\$ -	\$ -	\$ 566
Other	180	-	-	-	180
Total liabilities	<u>746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>746</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - Grants	<u>-</u>	<u>20,375</u>	<u>-</u>	<u>-</u>	<u>20,375</u>
FUND BALANCES					
Restricted	<u>-</u>	<u>-</u>	<u>35,117</u>	<u>880</u>	<u>35,997</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 746</u>	<u>\$ 20,375</u>	<u>\$ 35,117</u>	<u>\$ 880</u>	<u>\$ 57,118</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, 2018

	Special Revenue Funds				Total
	Food Service	Grants	Medicaid	Other	
Revenues:					
Other local	\$ 16,720	\$ -	\$ -	\$ -	\$ 16,720
State	-	789	-	-	789
Federal	7,221	218,492	38,714	-	264,427
Total revenues	<u>23,941</u>	<u>219,281</u>	<u>38,714</u>	<u>-</u>	<u>281,936</u>
Expenditures:					
Current:					
Instruction	-	219,281	20,447	-	239,728
Noninstructional services	42,455	-	-	-	42,455
Total expenditures	<u>42,455</u>	<u>219,281</u>	<u>20,447</u>	<u>-</u>	<u>282,183</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,514)</u>	<u>-</u>	<u>18,267</u>	<u>-</u>	<u>(247)</u>
Other financing sources:					
Transfers in	<u>18,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,514</u>
Net change in fund balances	-	-	18,267	-	18,267
Fund balances, beginning	-	-	16,850	880	17,730
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,117</u>	<u>\$ 880</u>	<u>\$ 35,997</u>