

Audited Financial Statements  
and Other Financial Information

**Sharon School District**

June 30, 2020



*Proven Expertise & Integrity*

SHARON SCHOOL DISTRICT

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JUNE 30, 2020

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Sharon School District  
Sharon, Vermont

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Sharon School District, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

3 Old Orchard Road, Buxton, Maine 04093  
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609  
www.rhrsmith.com

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Sharon School District as of June 30, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 11 and 64 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sharon School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2021 on our consideration of the Sharon School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sharon School District's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
March 8, 2021

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**(UNAUDITED)**

The following management's discussion and analysis of the Sharon School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the School District's financial statements.

**Financial Statement Overview**

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

**Basic Financial Statements**

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

**Government-Wide Financial Statements**

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

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

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

Both of the above mentioned financial statements have separate columns for the two different types of School District activities. The types of activities presented for the School District are:

- *Governmental activities* - The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). Most of the School District's basic services are reported in school instruction, special education, Board of Education, fiscal services, superintendent's office, operations and maintenance, transportation, school administration and program expenses.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the School District include the School Lunch Fund and the Childcare Program.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the School District can be classified into three categories: governmental funds, proprietary funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues,

expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The School District presents two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's only major fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

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

*Proprietary Funds:* The Sharon School District maintains two proprietary funds, the School Lunch Fund and the Childcare Program Fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

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

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

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

the Net OPEB Liability, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

### Other Supplementary Information

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

### Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the School District's governmental and business-type activities. The School District's total net position for governmental activities decreased by \$125,005 from \$205,447 to \$80,442. The School District's total net position for business-type activities decreased by \$34,989 from a balance of \$66,083 to a balance of \$31,094.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased for governmental activities to a deficit balance of \$169,503 at the end of this year. Unrestricted net position for business-type activities increased to a deficit balance of \$18,308.

**Table 1**  
**Sharon School District**  
**Net Position**  
**June 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>				
Current Assets	\$ 731,560	\$ 96,008	\$ 28,900	\$ 63,497
Noncurrent Assets-Capital Assets	356,387	333,872	2,194	2,586
Total Assets	<u>1,087,947</u>	<u>429,880</u>	<u>31,094</u>	<u>66,083</u>
<b>Deferred Outflows of Resources</b>				
Deferred Outflows Related to Pensions	65,293	60,293	-	-
Total Deferred Outflows of Resources	<u>65,293</u>	<u>60,293</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>				
Current Liabilities	858,595	107,177	-	-
Noncurrent Liabilities	213,225	176,374	-	-
Total Liabilities	<u>1,071,820</u>	<u>283,551</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Deferred Inflows Related to Pensions	978	1,175	-	-
Total Deferred Inflows of Resources	<u>978</u>	<u>1,175</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Net Investment in Capital Assets	236,533	194,646	2,194	2,586
Restricted	13,412	13,412	47,208	83,724
Unrestricted (Deficit)	<u>(169,503)</u>	<u>(2,611)</u>	<u>(18,308)</u>	<u>(20,227)</u>
Total Net Position	<u>\$ 80,442</u>	<u>\$ 205,447</u>	<u>\$ 31,094</u>	<u>\$ 66,083</u>

## Revenues and Expenses

Revenues for the Sharon School District's governmental activities increased by 3.94%, while total expenses increased by 4.02%. The School District's increase in revenues was primarily due to grants and contributions not restricted to specific programs. The increase in expenses was primarily due to school instruction.

Proprietary fund revenues increased by 2.80%, while expenses decreased 1.89% from the prior year.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Revenues</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 47,638	\$ 97,769	\$ 46,860	\$ 78,917
Operating grants and contributions	596,124	542,223	51,419	27,727
<i>General Revenues:</i>				
Grants and contributions not restricted to specific programs	4,323,777	4,133,722	-	-
Miscellaneous	46,179	49,880	11,352	-
<b>Total Revenues</b>	<b>5,013,718</b>	<b>4,823,594</b>	<b>109,631</b>	<b>106,644</b>
<b>Expenses</b>				
School instruction	3,420,459	3,317,546	-	-
Special education	438,509	404,525	-	-
Board of Education	31,913	13,237	-	-
Fiscal services	132,573	22,480	-	-
Superintendent's office	107,555	187,565	-	-
Operations and maintenance	189,785	242,130	-	-
Transportation	97,636	109,841	-	-
School administration	159,186	182,112	-	-
On-behalf payments	513,796	446,937	-	-
Program expenses	86,643	50,748	-	-
Interest on long term debt	3,166	3,980	-	-
School lunch	-	-	102,122	84,996
Childcare program	-	-	-	19,054
<b>Total Expenses</b>	<b>5,181,221</b>	<b>4,981,101</b>	<b>102,122</b>	<b>104,050</b>
Transfers	42,498	15,000	(42,498)	(15,000)
Change in Net Position	(125,005)	(142,507)	(34,989)	(12,406)
Net Position - July 1	205,447	347,954	66,083	78,489
Net Position - June 30	<b>\$ 80,442</b>	<b>\$ 205,447</b>	<b>\$ 31,094</b>	<b>\$ 66,083</b>

## Financial Analysis of the School District's Fund Statements

*Governmental funds:* The financial reporting focus of the School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information may be useful in assessing the School District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year and the net resources available for spending.

**Table 3**  
**Sharon School District**  
**Fund Balances - Governmental Funds**  
**June 30,**

	2020	2019	Increase/ (Decrease)
Major Fund:			
General Fund:			
Assigned	\$ 5,757	\$ 4,552	\$ 1,205
Unassigned	(166,251)	(79,956)	(86,295)
Total Major Fund	\$ (160,494)	\$ (75,404)	\$ (85,090)
Nonmajor Funds:			
Special Revenue Funds:			
Restricted	\$ 13,412	\$ 13,412	\$ -
Unassigned	(22,785)	(14,017)	(8,768)
Capital Projects Funds:			
Committed	62,632	101,147	(38,515)
Total Nonmajor Funds	\$ 53,259	\$ 100,542	\$ (47,283)

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

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

The school lunch program had operating profit for the current year of \$1,455 compared to an operating loss of \$42,722 for the previous year. The childcare program had an operating loss for the current year of \$36,444 compared to an operating loss of \$45,316 for the previous year.

## Budgetary Highlights

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

The general fund actual revenues were over budgeted revenues by \$86,041 due to all revenue categories being receipted within or over budgeted amounts with the exception of intergovernmental - state support and interest income.

The general fund actual expenditures were over budgeted amounts by \$171,189, due to all expenditure categories being expended within or over budgeted amounts with the exception of Board of Education, fiscal services, transportation and school administration.

## Capital Asset and Debt Activity

### Capital Assets

As of June 30, 2020, the School District capital assets increased by \$22,123. This increase was due to current year additions of \$43,681 less current year depreciation of \$21,558. Refer to Note 5 of Notes to Financial Statements for more detailed information.

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

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 230,744	\$ 177,846
Furniture and equipment	47,034	73,556
Infrastructure	80,803	85,056
Total	<u>\$ 358,581</u>	<u>\$ 336,458</u>

### Debt

At June 30, 2020, the School District had \$119,854 in a bond and a note from direct borrowings payable outstanding versus \$139,226 in the previous year. Refer to Note 7 of Notes to Financial Statements for more detailed information.

### **Currently Known Facts, Decisions or Conditions**

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

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

### **Economic Factors and Next Year's Budgets and Rates**

The 2020-2021 budget could be severely impacted by the reduction of funding from the State.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent's Office at 461 Waterman Road, Royalton, Vermont 05068.

## STATEMENT A

## SHARON SCHOOL DISTRICT

STATEMENT OF NET POSITION  
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 627,925	\$ -	\$ 627,925
Accounts receivable (net of allowance for uncollectibles)	22,441	35,665	58,106
Due from other governments	74,013	-	74,013
Inventory	-	416	416
Internal balances	7,181	(7,181)	-
Total current assets	<u>731,560</u>	<u>28,900</u>	<u>760,460</u>
Noncurrent assets:			
Buildings and improvements, net of accumulated depreciation	247,788	-	247,788
Furniture and equipment, net of accumulated depreciation	27,796	2,194	29,990
Infrastructure, net of accumulated depreciation	80,803	-	80,803
Total noncurrent assets	<u>356,387</u>	<u>2,194</u>	<u>358,581</u>
<b>TOTAL ASSETS</b>	<u>1,087,947</u>	<u>31,094</u>	<u>1,119,041</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	65,293	-	65,293
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>65,293</u>	<u>-</u>	<u>65,293</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,153,240</u>	<u>\$ 31,094</u>	<u>\$ 1,184,334</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 80,350	\$ -	\$ 80,350
Accrued liabilities	75,291	-	75,291
Due to other governments	9,871	-	9,871
Current portion of long-term obligations	19,800	-	19,800
Total current liabilities	<u>858,595</u>	<u>-</u>	<u>858,595</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bond payable	25,349	-	25,349
Note from direct borrowings payable	74,705	-	74,705
Net pension liability	113,171	-	113,171
Total noncurrent liabilities	<u>213,225</u>	<u>-</u>	<u>213,225</u>
<b>TOTAL LIABILITIES</b>	<u>1,071,820</u>	<u>-</u>	<u>1,071,820</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	978	-	978
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>978</u>	<u>-</u>	<u>978</u>
<b>NET POSITION</b>			
Net investment in capital assets	236,533	2,194	238,727
Restricted	13,412	47,208	60,620
Unrestricted (deficit)	(169,503)	(18,308)	(187,811)
<b>TOTAL NET POSITION</b>	<u>80,442</u>	<u>31,094</u>	<u>111,536</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 1,153,240</u>	<u>\$ 31,094</u>	<u>\$ 1,184,334</u>

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

SHARON SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
School instruction	\$ 3,420,459	\$ 47,638	\$ -	\$ -	\$ (3,372,821)	\$ -	\$ (3,372,821)
Special education	438,509	-	-	-	(438,509)	-	(438,509)
Board of Education	31,913	-	-	-	(31,913)	-	(31,913)
Fiscal services	132,573	-	-	-	(132,573)	-	(132,573)
Superintendent's office	107,555	-	43,536	-	(64,019)	-	(64,019)
Operations and maintenance	189,785	-	-	-	(189,785)	-	(189,785)
Transportation	97,636	-	38,792	-	(58,844)	-	(58,844)
School administration	159,186	-	-	-	(159,186)	-	(159,186)
On-behalf payments	513,796	-	513,796	-	-	-	-
Interest on long term debt	3,166	-	-	-	(3,166)	-	(3,166)
Program expenses	86,643	-	-	-	(86,643)	-	(86,643)
Total governmental activities	<u>5,181,221</u>	<u>47,638</u>	<u>596,124</u>	<u>-</u>	<u>(4,537,459)</u>	<u>-</u>	<u>(4,537,459)</u>
Business-type activities:							
School lunch	102,122	8,304	51,419	-	-	(42,399)	(42,399)
Childcare program	-	38,556	-	-	-	38,556	38,556
Total business-type activities	<u>102,122</u>	<u>46,860</u>	<u>51,419</u>	<u>-</u>	<u>-</u>	<u>(3,843)</u>	<u>(3,843)</u>
Total government	<u>\$ 5,283,343</u>	<u>\$ 94,498</u>	<u>\$ 647,543</u>	<u>\$ -</u>	<u>(4,537,459)</u>	<u>(3,843)</u>	<u>(4,541,302)</u>

STATEMENT B (CONTINUED)  
SHARON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	<u>(4,537,459)</u>	<u>(3,843)</u>	<u>(4,541,302)</u>
General revenues:			
Grants and contributions not restricted to specific programs	4,323,777	-	4,323,777
Miscellaneous	46,179	11,352	57,531
Transfers	<u>42,498</u>	<u>(42,498)</u>	<u>-</u>
Total general revenues and transfers	<u>4,412,454</u>	<u>(31,146)</u>	<u>4,381,308</u>
Change in net position	(125,005)	(34,989)	(159,994)
NET POSITION - JULY 1	<u>205,447</u>	<u>66,083</u>	<u>271,530</u>
NET POSITION - JUNE 30	<u>\$ 80,442</u>	<u>\$ 31,094</u>	<u>\$ 111,536</u>

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

## SHARON SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 565,063	\$ 62,862	\$ 627,925
Accounts receivable (net of allowance for uncollectibles)	20,010	2,431	22,441
Due from other governments	74,013	-	74,013
Due from other funds	27,432	15,398	42,830
<b>TOTAL ASSETS</b>	<b><u>\$ 686,518</u></b>	<b><u>\$ 80,691</u></b>	<b><u>\$ 767,209</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 80,350	\$ -	\$ 80,350
Short-term note payable	673,283	-	673,283
Accrued liabilities	75,291	-	75,291
Due to other governments	9,871	-	9,871
Due to other funds	8,217	27,432	35,649
<b>TOTAL LIABILITIES</b>	<b><u>847,012</u></b>	<b><u>27,432</u></b>	<b><u>874,444</u></b>
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable	-	-	-
Restricted	-	13,412	13,412
Committed	-	62,632	62,632
Assigned	5,757	-	5,757
Unassigned	(166,251)	(22,785)	(189,036)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b><u>(160,494)</u></b>	<b><u>53,259</u></b>	<b><u>(107,235)</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b><u>\$ 686,518</u></b>	<b><u>\$ 80,691</u></b>	<b><u>\$ 767,209</u></b>

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

## SHARON SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ (107,235)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	356,387
Deferred outflows of resources related to pension are not financial resources and therefore are not reported in the funds	65,293
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bond payable	(27,496)
Note from direct borrowings payable	(92,358)
Net pension liability	(113,171)
Deferred inflows of resources related to pension are not financial resources and therefore are not reported in the funds	<u>(978)</u>
Net position of governmental activities	<u>\$ 80,442</u>

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

## STATEMENT E

## SHARON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Intergovernmental revenues	\$ 4,520,767	\$ 39,280	\$ 4,560,047
Tuition	47,638	-	47,638
Interest income	7,493	80	7,573
Miscellaneous revenues	38,606	-	38,606
<b>TOTAL REVENUES</b>	<b>4,614,504</b>	<b>39,360</b>	<b>4,653,864</b>
<b>EXPENDITURES</b>			
Current:			
School instruction	3,388,726	-	3,388,726
Special education	438,509	-	438,509
Board of Education	31,913	-	31,913
Fiscal services	132,573	-	132,573
Superintendent's office	107,555	-	107,555
Operations and maintenance	209,514	-	209,514
Transportation	97,636	-	97,636
School administration	159,186	-	159,186
On-behalf payments	153,942	-	153,942
Program expenses	-	86,643	86,643
Debt service:			
Principal	19,372	-	19,372
Interest	3,166	-	3,166
<b>TOTAL EXPENDITURES</b>	<b>4,742,092</b>	<b>86,643</b>	<b>4,828,735</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(127,588)</b>	<b>(47,283)</b>	<b>(174,871)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	75,000	-	75,000
Transfers (out)	(32,502)	-	(32,502)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>42,498</b>	<b>-</b>	<b>42,498</b>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	<b>(85,090)</b>	<b>(47,283)</b>	<b>(132,373)</b>
<b>FUND BALANCES (DEFICITS) - JULY 1</b>	<b>(75,404)</b>	<b>100,542</b>	<b>25,138</b>
<b>FUND BALANCES (DEFICITS) - JUNE 30</b>	<b>\$ (160,494)</b>	<b>\$ 53,259</b>	<b>\$ (107,235)</b>

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

## SHARON SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (132,373)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset purchases	43,681
Depreciation expense	<u>(21,166)</u>
	<u>22,515</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>5,000</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, reduces long-term obligations in the Statement of Net Position	
	<u>19,372</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>197</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Net pension liability	<u>(39,716)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (125,005)</u></u>

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

## SHARON SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2020

	Enterprise Funds		Total
	School Lunch	Childcare Program	
<b>ASSETS</b>			
Current assets:			
Due from other governments	\$ 35,665	\$ -	\$ 35,665
Inventory	416	-	416
Due from other funds	-	47,208	47,208
Total current assets	<u>36,081</u>	<u>47,208</u>	<u>83,289</u>
Noncurrent assets:			
Capital assets:			
Buildings	52,777	-	52,777
Machinery and equipment	19,238	-	19,238
Total capital assets	<u>72,015</u>	<u>-</u>	<u>72,015</u>
Less: accumulated depreciation	<u>(69,821)</u>	<u>-</u>	<u>(69,821)</u>
Total noncurrent assets	<u>2,194</u>	<u>-</u>	<u>2,194</u>
<b>TOTAL ASSETS</b>	<u>\$ 38,275</u>	<u>\$ 47,208</u>	<u>\$ 85,483</u>
<b>LIABILITIES</b>			
Current liabilities:			
Due to other funds	\$ 54,389	\$ -	\$ 54,389
Total current liabilities	<u>54,389</u>	<u>-</u>	<u>54,389</u>
<b>TOTAL LIABILITIES</b>	<u>54,389</u>	<u>-</u>	<u>54,389</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,194	-	2,194
Restricted	-	47,208	47,208
Unrestricted (deficit)	<u>(18,308)</u>	<u>-</u>	<u>(18,308)</u>
<b>TOTAL NET POSITION</b>	<u>(16,114)</u>	<u>47,208</u>	<u>31,094</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 38,275</u>	<u>\$ 47,208</u>	<u>\$ 85,483</u>

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

## SHARON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds		Total
	School Lunch	Childcare Program	
OPERATING REVENUES			
Sale of meals	\$ 8,304	\$ -	\$ 8,304
Federal and state reimbursements	51,419	-	51,419
Tuition/fees	-	38,556	38,556
Miscellaneous	11,352	-	11,352
TOTAL OPERATING REVENUES	<u>71,075</u>	<u>38,556</u>	<u>109,631</u>
OPERATING EXPENSES			
Salaries and benefits	50,526	-	50,526
Food	45,244	-	45,244
Supplies	5,306	-	5,306
Depreciation	392	-	392
Miscellaneous	654	-	654
TOTAL OPERATING EXPENSES	<u>102,122</u>	<u>-</u>	<u>102,122</u>
OPERATING INCOME (LOSS)	<u>(31,047)</u>	<u>38,556</u>	<u>7,509</u>
NONOPERATING INCOME (EXPENSE)			
Transfers in	32,502	-	32,502
Transfers (out)	-	(75,000)	(75,000)
TOTAL NONOPERATING INCOME (EXPENSE)	<u>32,502</u>	<u>(75,000)</u>	<u>(42,498)</u>
CHANGE IN NET POSITION (DEFICIT)	1,455	(36,444)	(34,989)
NET POSITION (DEFICIT) - JULY 1	<u>(17,569)</u>	<u>83,652</u>	<u>66,083</u>
NET POSITION (DEFICIT) - JUNE 30	<u>\$ (16,114)</u>	<u>\$ 47,208</u>	<u>\$ 31,094</u>

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

## SHARON SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds		Total
	School Lunch	Childcare Program	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ (22,812)	\$ 38,556	\$ 15,744
Internal activity - receipts from other funds	40,621	36,444	77,065
Intergovernmental	51,419	-	51,419
Payments to suppliers	(51,204)	-	(51,204)
Payments to employees	(50,526)	-	(50,526)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(32,502)</u>	<u>75,000</u>	<u>42,498</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	<u>32,502</u>	<u>(75,000)</u>	<u>(42,498)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>32,502</u>	<u>(75,000)</u>	<u>(42,498)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (31,047)	\$ 38,556	\$ 7,509
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation & amortization expense	392	-	392
Changes in operating assets and liabilities:			
(Increase) decrease in due from other governments	(31,116)	-	(31,116)
(Decrease) increase in due to other funds	29,269	36,444	65,713
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (32,502)</u>	<u>\$ 75,000</u>	<u>\$ 42,498</u>

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

## SHARON SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2020

	<u>Agency Funds</u>
	<u>Student</u>
	<u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 16,398
TOTAL ASSETS	<u>\$ 16,398</u>
LIABILITIES	
Deposits held for others	\$ 16,398
TOTAL LIABILITIES	<u>\$ 16,398</u>

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The School District was incorporated under the laws in the State of Vermont. The School District operates under the Board of Directors-superintendent form of government and provides the following services: school instruction, special education, Board of Education, fiscal services, superintendent's office, operations and maintenance, transportation, school administration and program expenditures.

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

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

**COVID-19 Outbreak**

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

In response to the health crisis created by COVID-19 since early March, the Governor of Vermont issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel and limiting movement of all persons in Vermont to those necessary to obtain or provide essential services or activities. See Executive Order 01-20 and its addendums. As of the date of this report, the state of emergency was extended to March 15, 2021 and may be further extended if circumstances warrant. While steps toward reopening the State have begun, the speed and scope of the reopening process will depend upon progress toward limiting the continued spread of the disease.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Impact on and Results of Operations*

On March 13, 2020, the Governor of Vermont directed the dismissal of Pre-K through 12 schools (Gubernatorial Directive to All School Boards and Superintendents - Continuity of Education Planning). Based on the March 17, 2020 directive from the Agency of Education, Districts were required to keep all employees on payroll, whether they were working or not, through the remainder of the school year. That requirement expired on June 30, 2020.

In accordance with Addendum 6 to Executive Order 01-20, issued by the Governor of Vermont on March 24, 2020 (also referred to as the "Stay Home, Stay Safe Order") and Directive 5 to Executive Order 01-20, issued by the Governor of Vermont on March 26, 2020, the District ceased in-house operations and moved to remote learning systems. The District chose to use google meet as its method of remote learning to comply with the Governor's order to support the continuity of learning. The application of this Executive Order necessitated that this method remained in force for the remainder of the scheduled school year.

*Impact on Finances*

The District does not currently anticipate any additional FY 2020 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security ("CARES") Act funding and applicable State programs.

*Expected Federal/State Support*

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

*Conclusion*

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Implementation of New Accounting Standards**

During the year ended June 30, 2020, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance." The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. (The following pronouncements exclude Statements No. 83 and No. 88 which were implemented prior to this Statement).

The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 84, Fiduciary Activities; Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period; Statement No. 90, Majority Equity Interests; Statement No. 91, Conduit Debt Obligations; Statement No. 92, Omnibus 2020; Statement No. 93, Replacement of Interbank Offered Rates; Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting); Implementation Guide No. 2018-1, Implementation Guidance Update-2018; Implementation Guide No. 2019-1, Implementation Guidance Update-2019 and Implementation Guide No. 2019-2, Fiduciary Activities. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, Leases and Implementation Guide No. 2019-3, Leases.

Statement No. 97 "Certain Component Unit Criteria (paragraphs 4 & 5)." The primary objectives of paragraphs 4 & 5 in this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. Management has determined the impact of this Statement is not material to the financial statements.

**Government-Wide and Fund Financial Statements**

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School District's school lunch program and childcare program are categorized as business-type activities. All other activities of the School District are categorized as governmental.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions (instruction, administration, etc.) excluding fiduciary activity. The functions are also supported by general government revenues (support from the School District, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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

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

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

**Measurement Focus - Basic Financial Statements and Fund Financial Statements**

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Governmental Funds:

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

Major Fund:

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

Nonmajor Funds:

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the School District:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the School District's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

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

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

**Basis of Accounting**

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

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**Budget**

The School District's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Vermont to the Vermont State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

Revenues per budgetary basis	\$ 4,535,562
Add: On-behalf payments	<u>153,942</u>
Total GAAP basis	<u><u>\$ 4,689,504</u></u>
Expenditures per budgetary basis	\$ 4,620,652
Add: On-behalf basis	<u>153,942</u>
Total GAAP basis	<u><u>\$ 4,774,594</u></u>

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

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deposits and Investments**

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the School District's policy to value investments at fair value. None of the School District's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The School District Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

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

**Receivables**

Receivables include amounts due for instructional and special educational services. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2020. Accounts receivable netted with allowances for uncollectible accounts were \$132,119 for the year ended June 30, 2020.

**Inventories**

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

SHARON SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Interfund Receivables and Payables**

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

**Transactions Between Funds**

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

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$1,000 or more for land, \$25,000 or more for buildings and improvements and \$2,500 for furniture and equipment and \$5,000 for vehicles are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

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

Estimated useful lives are as follows:

Buildings	30 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

**Long-term Obligations**

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All long-term obligations to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term obligations consist of a bond and note from direct borrowings payable and net pension liability.

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

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) and the Vermont Municipal Employees' Retirement System (VMERS) Plans and additions to/deductions from the VSTRS and VMERS Plans' fiduciary net position have been determined on the same basis as they are reported by the VSTRS and VMERS Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**OPEB**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) Plan and additions to/deductions from the VSTRS OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by VSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

**Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

**Nonspendable** - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

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

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

**Assigned** - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is given through Vermont Statutes Annotated Title 16 §567 and is expressed by the Board of Directors.

**Unassigned** - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deferred Outflows and Inflows of Resources**

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

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions qualifies for reporting in this category. This item is reported only in the statement of net position. All items in this category are deferred and recognized as inflows of resources in the period that the amounts become available.

**Program Revenues**

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services or privileges provided, operating or capital grants and contributions, including special assessments).

**Operating/Nonoperating Proprietary Fund Revenues**

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Encumbrance Accounting**

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Use of Estimates**

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

**Deposits:**

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

At June 30, 2020, the School District's cash balance of \$644,323 was comprised of bank balances of \$806,185. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the School District's cash balance. Of these deposits, \$272,006 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining deposits of \$534,179 were collateralized with securities held in the financial institution's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 151,021
Savings accounts	120,985
Repurchase agreement	534,179
	<u>\$ 806,185</u>

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

**Investments:**

Custodial credit risk for investments is that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the School District does not have a policy for custodial credit risk for investments.

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

The School District had \$0 of investments at June 30, 2020.

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2020 consisted of the following individual fund receivables and payables:

	<u>Receivables</u> <u>(Due from)</u>	<u>Payables</u> <u>(Due to)</u>
General fund	\$ 41,820	\$ 172,699
Enterprise funds	83,652	25,120
Nonmajor special revenue funds	13,020	41,820
Nonmajor capital projects funds	101,147	-
	<u>\$ 239,639</u>	<u>\$ 239,639</u>

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

SHARON SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 4 - INTER FUND TRANSFERS

Interfund transfers at June 30, 2020 consisted of the following:

	Transfer In	Transfer (Out)
General fund	\$ 75,000	\$ 32,502
Enterprise funds	32,502	75,000
	\$ 107,502	\$ 107,502

Interfund transfers are the results of legally authorized activity and are considered to be in the course of normal operations.

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance, 7/1/19	Additions	Disposals	Balance, 6/30/20
<u>Governmental activities:</u>				
Depreciated assets:				
Buildings and improvements	\$ 1,815,508	\$ 37,895	\$ -	\$ 1,853,403
Furniture and equipment	170,949	5,786	(50,575)	126,160
Infrastructure	127,584	-	-	127,584
	2,114,041	43,681	(50,575)	2,107,147
Less: accumulated depreciation				
Buildings and improvements	(1,591,950)	(13,665)	-	(1,605,615)
Furniture and equipment	(145,691)	(3,248)	50,575	(98,364)
Infrastructure	(42,528)	(4,253)	-	(46,781)
	(1,780,169)	(21,166)	50,575	(1,750,760)
Net capital assets governmental activities	333,872	22,515	-	356,387

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Balance, 7/1/19	Additions	Disposals	Balance, 6/30/20
<u>Business-type activities:</u>				
Depreciated assets:				
Buildings	52,777	-	-	52,777
Machinery and equipment	48,298	-	(29,060)	19,238
	101,075	-	(29,060)	72,015
Less: accumulated depreciation	(98,489)	(392)	29,060	(69,821)
Net capital assets business-type activities	2,586	(392)	-	2,194
 Total	<u>\$ 336,458</u>	<u>\$ 22,123</u>	<u>\$ -</u>	<u>\$ 358,581</u>
 <u>Current year depreciation:</u>				
School instruction				\$ 3,000
Operations and maintenance				18,166
Total governmental activities				21,166
School lunch				392
Total depreciation expenses				<u>\$ 21,558</u>

NOTE 6 - SHORT-TERM DEBT

On July 1, 2019, the School District issued a tax/revenue anticipation note to provide liquidity for governmental operations financed by property taxes. The tax/revenue anticipation note allows principal draws up to \$673,283 at a fixed interest rate of 2.80% per annum, with a maturity date of June 30, 2020. Interest paid on the note for the year was \$18,826.

Short-term debt activity for the year ended June 30, 2020, was as follows:

	Balance, 7/1/19	Additions	Reductions	Balance, 6/30/20
Tax/revenue anticipation note	\$ -	\$ 673,283	\$ -	\$ 673,283

NOTE 7 - LONG TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2020 is as follows:

	Balance, 7/1/19	Additions	Deletions	Balance, 6/30/20	Current Portion
Bond payable	\$ 29,580	\$ -	\$ (2,084)	\$ 27,496	\$ 2,147
Note from direct borrowings payable	109,646	-	(17,288)	92,358	17,653
	<u>\$ 139,226</u>	<u>\$ -</u>	<u>\$ (19,372)</u>	<u>\$ 119,854</u>	<u>\$ 19,800</u>

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 7 - LONG TERM DEBT (CONTINUED)

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

\$110,578 Bond payable including an ARRA subsidy of \$66,366 through Vermont Environmental Protection Agency Drinking Water State Revolving Fund. Payments are due to Vermont Municipal Bond Bank in annual installments of \$2,972 in principal, interest and admin. payments through December 2030. The interest rate is fixed at 1.00% and administration fee is fixed at 2.00% per annum.	\$ 27,496
\$175,000 Note payable for a pellet hot water boiler system due to Mascoma Savings Bank in annual payments of \$19,566, in principal and interest through June 2025. The interest rate is fixed at 2.08% per annum.	<u>92,358</u>
Total bond and note from direct borrowings payable	<u>\$ 119,854</u>

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

Year	BOND PAYABLE		NOTE FROM DIRECT BORROWING PAYABLE		Total Debt Service
	Principal	Interest	Principal	Interest	
2021	\$ 2,147	\$ 825	\$ 17,653	\$ 1,912	\$ 22,537
2022	2,211	760	18,021	1,545	22,537
2023	2,278	694	18,395	1,170	22,537
2024	2,346	626	18,776	790	22,538
2025	2,416	555	19,513	397	22,881
2026-2030	13,213	1,645	-	-	14,858
2031-2035	2,885	87	-	-	2,972
	<u>\$ 27,496</u>	<u>\$ 5,192</u>	<u>\$ 92,358</u>	<u>\$ 5,814</u>	<u>\$ 130,860</u>

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8 - OTHER LONG-TERM OBLIGATIONS

A summary of changes in other long-term obligations for the year ended June 30, 2020 is as follows:

	Balance, 7/1/19	Additions	Deletions	Balance, 6/30/20	Current Portion
Net pension liability	<u>\$ 73,455</u>	<u>\$ 52,249</u>	<u>\$ (12,533)</u>	<u>\$ 113,171</u>	<u>\$ -</u>

Refer to Note 14 for more detailed information regarding net pension liability.

NOTE 9 - RESTRICTED NET POSITION

At June 30, 2020, the School District had the following restricted net position:

Enterprise fund:	
Childcare Program	\$ 47,208
Special revenue funds:	
Dental access	513
Curriculum reserve	8,375
Wellness	2,953
Library fund	549
Medicaid IEP	630
PEDG	392
	<u>\$ 60,620</u>

NOTE 10 - RESTRICTED FUND BALANCES

At June 30, 2020, the School District had the following restricted fund balances:

Nonmajor special revenue funds (Schedule E)	<u>\$ 13,412</u>
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NOTE 11 - COMMITTED FUND BALANCES

At June 30, 2020, the School District had the following committed fund balances:

Nonmajor capital projects funds (Schedule G)	<u>\$ 62,632</u>
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SHARON SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020

NOTE 12 - ASSIGNED FUND BALANCES

At June 30, 2020, the School District had the following assigned fund balances:

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

NOTE 13 - DEFICIT NET POSITION AND FUND BALANCES

At June 30, 2020, the School District had the following deficit net position and fund balances:

Net position:	
School lunch	\$ 16,114
	<u>          </u>
Fund balances:	
General fund	\$ 160,494
SRSA	4,808
School-wide program	11,495
VCGN Mini grant	3
Farm to school	2,519
911 enhanced	3,960
	<u>\$ 183,279</u>

NOTE 14 - OVERSPENT APPROPRIATIONS

The School District's budget is approved in total by one article. At June 30, 2020 the School District was noncompliant with the legally adopted budget, overspending the entire allowed appropriation of \$4,449,463 by \$110,876.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

**Plan Description**

All of the teachers employed by the School District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private Union teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2018 (the most recent period available), the retirement system consisted of 22,561 participating members.

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

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

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

**Benefits Provided**

The VSTRS provides retirement and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. There are two levels of contributions and benefits in the System: Group A - for public school

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

<b>VSTRS</b>	<b>Group A</b>	<b>Group C – Group # 1</b>	<b>Group C – Group # 2</b>
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pay full premium	Members pay full premium	Members pay full premium

**Contributions**

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings and the School District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan which approximates \$153,942 or 19.15% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

<b>VSTRS</b>	<b>Group A</b>	<b>Group C – Group # 1</b>	<b>Group C – Group # 2</b>
Employee Contributions	5.5% of gross salary; contributions stop after 25 years of creditable service	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

Employee contributions totaled \$40,474 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees covered under this plan was \$803,876 for the year ended June 30, 2020.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

**Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost sharing, multi-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125. It is designed for persons employed on a regular basis by a school district or by a supervisory union for no fewer than 1,040 hours in a year and for no fewer than 30 hours a week for the school year, as defined in 16 V.S.A. § 1071, or for no fewer than 1,040 hours in a year and for no fewer than 24 hours a week year-round; provided, however, that if a person who was employed on a regular basis by a school district as either a special education or transportation employee and who was transferred to and is working in a supervisory union in the same capacity pursuant to 16 V.S.A. § 261a(a)(6) or (8)(E) and if that person is also employed on a regular basis by a school district within the supervisory union, then the person is an "employee" if these criteria are met by the combined hours worked for the supervisory union and school district. The term shall also mean persons employed on a regular basis by a municipality other than a school district for no fewer than 1,040 hours in a year and for no fewer than 24 hours per week, including persons employed in a library at least one-half of whose operating expenses are met by municipal funding. For the year ended June 30, 2019 (the most recent data available), the retirement system consisted of 14,755 participating members.

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

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

[http://finance.vermont.gov/reports\\_and\\_publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr).

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Benefits Provided**

The pension plan is divided into four membership groups:

- Group A - general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B and C - general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D - sworn police officers, firefighters and emergency medical personnel

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

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Normal service retirement eligibility	Age 65 with 5 years of service or age 55 with 35 years of service	Age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
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NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

**Contributions**

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund and to certify the rates of contributions payable employees. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group as of July 1, 2019 are as follows:

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Employee Contributions	2.750% of gross salary	5.125% of gross salary	10.250% of gross salary	11.600% of gross salary
Employer Contributions	4.250% of gross salary	5.750% of gross salary	7.500% of gross salary	10.100% of gross salary

Employee contributions are withheld pre-income tax by the School District and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2020 totaled \$10,045. The School District contributed \$11,315 for the year ended June 30, 2020. The School District's total payroll for the year ended June 30, 2020 for all employees covered under this plan was \$196,776.

**Pension Liabilities**

*VSTRS Plan*

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net pension liability was

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

recorded at June 30, 2020. The State's portion of the collective net pension liability that was associated with the School District was as follows:

School District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the School District		1,897,544
Total	\$	1,897,544

The State of Vermont's proportionate share of the net pension liability associated with the School District is equal to the collective net pension liability, actuarially measured as of June 30, 2019, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2019, the School District's proportion was 0.121589% which was an increase of 0.00195% from its proportion measured as of June 30, 2018.

*VMERS Plan*

At June 30, 2020, the School District reported a liability of \$113,171 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2019 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2017. The School District's proportion of the net pension liabilities were based on a projection of the School District's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2019, the School District's proportion was 0.062533% for VMERS, which was an increase of 0.01301% from its proportion measured as of June 30, 2018 for VMERS.

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

For the year ended June 30, 2020, the School District recognized total pension expense of \$250,185 and revenue of \$250,185 for support provided by the State of Vermont for the VSTRS plan. In the same period, the School District recognized pension expense of \$34,519 for the VMERS plan. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 14,662	\$ 978
Changes of assumptions	-	-	3,778	-
Net difference between projected and actual earnings on pension plan investments	-	-	7,708	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	27,830	-
Contributions subsequent to the measurement date	-	-	11,315	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,293</u>	<u>\$ 978</u>

\$11,315 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS Plan	VMERS Plan
Plan year ended June 30:		
2021	\$ -	\$ 19,819
2022	-	15,122
2023	-	11,714
2024	-	6,345
2025	-	-
Thereafter	-	-

**Significant Actuarial Assumptions and Methods**

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using the actuarial assumptions outlined below.

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

*Inflation:* For both plans, 2.50%.

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
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NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

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

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

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

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

*Unknown Data for Participants:* For both plans, they are the same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

*Percent Married:* For both plans, 85% of male members are assumed to be married. 35% of female members for the VSTRS plan and 50% of female members for the VMERS plan are assumed to be married.

*Spouse's Age:* For both plans, husbands are assumed to be three years older than their wives.

*Cost-of-Living Adjustments:* Adjustments for both plans are assumed to occur on January 1 following one year of retirement. For the VSTRS plan this occurs at the rate of 2.55% per annum for Group A members and 1.40% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement). The January 1, 2020 COLA is assumed to be 1.60% for Group A and 1.00% for Group C. For the VMERS plan, this occurs at the rate of 1.15% per annum for Group A members

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

and 1.30% per annum for Groups B, C and D members (beginning Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for Group A, B and D members who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2020 COLA is 0.80% for all groups.

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

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

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

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	29.00%	6.90%
US Equity - Large Cap	4.00%	5.94%
US Equity - Small/Mid Cap	3.00%	6.72%
Non-US Equity - Large Cap	5.00%	6.81%
Non-US Equity - Small Cap	2.00%	7.31%
Emerging Markets Debt	4.00%	4.26%
Core Bonds	14.00%	1.79%
Non-Core Bonds	6.00%	3.22%
Short Quality Credit	5.00%	1.81%
Private Credit	5.00%	6.00%
US TIPS	3.00%	1.45%
Core Real Estate	5.00%	4.26%
Non-Core Real Estate	3.00%	5.76%
Private Equity	10.00%	10.81%
Infrastructure/Farmland	2.00%	4.89%

**Discount Rate**

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

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

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.50%	7.50%	8.50%
School's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.50%	7.50%	8.50%
School's proportionate share of the net pension liability	\$ 185,583	\$ 113,171	\$ 53,227

**Pension Plan Fiduciary Net Position**

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

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

**Plan Description**

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

The plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2019, the Plan consisted of 184 participating employers and at June 30, 2018 (the most recent period available), the plan consisted of 6,713 retired members or beneficiaries currently receiving benefits and 9,892 active members.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
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NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

**Benefits Provided**

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

**Contributions**

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	<b>Retiree Subsidy</b>		<b>Spouse Subsidy*</b>	
Retired before June 30, 2010	At least ten years of service- 80% of premium Less than ten years of service- 0% of premium		0% of premium	
Retired after June 30, 2010	10 years or more of service at June 30, 2010 - 80% of premium		Years of service at June 30, 2010 - 80% of premium if meet the following years of service at retirement requirement:	
	Less than 10 years of service at June 30, 2010:			
	Less than 15 years at retirement	0% of premium	Less than 10 years	Less than 15 years at retirement
	15-19.99 years at retirement	60% of premium	10-14.99 years	15-19.99 years at retirement
	20-24.99 years at retirement	70% of premium	15-24.99 years	20-24.99 years at retirement
	25 years or more at retirement	80% of premium	25-29.99 years	25 years or more at retirement 5 additional years from June 30, 2010

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

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

Retirees pay full cost of dental benefits.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
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NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

**OPEB Liabilities**

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 75 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net OPEB liability was recorded at June 30, 2020. The State's portion of the collective net OPEB liability that was associated with the School District was as follows:

School District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the School District	<u>1,608,630</u>
Total	<u><u>\$ 1,608,630</u></u>

The State of Vermont's proportionate share of the net OPEB liability associated with the School District is equal to the collective net OPEB liability, actuarially measured as of June 30, 2019, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2019, the School District's proportion was 0.1546% which was an increase of 0.01341% from its proportion measured as of June 30, 2018.

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

For the year ended June 30, 2020, the School District recognized total OPEB expense of \$109,669 and revenue of \$109,669 for support provided by the State of Vermont for the Plan. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

	<u>VSTRS OPEB Plan</u>	
Plan year ended June 30:		
2020	\$	-
2021		-
2022		-
2023		-
2024		-
Thereafter		-

**Discount Rate**

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
VSTRS OPEB Plan:			
Discount rate	2.50%	3.50%	4.50%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

**Healthcare Trend Rate**

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

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

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2019, using the following methods and assumptions applied to all periods included in the measurement:

*Actuarial Cost Method*

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

*Amortization*

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

*Asset Valuation Method*

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

The long-term expected rate of return on OPEB plan investments are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation, long-term expected rates of return for each major asset class and expected inflation, as of June 30, 2019, are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.50%
International equity	15.00%	7.75%
Emerging international equity	5.00%	9.25%
Core bonds	60.00%	4.37%
Inflation		2.75%
Total	100.00%	

*Assumptions*

The actuarial assumptions used to calculate the actuarially determined contribution rates can be found in the Report on the Actuarial Valuation of Post-Retirement Benefits of the Vermont State Teachers' Retirement System Prepared as of June 30, 2016 completed by Buck Consulting. As of June 30, 2019, they are as follows:

Discount Rate	3.50%
Salary Increase Rate	Varies by age
Non-Medicare	7.15% graded to 4.50% over 12 years
Medicare	7.15% graded to 4.50% over 12 years
Retiree Contributions	Equal to health trend
Pre-retirement Mortality	98% of RP-2006 White Collar Employee with generational projection using Scale SSA-2017.
Post-retirement Mortality	98% of RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017.

**Changes in Net OPEB Liability**

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2019 with the following exceptions:

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

*Changes in Assumptions*

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period remaining was twenty-nine years as of July 1, 2019. For the fiscal year ended June 30, 2019, the discount rate was decreased from 3.87% to 3.50%.

**OPEB Plan Fiduciary Net Position**

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

NOTE 17 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the School carries commercial insurance or participates in a public entity and self-insured risk pool.

Based on the coverage provided by the insurance purchased, the School is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2020. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

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

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 17 - RISK MANAGEMENT (CONTINUED)

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

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

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

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

NOTE 18 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the School District's financial position.

SHARON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 18 - CONTINGENCIES (CONTINUED)

The School District participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the School District's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 19 - RELATED ORGANIZATION

The School District has an ongoing financial responsibility to White River Valley Supervisory Union as defined in GASB 14, paragraph 71. Through White River Valley Supervisory Union's assessment process, the School District's assessment can be increased to cover a share of any prior year deficits and decreased to share in any prior year surpluses. Separate financial statements on White River Valley Supervisory Union are available from White River Valley Supervisory Union.

NOTE 20 - SUBSEQUENT EVENTS

On July 1, 2020, the School District issued a Tax/Revenue Anticipation note with Community National Bank to meet its operating obligations during the 2021 fiscal year. The note allows principal draws up to \$778,096 at 1.54% interest with a maturity date of June 30, 2021.

## Required Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pensions
- Schedule of Proportionate Share of the Net OPEB Liability
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

## SHARON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (75,404)	\$ (75,404)	\$ (75,404)	\$ -
Resources (Inflows):				
Intergovernmental:				
State support	4,183,552	4,183,552	4,181,790	(1,762)
Other	161,045	161,045	185,035	23,990
Tuition	13,424	13,424	47,638	34,214
Interest income	16,000	16,000	7,493	(8,507)
Miscellaneous	500	500	38,606	38,106
Transfers from other funds	75,000	75,000	75,000	-
Amounts Available for Appropriation	<u>4,374,117</u>	<u>4,374,117</u>	<u>4,460,158</u>	<u>86,041</u>
Charges to Appropriations (Outflows):				
School instruction	3,253,941	3,253,941	3,388,726	(134,785)
Special education	406,828	406,828	438,509	(31,681)
Board of Education	34,085	34,085	31,913	2,172
Fiscal services	109,878	109,878	132,573	(22,695)
Superintendent's office	93,684	93,684	107,555	(13,871)
Operations and maintenance	207,267	207,267	209,514	(2,247)
Transportation	105,335	105,335	97,636	7,699
School administration	183,405	183,405	159,186	24,219
Debt service:				
Principal	19,372	19,372	19,372	-
Interest	3,166	3,166	3,166	-
Transfers to other funds	32,502	32,502	32,502	-
Total Charges to Appropriations	<u>4,449,463</u>	<u>4,449,463</u>	<u>4,620,652</u>	<u>(171,189)</u>
Budgetary Fund Balance (Deficit), June 30	<u>\$ (75,346)</u>	<u>\$ (75,346)</u>	<u>\$ (160,494)</u>	<u>\$ (85,148)</u>

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

SHARON SCHOOL DISTRICT

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

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

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

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

SHARON SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSIONS  
LAST 10 FISCAL YEARS\*

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

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

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

SHARON SCHOOL DISTRICT

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

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

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

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>VSTRS OPEB Plan:</u>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 803,876	\$ 835,477	\$ 810,055	\$ 809,871
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

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

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

SHARON SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2020

**Changes of Assumptions**

VSTRS Pension Plan:

There have been no changes in actuarial assumptions since the last measurement date.

VMERS Pension Plan:

There have been no changes in actuarial assumptions since last valuation.

VSTRS OPEB Plan:

The discount rate was decreased from 3.87% to 3.50%.

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

The assumed health trend rates were modified.

The percentage of future retirees not eligible for a subsidy assumed to elect coverage was increased from 10% to 15%.

60% of terminated vested participants who are eligible for a subsidy and 0% of those not eligible for a subsidy were assumed to elect coverage. Previously 30% of future terminated vested participants who are eligible for a subsidy and 10% of those not eligible for a subsidy were assumed to elect coverage and 30% of current terminated vested participants were assumed to elect coverage.

## Other Supplementary Information

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

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

## SHARON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND REVENUES  
 FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
State support	\$ 4,183,552	\$ 4,183,552	\$ 4,181,790	\$ (1,762)
Transportation aid	39,622	39,622	38,792	(830)
Tech center support grant	58,871	58,871	65,480	6,609
Small schools grant	28,642	28,642	43,536	14,894
Medicaid	31,000	31,000	30,000	(1,000)
PreK expansion grant	-	-	-	-
Other	2,910	2,910	7,227	4,317
Tuition:				
PreK tuition	-	-	47,638	47,638
Elementary tuition	13,424	13,424	-	(13,424)
Interest income	16,000	16,000	7,493	(8,507)
Miscellaneous:				
Other receipts	500	500	1,204	704
Prior year	-	-	37,402	37,402
Transfers in	75,000	75,000	75,000	-
Amounts Available for Appropriation	<u>\$ 4,449,521</u>	<u>\$ 4,449,521</u>	<u>\$ 4,535,562</u>	<u>\$ 86,041</u>

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

## SHARON SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
School instruction -				
Elementary -				
Regular education	\$ 780,567	\$ 780,567	\$ 795,630	\$ (15,063)
Art	20,299	20,299	20,140	159
Foreign language	17,759	17,759	10,904	6,855
Physical education	21,300	21,300	17,930	3,370
Music	17,815	17,815	19,277	(1,462)
Remedial	-	-	73	(73)
Food service-substitute salary	1,000	1,000	2,020	(1,020)
Guidance	61,934	61,934	47,009	14,925
Psychological services	2,000	2,000	-	2,000
Support services	-	-	6,840	(6,840)
Staff development	24,029	24,029	879	23,150
504	12,500	12,500	-	12,500
Health	51,925	51,925	64,297	(12,372)
Library	66,317	66,317	57,904	8,413
Preschool	221,102	221,102	248,960	(27,858)
Secondary -				
General education	1,847,154	1,847,154	1,957,762	(110,608)
Tech centers	108,240	108,240	139,101	(30,861)
	<u>3,253,941</u>	<u>3,253,941</u>	<u>3,388,726</u>	<u>(134,785)</u>
Special Education				
Assessment	406,828	406,828	438,509	(31,681)
	<u>406,828</u>	<u>406,828</u>	<u>438,509</u>	<u>(31,681)</u>
Board of Education -				
Stipends/salaries/benefits	23,501	23,501	20,441	3,060
Consulting services	3,500	3,500	129	3,371
Liability insurance	3,384	3,384	4,915	(1,531)
Advertising	1,500	1,500	753	747
Printing/postage/supplies/travel	200	200	1,217	(1,017)
Dues and fees	2,000	2,000	4,458	(2,458)
	<u>34,085</u>	<u>34,085</u>	<u>31,913</u>	<u>2,172</u>
Fiscal services -				
Fiscal services assessment	83,602	83,602	112,234	(28,632)
Short term interest	25,000	25,000	18,826	6,174
Treasurer	1,076	1,076	1,176	(100)
Postage, supplies, dues and fees	200	200	337	(137)
	<u>109,878</u>	<u>109,878</u>	<u>132,573</u>	<u>(22,695)</u>

SCHEDULE B (CONTINUED)  
SHARON SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Superintendent's office -				
Central office assessments	53,888	53,888	53,888	-
Curriculum	14,066	14,066	14,066	-
Grant coordinator assessment	8,756	8,756	8,756	-
Technology services assessment	16,974	16,974	30,845	(13,871)
	<u>93,684</u>	<u>93,684</u>	<u>107,555</u>	<u>(13,871)</u>
School Administration				
Salaries and benefits	165,605	165,605	141,019	24,586
Contracted services	250	250	-	250
Telephone/postage/printing/travel	5,300	5,300	5,842	(542)
Supplies/books/av/equipment	10,250	10,250	7,600	2,650
Dues and fees/graduation expenses	2,000	2,000	4,725	(2,725)
	<u>183,405</u>	<u>183,405</u>	<u>159,186</u>	<u>24,219</u>
Operations and maintenance -				
Custodial	207,267	207,267	208,897	(1,630)
Buildings and grounds	-	-	617	(617)
	<u>207,267</u>	<u>207,267</u>	<u>209,514</u>	<u>(2,247)</u>
Transportation -				
Transportation assessment	97,335	97,335	92,756	4,579
Field trips	8,000	8,000	4,880	3,120
	<u>105,335</u>	<u>105,335</u>	<u>97,636</u>	<u>7,699</u>
Debt service -				
Principal	19,372	19,372	19,372	-
Interest	3,166	3,166	3,166	-
	<u>22,538</u>	<u>22,538</u>	<u>22,538</u>	<u>-</u>
Transfers to other funds -				
School lunch	32,502	32,502	32,502	-
	<u>32,502</u>	<u>32,502</u>	<u>32,502</u>	<u>-</u>
<b>TOTAL DEPARTMENTAL OPERATIONS</b>	<u><u>\$ 4,449,463</u></u>	<u><u>\$ 4,449,463</u></u>	<u><u>\$ 4,620,652</u></u>	<u><u>\$ (171,189)</u></u>

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

SHARON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2020

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 62,862	\$ 62,862
Due from other governments	2,431	-	2,431
Due from other funds	13,412	1,986	15,398
<b>TOTAL ASSETS</b>	<u>\$ 15,843</u>	<u>\$ 64,848</u>	<u>\$ 80,691</u>
<b>LIABILITIES</b>			
Due to other funds	\$ 25,216	\$ 2,216	\$ 27,432
<b>TOTAL LIABILITIES</b>	<u>25,216</u>	<u>2,216</u>	<u>27,432</u>
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable	-	-	-
Restricted	13,412	-	13,412
Committed	-	62,632	62,632
Assigned	-	-	-
Unassigned	(22,785)	-	(22,785)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>(9,373)</u>	<u>62,632</u>	<u>53,259</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 15,843</u>	<u>\$ 64,848</u>	<u>\$ 80,691</u>

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

## SHARON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 39,280	\$ -	\$ 39,280
Interest income	-	80	80
TOTAL REVENUES	<u>39,280</u>	<u>80</u>	<u>39,360</u>
EXPENDITURES			
Other	<u>48,048</u>	<u>38,595</u>	<u>86,643</u>
TOTAL EXPENDITURES	<u>48,048</u>	<u>38,595</u>	<u>86,643</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(8,768)	(38,515)	(47,283)
FUND BALANCES (DEFICITS) - JULY 1	<u>(605)</u>	<u>101,147</u>	<u>100,542</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u><u>\$ (9,373)</u></u>	<u><u>\$ 62,632</u></u>	<u><u>\$ 53,259</u></u>

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

## Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

SHARON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2020

	Dental Access	SRSA	Curriculum Reserve	Wellness	Library Fund	School-Wide Program
<b>ASSETS</b>						
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,431
Due from other funds	513	-	8,375	2,953	549	-
<b>TOTAL ASSETS</b>	<u>\$ 513</u>	<u>\$ -</u>	<u>\$ 8,375</u>	<u>\$ 2,953</u>	<u>\$ 549</u>	<u>\$ 2,431</u>
<b>LIABILITIES</b>						
Due to other funds	\$ -	\$ 4,808	\$ -	\$ -	\$ -	\$ 13,926
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>4,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,926</u>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	-	-	-	-	-	-
Restricted	513	-	8,375	2,953	549	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	(4,808)	-	-	-	(11,495)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>513</u>	<u>(4,808)</u>	<u>8,375</u>	<u>2,953</u>	<u>549</u>	<u>(11,495)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 513</u>	<u>\$ -</u>	<u>\$ 8,375</u>	<u>\$ 2,953</u>	<u>\$ 549</u>	<u>\$ 2,431</u>

SHARON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2020

	VCGN Mini Grant	Farm to School	Medicaid IEP	911 Enhanced	PEDG	Total
<b>ASSETS</b>						
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,431
Due from other funds	-	-	630	-	392	13,412
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 630</b>	<b>\$ -</b>	<b>\$ 392</b>	<b>\$ 15,843</b>
<b>LIABILITIES</b>						
Due to other funds	\$ 3	\$ 2,519	\$ -	\$ 3,960	\$ -	\$ 25,216
<b>TOTAL LIABILITIES</b>	<b>3</b>	<b>2,519</b>	<b>-</b>	<b>3,960</b>	<b>-</b>	<b>25,216</b>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	630	-	392	13,412
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	(3)	(2,519)	-	(3,960)	-	(22,785)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>(3)</b>	<b>(2,519)</b>	<b>630</b>	<b>(3,960)</b>	<b>392</b>	<b>(9,373)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 630</b>	<b>\$ -</b>	<b>\$ 392</b>	<b>\$ 15,843</b>

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

SHARON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Dental Access</u>	<u>SRSA</u>	<u>Curriculum Reserve</u>	<u>Wellness</u>	<u>Library Fund</u>	<u>School-Wide Program</u>
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,280
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,280</u>
EXPENDITURES						
Other	-	4,808	-	-	-	39,280
TOTAL EXPENDITURES	<u>-</u>	<u>4,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,280</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	(4,808)	-	-	-	-
FUND BALANCES (DEFICITS) - JULY 1	<u>513</u>	<u>-</u>	<u>8,375</u>	<u>2,953</u>	<u>549</u>	<u>(11,495)</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 513</u>	<u>\$ (4,808)</u>	<u>\$ 8,375</u>	<u>\$ 2,953</u>	<u>\$ 549</u>	<u>\$ (11,495)</u>

SHARON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>VCGN Mini Grant</u>	<u>Farm to School</u>	<u>Medicaid IEP</u>	<u>911 Enhanced</u>	<u>PEDG</u>	<u>Total</u>
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,280
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,280</u>
EXPENDITURES						
Other	-	-	-	3,960	-	48,048
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,960</u>	<u>-</u>	<u>48,048</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	-	(3,960)	-	(8,768)
FUND BALANCES (DEFICITS) - JULY 1	<u>(3)</u>	<u>(2,519)</u>	<u>630</u>	<u>-</u>	<u>392</u>	<u>(605)</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ (3)</u>	<u>\$ (2,519)</u>	<u>\$ 630</u>	<u>\$ (3,960)</u>	<u>\$ 392</u>	<u>\$ (9,373)</u>

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

## Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

## SHARON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2020

	<u>Equipment</u>	<u>Building Reserve</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 62,862	\$ 62,862
Due from other funds	1,986	-	1,986
<b>TOTAL ASSETS</b>	<u>\$ 1,986</u>	<u>\$ 62,862</u>	<u>\$ 64,848</u>
<b>LIABILITIES</b>			
Due to other funds	\$ -	\$ 2,216	\$ 2,216
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>2,216</u>	<u>2,216</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	1,986	60,646	62,632
Assigned	-	-	-
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>1,986</u>	<u>60,646</u>	<u>62,632</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,986</u>	<u>\$ 62,862</u>	<u>\$ 64,848</u>

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

## SHARON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Equipment</u>	<u>Building Reserve</u>	<u>Total</u>
REVENUES			
Interest income	\$ -	\$ 80	\$ 80
TOTAL REVENUES	<u>-</u>	<u>80</u>	<u>80</u>
EXPENDITURES			
Other	-	38,595	38,595
TOTAL EXPENDITURES	<u>-</u>	<u>38,595</u>	<u>38,595</u>
NET CHANGE IN FUND BALANCES	-	(38,515)	(38,515)
FUND BALANCES - JULY 1	<u>1,986</u>	<u>99,161</u>	<u>101,147</u>
FUND BALANCES - JUNE 30	<u>\$ 1,986</u>	<u>\$ 60,646</u>	<u>\$ 62,632</u>

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

## General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

## SHARON SCHOOL DISTRICT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2020

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Operations and maintenance	\$ -	\$ 315,761	\$ 67,112	\$ 127,584	\$ 510,457
District-wide	-	1,537,642	59,048	-	1,596,690
School lunch	-	52,777	19,238	-	72,015
Total General Capital Assets	-	1,906,180	145,398	127,584	2,179,162
Less: Accumulated Depreciation	-	(1,658,392)	(115,408)	(46,781)	(1,820,581)
Net General Capital Assets	\$ -	\$ 247,788	\$ 29,990	\$ 80,803	\$ 358,581

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

## SHARON SCHOOL DISTRICT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2020

	General Capital Assets 7/1/19	Additions	Deletions	General Capital Assets 6/30/20
Operations and maintenance	\$ 472,562	\$ 37,895	\$ -	\$ 510,457
District-wide	1,641,479	5,786	(50,575)	1,596,690
School Lunch	101,075	-	(29,060)	72,015
Total General Capital Assets	2,215,116	43,681	(79,635)	2,179,162
Less: Accumulated Depreciation	(1,878,658)	(21,558)	79,635	(1,820,581)
Net General Capital Assets	<u>\$ 336,458</u>	<u>\$ 22,123</u>	<u>\$ -</u>	<u>\$ 358,581</u>

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



Proven Expertise & Integrity

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

Board of Directors  
Sharon School District  
Sharon, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Sharon School District as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Sharon School District's basic financial statements and have issued our report thereon dated March 8, 2021.

Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to the management of Sharon School District in a separate letter dated March 1, 2021.

#### Purpose of this Report

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

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
March 8, 2021