

Federal Compliance Audit

Hartford School District

June 30, 2020



Proven Expertise & Integrity

HARTFORD SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

School Board
Hartford School District
White River Junction, 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 Hartford School District, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Hartford 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

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effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Hartford 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, pension and OPEB information on pages 4 through 12 and 60 through 65 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 Hartford School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget to Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform

Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and is also not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget to Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 to Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021, on our consideration of the Hartford 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 Hartford School District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
January 21, 2021

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

(UNAUDITED)

The following management's discussion and analysis of the Hartford 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 Hartford 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 and OPEB 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 governmental activities which include instructional program, instructional support, administration/other support, operations and maintenance, transportation, food service 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 Hartford School District include the vocational fund and collaborative fund.

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 five columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's major funds are the general fund, the state and federal grants fund, the local grants fund, the capital projects fund and the reserve fund. The School District does not have any nonmajor funds.

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 Hartford School District maintains two proprietary funds, the vocational fund and the collaborative 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 School District. These funds are not reflected in the government-wide statements because the resources of these funds are not available to support the School District's own programs. The accounting used for fiduciary funds is 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 Changes in 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 and a Schedule of Contributions - OPEB.

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the School District's governmental and business-type activities. The School District's total net position for governmental activities increased by \$1,756,633 from \$13,102,153 to \$14,858,786. The School District's total net position for business-type activities increased by \$42,777 from \$166,059 to \$208,836.

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 balance of \$608,022 at the end of this year. The business-type activities do not have any unrestricted net position as of the fiscal year end and did not in the previous year.

Table 1
Hartford School District
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Assets:				
Current Assets	\$ 8,997,096	\$ 5,879,588	\$ 1,250,455	\$ 1,322,029
Noncurrent Assets - Capital Assets	22,843,826	20,062,336	58,836	16,059
Total Assets	<u>31,840,922</u>	<u>25,941,924</u>	<u>1,309,291</u>	<u>1,338,088</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	109,007	106,137	24,783	24,131
Total Deferred Outflows of Resources	<u>109,007</u>	<u>106,137</u>	<u>24,783</u>	<u>24,131</u>
Liabilities:				
Current Liabilities	2,601,702	9,683,220	316,104	558,265
Noncurrent Liabilities	14,006,771	3,254,165	168,792	189,525
Total Liabilities	<u>16,608,473</u>	<u>12,937,385</u>	<u>484,896</u>	<u>747,790</u>
Deferred Inflows of Resources:				
Deferred Revenues	436,948	-	629,945	446,432
Deferred Inflows Related to Pensions	45,722	8,523	10,397	1,938
Total Deferred Inflows of Resources	<u>482,670</u>	<u>8,523</u>	<u>640,342</u>	<u>448,370</u>
Net Position:				
Net Investment in Capital Assets	11,551,177	10,753,036	58,836	16,059
Restricted	2,699,587	1,378,581	150,000	150,000
Unrestricted	608,022	970,536	-	-
Total Net Position	<u>\$ 14,858,786</u>	<u>\$ 13,102,153</u>	<u>\$ 208,836</u>	<u>\$ 166,059</u>

Revenues and Expenses

Revenues for the School District's governmental activities increased by 21.83%, while total expenses increased by 20.83%. The increase in revenues was due to increases in all categories. Expenses increased in all areas except for food service and program expenses.

Revenues for the School District's business-type activities increased by 3.79%, while total expenses increased by 3.07%.

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

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 2,203,018	\$ 1,847,731	\$ 5,391,283	\$ 5,214,743
Operating grants and contributions	12,086,290	8,417,929	1,539,963	1,476,603
<i>General Revenues:</i>				
Grants and contributions not restricted to specific programs	25,514,731	22,427,037	-	-
Interest income	23,142	16,193	-	-
Miscellaneous	662,258	524,341	13,414	-
Total Revenues	40,489,439	33,233,231	6,944,660	6,691,346
Expenses				
Instructional program	17,502,222	17,012,966	4,469,473	4,228,900
Instructional support	4,146,055	3,315,734	896,030	943,389
Administration/other support	2,503,400	2,451,226	644,954	677,103
Operations and maintenance	3,034,663	2,694,843	837,167	760,102
Transportation	782,075	765,158	50,499	81,852
Food service	421,679	483,312	-	-
On-behalf payments	7,906,190	2,401,898	-	-
Program expenses	737,989	1,349,103	-	-
Interest on long-term debt	424,495	318,958	-	-
Unallocated depreciation	1,274,038	1,262,613	3,760	4,967
Total Expenses	38,732,806	32,055,811	6,901,883	6,696,313
Change in Net Position	1,756,633	1,177,420	42,777	(4,967)
Net Position - July 1	13,102,153	11,924,733	166,059	171,026
Net Position - June 30	\$ 14,858,786	\$ 13,102,153	\$ 208,836	\$ 166,059

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
Hartford School District
Fund Balances - Governmental Funds
June 30,

	2020	2019	Increase/ (Decrease)
Major Funds:			
General Fund:			
Nonspendable	\$ 127,843	\$ 208,871	\$ (81,028)
Committed	250,000	600,000	(350,000)
Unassigned	3,683,326	1,934,025	1,749,301
Capital Projects Fund:			
Restricted	2,699,587	319,048	2,380,539
Reserve Fund:			
Committed	222,284	250,662	(28,378)
Total Major Funds	\$ 6,983,040	\$ 3,312,606	\$ 3,670,434

The changes to total fund balances for the general fund and reserve fund occurred due to the regular activity of operations. The increase in the capital projects fund was due to the issuance of a new bond payable less capital expenditures for new construction.

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 proprietary funds had a total increase in net position for the current year of \$42,777.

Budgetary Highlights

The were no difference between the original and final budget for the general fund.

The general fund actual revenues exceeded budgeted revenues by \$505,782 due to all revenue categories being received at or in excess of budget with the exception of special education.

The general fund actual expenditures were under budget by \$1,412,491 due to all expenditure categories being underspent or within budget with the exception of operations and maintenance.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2020, the School District's capital assets increased by \$2,824,267. This increase was the result of capital additions of \$4,103,011 less current year net disposals of \$946 and depreciation expense of \$1,277,798.

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

	<u>2020</u>	<u>2019</u>
Land	\$ 1,451,836	\$ 1,136,836
Construction in progress	507,509	-
Buildings and improvements	20,712,190	18,815,872
Machinery and equipment	187,612	125,687
Vehicles	43,515	-
Total	<u>\$ 22,902,662</u>	<u>\$ 20,078,395</u>

Debt

At June 30, 2020, the School District had \$14,049,477 in bonds and a note from direct borrowing outstanding versus \$9,309,300 in the prior year. Refer to Note 5 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.

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 Jim Vezina, Director of Finance, at Hartford School District located at 73 Highland Avenue, White River Junction, VT 05001.

STATEMENT A

HARTFORD SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,335,781	\$ -	\$ 4,335,781
Accounts receivable (net of allowance for uncollectibles)	438	125,247	125,685
Due from other governments	5,021,461	-	5,021,461
Prepaid items	127,843	-	127,843
Inventory	-	636,781	636,781
Internal balances	(488,427)	488,427	-
Total current assets	<u>8,997,096</u>	<u>1,250,455</u>	<u>10,247,551</u>
Noncurrent assets:			
Land and other assets not being depreciated	1,959,345	-	1,959,345
Buildings, building improvements and other assets, net of accumulated depreciation	20,884,481	58,836	20,943,317
Total noncurrent assets	<u>22,843,826</u>	<u>58,836</u>	<u>22,902,662</u>
TOTAL ASSETS	<u>31,840,922</u>	<u>1,309,291</u>	<u>33,150,213</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	109,007	24,783	133,790
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>109,007</u>	<u>24,783</u>	<u>133,790</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 31,949,929</u>	<u>\$ 1,334,074</u>	<u>\$ 33,284,003</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 373,944	\$ 47,977	\$ 421,921
Accrued expenses	1,203,164	268,127	1,471,291
Current portion of long-term obligations	1,024,594	-	1,024,594
Total current liabilities	<u>2,601,702</u>	<u>316,104</u>	<u>2,917,806</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	12,989,440	-	12,989,440
Note from direct borrowings payable	71,334	-	71,334
Accrued compensated absences	203,384	-	203,384
Net OPEB liability	742,613	168,792	911,405
Total noncurrent liabilities	<u>14,006,771</u>	<u>168,792</u>	<u>14,175,563</u>
TOTAL LIABILITIES	<u>16,608,473</u>	<u>484,896</u>	<u>17,093,369</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	436,948	629,945	1,066,893
Deferred inflows related to pensions	45,722	10,397	56,119
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>482,670</u>	<u>640,342</u>	<u>1,123,012</u>
NET POSITION			
Net investment in capital assets	11,551,177	58,836	11,610,013
Restricted: Capital projects fund	2,699,587	-	2,699,587
Collaborative funds	-	150,000	150,000
Unrestricted	608,022	-	608,022
TOTAL NET POSITION	<u>14,858,786</u>	<u>208,836</u>	<u>15,067,622</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 31,949,929</u>	<u>\$ 1,334,074</u>	<u>\$ 33,284,003</u>

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

HARTFORD 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:							
Instructional program	\$ 17,502,222	\$ 2,083,172	\$ 3,540,896	\$ -	\$ (11,878,154)	\$ -	\$ (11,878,154)
Instructional support	4,146,055	-	-	-	(4,146,055)	-	(4,146,055)
Administration/other support	2,503,400	-	-	-	(2,503,400)	-	(2,503,400)
Operations and maintenance	3,034,663	-	-	-	(3,034,663)	-	(3,034,663)
Transportation	782,075	-	306,638	-	(475,437)	-	(475,437)
Food service	421,679	119,846	332,566	-	30,733	-	30,733
On-behalf payments	7,906,190	-	7,906,190	-	-	-	-
Program expenses	737,989	-	-	-	(737,989)	-	(737,989)
Interest on long-term debt	424,495	-	-	-	(424,495)	-	(424,495)
Unallocated depreciation* (Note 4)	1,274,038	-	-	-	(1,274,038)	-	(1,274,038)
Total governmental activities	38,732,806	2,203,018	12,086,290	-	(24,443,498)	-	(24,443,498)
Business-type activities:							
Vocational fund	3,246,434	1,735,834	1,539,963	-	-	29,363	29,363
Collaborative funds	3,655,449	3,655,449	-	-	-	-	-
Total business-type activities	6,901,883	5,391,283	1,539,963	-	-	29,363	29,363
Total government	\$ 45,634,689	\$ 7,594,301	\$ 13,626,253	\$ -	(24,443,498)	29,363	(24,414,135)

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

HARTFORD SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(24,443,498)	29,363	(24,414,135)
General revenues:			
Grants and contributions not restricted to specific programs	25,514,731	-	25,514,731
Interest income	23,142	-	23,142
Miscellaneous	662,258	13,414	675,672
Total general revenues	26,200,131	13,414	26,213,545
Change in net position	1,756,633	42,777	1,799,410
NET POSITION - JULY 1	13,102,153	166,059	13,268,212
NET POSITION - JUNE 30	<u>\$ 14,858,786</u>	<u>\$ 208,836</u>	<u>\$ 15,067,622</u>

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

HARTFORD SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	General Fund	State and Federal Grants Fund	Local Grants Fund	Capital Projects Fund	Reserve Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 3,704,043	\$ -	\$ -	\$ 412,997	\$ 218,741	\$ 4,335,781
Accounts receivable (net of allowance for uncollectibles)	-	-	438	-	-	438
Due from other governments	1,953,786	310,847	-	2,756,828	-	5,021,461
Prepaid items	127,843	-	-	-	-	127,843
Interfund loan receivable	251,752	-	-	-	-	251,752
Due from other funds	208,505	69,911	104,086	-	3,543	386,045
TOTAL ASSETS	\$ 6,245,929	\$ 380,758	\$ 104,524	\$ 3,169,825	\$ 222,284	\$ 10,123,320
LIABILITIES						
Accounts payable	\$ 370,986	\$ 2,958	\$ -	\$ -	\$ -	\$ 373,944
Accrued expenses	1,157,788	45,376	-	-	-	1,203,164
Due to other funds	655,986	-	-	470,238	-	1,126,224
TOTAL LIABILITIES	2,184,760	48,334	-	470,238	-	2,703,332
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	-	332,424	104,524	-	-	436,948
TOTAL DEFERRED INFLOWS OF RESOURCES	-	332,424	104,524	-	-	436,948
FUND BALANCES						
Nonspendable	127,843	-	-	-	-	127,843
Restricted	-	-	-	2,699,587	-	2,699,587
Committed	250,000	-	-	-	222,284	472,284
Assigned	-	-	-	-	-	-
Unassigned	3,683,326	-	-	-	-	3,683,326
TOTAL FUND BALANCES	4,061,169	-	-	2,699,587	222,284	6,983,040
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,245,929	\$ 380,758	\$ 104,524	\$ 3,169,825	\$ 222,284	\$ 10,123,320

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

HARTFORD SCHOOL DISTRICT

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

	Total Governmental Funds
Total Fund Balances	\$ 6,983,040
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	22,843,826
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	109,007
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(13,906,810)
Note from direct borrowings payable	(142,667)
Accrued compensated absences	(239,275)
Net pension liability	-
Net OPEB liability	(742,613)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(45,722)
Net position of governmental activities	\$ 14,858,786

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

HARTFORD SCHOOL DISTRICT

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

	General Fund	State and Federal Grants Fund	Local Grants Fund	Capital Projects Fund	Reserve Fund	Total Governmental Funds
REVENUES						
Intergovernmental revenues	\$ 28,123,122	\$ 1,571,709	\$ -	\$ -	\$ -	\$ 29,694,831
Charges for services	2,203,018	-	-	-	-	2,203,018
Interest income	15,884	-	-	4,703	2,555	23,142
State on-behalf payments	3,020,116	-	-	-	-	3,020,116
Miscellaneous	498,643	-	163,615	-	-	662,258
TOTAL REVENUES	33,860,783	1,571,709	163,615	4,703	2,555	35,603,365
EXPENDITURES						
Current:						
Instructional program	17,502,222	-	-	-	-	17,502,222
Instructional support	4,146,055	-	-	-	-	4,146,055
Administration/other support	2,548,286	-	-	-	-	2,548,286
Operations and maintenance	3,010,399	-	-	24,264	-	3,034,663
Transportation	782,075	-	-	-	-	782,075
Food service	421,679	-	-	-	-	421,679
State on-behalf payments	3,020,116	-	-	-	-	3,020,116
Program expenses	-	1,571,709	163,615	-	30,933	1,766,257
Debt service:						
Principal	615,850	-	-	-	-	615,850
Interest	415,935	-	-	-	-	415,935
Capital outlay	79,893	-	-	3,027,260	-	3,107,153
TOTAL EXPENDITURES	32,542,510	1,571,709	163,615	3,051,524	30,933	37,360,291
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,318,273	-	-	(3,046,821)	(28,378)	(1,756,926)
OTHER FINANCING SOURCES (USES)						
Proceeds from bond issuance	-	-	-	5,427,360	-	5,427,360
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	5,427,360	-	5,427,360
NET CHANGE IN FUND BALANCES	1,318,273	-	-	2,380,539	(28,378)	3,670,434
FUND BALANCES - JULY 1	2,742,896	-	-	319,048	250,662	3,312,606
FUND BALANCES - JUNE 30	\$ 4,061,169	\$ -	\$ -	\$ 2,699,587	\$ 222,284	\$ 6,983,040

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

HARTFORD 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>\$ 3,670,434</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	4,056,474
Capital assets disposals	(946)
Depreciation expense	<u>(1,274,038)</u>
	<u>2,781,490</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>2,870</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	
	<u>(5,427,360)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	
	<u>687,183</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>(37,199)</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:	
Accrued compensated absences	(11,757)
Net OPEB liability	90,972
	<u>79,215</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 1,756,633</u></u>

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

HARTFORD SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020

	Enterprise Funds		
	Vocational Fund	Collaborative Funds	Total
ASSETS			
Current assets:			
Accounts receivable (net of allowance for uncollectibles)	\$ 1,319	\$ 123,928	\$ 125,247
Inventory	636,781	-	636,781
Due from other funds	438,908	301,271	740,179
Total current assets	<u>1,077,008</u>	<u>425,199</u>	<u>1,502,207</u>
Noncurrent assets:			
Buildings, net of accumulated depreciation	50,741	-	50,741
Equipment, net of accumulated depreciation	8,095	-	8,095
Total noncurrent assets	<u>58,836</u>	<u>-</u>	<u>58,836</u>
TOTAL ASSETS	<u>1,135,844</u>	<u>425,199</u>	<u>1,561,043</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	11,614	13,169	24,783
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>11,614</u>	<u>13,169</u>	<u>24,783</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,147,458</u>	<u>\$ 438,368</u>	<u>\$ 1,585,826</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 977	\$ 47,000	\$ 47,977
Accrued expenses	146,317	121,810	268,127
Interfund loan payable	251,752	-	251,752
Total current liabilities	<u>399,046</u>	<u>168,810</u>	<u>567,856</u>
Noncurrent liabilities:			
Net OPEB liability	79,079	89,713	168,792
Total noncurrent liabilities	<u>79,079</u>	<u>89,713</u>	<u>168,792</u>
TOTAL LIABILITIES	<u>478,125</u>	<u>258,523</u>	<u>736,648</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	605,626	24,319	629,945
Deferred inflows related to pensions	4,871	5,526	10,397
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>610,497</u>	<u>29,845</u>	<u>640,342</u>
NET POSITION			
Net investment in capital assets	58,836	-	58,836
Restricted	-	150,000	150,000
TOTAL NET POSITION	<u>58,836</u>	<u>150,000</u>	<u>208,836</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,147,458</u>	<u>\$ 438,368</u>	<u>\$ 1,585,826</u>

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

HARTFORD SCHOOL DISTRICT

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

	Enterprise Funds		
	Vocational Fund	Collaborative Funds	Total
OPERATING REVENUES			
Charges for services	\$ 1,735,834	\$ 3,655,449	\$ 5,391,283
Intergovernmental revenue	1,539,963	-	1,539,963
Miscellaneous revenue	13,414	-	13,414
TOTAL OPERATING REVENUES	3,289,211	3,655,449	6,944,660
OPERATING EXPENSES			
Instructional program	2,127,603	2,341,870	4,469,473
Instructional support	267,081	628,949	896,030
Administration/other support	488,364	156,590	644,954
Operations and maintenance	327,063	510,104	837,167
Transportation	32,563	17,936	50,499
Depreciation	3,760	-	3,760
TOTAL OPERATING EXPENSES	3,246,434	3,655,449	6,901,883
CHANGE IN NET POSITION	42,777	-	42,777
NET POSITION - JULY 1	16,059	150,000	166,059
NET POSITION - JUNE 30	\$ 58,836	\$ 150,000	\$ 208,836

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

HARTFORD SCHOOL DISTRICT

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

	Enterprise Funds		
	Vocational Fund	Collaborative Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,749,248	\$ 3,444,428	\$ 5,193,676
Intergovernmental receipts	1,838,511	-	1,838,511
Interfund activity	(261,327)	177,135	(84,192)
Payments to suppliers	(3,270,158)	(3,610,567)	(6,880,725)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>56,274</u>	<u>10,996</u>	<u>67,270</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(46,537)	-	(46,537)
Increase (decrease) in net OPEB liability	(9,737)	(10,996)	(20,733)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(56,274)</u>	<u>(10,996)</u>	<u>(67,270)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	-	-
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)	\$ 42,777	\$ -	\$ 42,777
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	3,760	-	3,760
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	-	(95,986)	(95,986)
(Increase) decrease in inventory	-	-	-
(Increase) decrease in due from other funds	(261,327)	177,135	(84,192)
(Increase) decrease in deferred outflows of resources	(306)	(346)	(652)
Increase (decrease) in accounts payable	(20,581)	43,865	23,284
Increase (decrease) in accrued expenses	(10,560)	(3,133)	(13,693)
Increase (decrease) in deferred revenue	298,548	(115,035)	183,513
Increase (decrease) in deferred inflows of resources	3,963	4,496	8,459
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 56,274</u>	<u>\$ 10,996</u>	<u>\$ 67,270</u>

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

HARTFORD SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020

	Custodial Funds	Private-Purpose Trust Funds
	<u>Total Student Activities</u>	<u>Scholarship Activities</u>
ASSETS		
Cash and cash equivalents	\$ 319,512	\$ 204,643
TOTAL ASSETS	<u>\$ 319,512</u>	<u>\$ 204,643</u>
LIABILITIES		
Deposits held for others	\$ 319,512	\$ -
TOTAL LIABILITIES	<u>\$ 319,512</u>	<u>-</u>
NET POSITION		
Restricted		<u>204,643</u>
TOTAL LIABILITIES AND NET POSITION		<u>\$ 204,643</u>

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

HARTFORD SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Private-Purpose Trust Funds <u>Scholarship Activities</u>
ADDITIONS	
Investment income	\$ 2,330
Total additions	<u>2,330</u>
DEDUCTIONS	
Distributions	<u>2</u>
Total deductions	<u>2</u>
Change in net position	2,328
NET POSITION - JULY 1	<u>202,315</u>
NET POSITION - JUNE 30	<u>\$ 204,643</u>

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

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Hartford 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: instructional program, instructional support, administration/other support, operations and maintenance, transportation, food service and program expenses.

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

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

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 February 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.

HARTFORD 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 various electronic platforms of remote learning to comply with the Governor's order to support the continuity of learning. The application of this Executive Order necessitated 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.

HARTFORD 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).

HARTFORD 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 vocational fund and collaborative fund 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, both the governmental 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 and business-type activities (instructional program, instructional support, administration/other support, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (intergovernmental revenues, charges for services, 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 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

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the School District:

1. Governmental Funds:

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

Major Funds

- a. The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The State and Federal Grants Fund is used to account for the proceeds of intergovernmental grant income that is legally restricted to expenditures for specified purposes.
- c. The Local Grants Fund is used to account for the proceeds of non-governmental grant income that is legally restricted to expenditures for specified purposes.
- d. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment. The primary revenue sources are proceeds from bond issuances.
- e. The Reserve Fund is used to account for assets restricted or committed for specific purposes, primarily future capital outlays, other than those reported elsewhere. Such resources are derived from separately voted articles at the School District's annual town meeting.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, 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

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 (custodial and private-purpose). 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.

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.

HARTFORD SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

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

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

Revenues per budgetary basis	\$ 30,840,667
Add: On-behalf payments	3,020,116
Total GAAP basis	<u>\$ 33,860,783</u>
Expenditures per budgetary basis	\$ 29,522,394
Add: On-behalf payments	3,020,116
Total GAAP basis	<u>\$ 32,542,510</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 District's educational priorities and programs and forms the basis for voter review and approval of the budget according to State of Vermont Educational Act 60/Act 68 guidelines.

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The Board budget process includes input from School District administration and staff, central administration, educational priorities for the next school year, along with public hearings, which include the School Board 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 School Board. The public vote on the budget is held on Town Meeting Day.

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 evidence of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

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

Receivables

Receivables include amounts due from governmental agencies. 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 amounts is estimated to be \$0 as of June 30, 2020. Accounts receivable netted with allowances for uncollectible accounts were \$5,147,146 for the year ended June 30, 2020.

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

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

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 vocational fund consists of property and buildings that are developed by the vocational center for sale as part of its curriculum. The inventory consists of costs for infrastructure, building material and contracted labor for each site remaining to be sold.

Interfund Receivables and Payables

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

Transactions Between Funds

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more for 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.

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 - 10 years
Vehicles	7 years

Long-term Obligations

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

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

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

Pensions

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

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the various pension and other post-employment employee benefits, primarily health and dental insurance and additions to/deductions from these plans' fiduciary net position have been determined on the same basis as they are reported by the employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

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

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

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.

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently has one type of this item, deferred outflows related to OPEB. 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 revenues, which is reported in both the statement of net position and government funds balance sheet qualifies for reporting in this category. Deferred inflows related to OPEB, which arises only under an accrual

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

basis of accounting, also qualifies for reporting in this category. Accordingly, this item is reported 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's ongoing operations. All revenues 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 does not utilize encumbrance accounting for its general fund at year end.

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.

HARTFORD SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 for investments. However, the School District maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF.

At June 30, 2020, the School District's cash balance of \$4,859,936 was comprised of bank balances of \$5,460,080. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the School District's cash and cash equivalents balance. All of these deposits were fully covered by federal depository insurance and consequently were not exposed to custodial credit risk.

Account Type	Bank Balance
Checking accounts	\$ 4,828,342
ICS	631,738
	\$ 5,460,080

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.

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

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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:

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 208,505	\$ 655,986
State and Federal Grants Fund	69,911	-
Local Grants Fund	104,086	-
Capital Projects Fund	-	470,238
Reserve Fund	3,543	-
Vocational Fund	438,908	-
Collaborative Funds	301,271	-
	\$ 1,126,224	\$ 1,126,224

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.

The School District periodically loans money to the Hartford Area Career and Technology Center (HACTC) for construction costs associated with the center's building trade programs. As of June 30, 2020, the general fund was due \$251,752 for prior loans.

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 251,752	\$ -
Vocational Fund	-	251,752
	\$ 251,752	\$ 251,752

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 - 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>				
Non-depreciated assets:				
Land	\$ 1,136,836	\$ 315,000	\$ -	\$ 1,451,836
Construction in progress	-	507,509	-	507,509
	<u>1,136,836</u>	<u>822,509</u>	<u>-</u>	<u>1,959,345</u>
Depreciated assets:				
Buildings and improvements	40,034,068	3,104,015	-	43,138,083
Machinery and equipment	5,099,247	85,489	-	5,184,736
Vehicles	135,211	44,461	(75,211)	104,461
	<u>45,268,526</u>	<u>3,233,965</u>	<u>(75,211)</u>	<u>48,427,280</u>
Less: accumulated depreciation				
Buildings and improvements	(21,230,279)	(1,246,355)	-	(22,476,634)
Machinery and equipment	(4,977,536)	(27,683)	-	(5,005,219)
Vehicles	(135,211)	-	74,265	(60,946)
	<u>(26,343,026)</u>	<u>(1,274,038)</u>	<u>74,265</u>	<u>(27,542,799)</u>
Net depreciated assets	<u>18,925,500</u>	<u>1,959,927</u>	<u>(946)</u>	<u>20,884,481</u>
Net capital assets	<u>\$ 20,062,336</u>	<u>\$ 2,782,436</u>	<u>\$ (946)</u>	<u>\$ 22,843,826</u>
<u>Business-type activities:</u>				
Depreciated assets:				
Buildings and improvements	\$ 13,826	\$ 39,012	\$ -	\$ 52,838
Machinery and equipment	283,888	7,525	-	291,413
	<u>297,714</u>	<u>46,537</u>	<u>-</u>	<u>344,251</u>
Less: accumulated depreciation				
Buildings and improvements	(1,743)	(354)	-	(2,097)
Machinery and equipment	(279,912)	(3,406)	-	(283,318)
	<u>(281,655)</u>	<u>(3,760)</u>	<u>-</u>	<u>(285,415)</u>
Net depreciated assets	<u>16,059</u>	<u>42,777</u>	<u>-</u>	<u>58,836</u>
Net capital assets	<u>\$ 16,059</u>	<u>\$ 42,777</u>	<u>\$ -</u>	<u>\$ 58,836</u>

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of changes in the long-term obligations for the year ended June 30, 2020:

	Balance 7/1/19	Additions	Deletions	Balance 6/30/20	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 9,095,300	\$ 5,427,360	\$ (615,850)	\$ 13,906,810	\$ 917,370
Note from direct borrowings payable	214,000	-	(71,333)	142,667	71,333
	<u>\$ 9,309,300</u>	<u>\$ 5,427,360</u>	<u>\$ (687,183)</u>	<u>\$ 14,049,477</u>	<u>\$ 988,703</u>

The following is a summary of the outstanding bonds payable and the note from direct borrowings payable for the year ended June 30, 2020:

Governmental activities

Bonds payable:

\$4,000,000, General Obligation School Construction Bond, due in principal installments of \$200,000. Interest is charged at a variable rate through November of 2032.	\$ 2,600,000
\$3,250,000, General Obligation School Construction Bond, due in principal installments of \$162,500. Interest is charged at a variable rate through November of 2032.	2,112,500
\$3,600,000, General Obligation School Construction Bond, due in principal installments of \$180,000. Interest is charged at a variable rate through November of 2033.	2,520,000
\$1,467,000, General Obligation School Construction Bond, due in principal installments of \$73,350. Interest is charged at a variable rate through November of 2036.	1,246,950
\$5,427,360, General Obligation School Construction Bond, due in principal installments of \$301,520. Interest is charged at a variable rate from 1.36% to 3.098% through November of 2037.	<u>5,427,360</u>
Total bonds payable	<u>13,906,810</u>

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Note from direct borrowings payable:

\$214,000, mortgage payable secured by a building, due in annual principal payments of \$71,333 through March of 2022. Interest is charged at a fixed rate of 4.0%.

	142,667
Total note from direct borrowings payable	142,667
Total bonds and note from direct borrowings payable	\$ 14,049,477

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

Year	Bonds		Note from Direct Borrowings	
	Principal	Interest	Principal	Interest
2021	\$ 917,370	\$ 429,451	\$ 71,333	\$ 5,707
2022	917,370	477,421	71,334	2,853
2023	917,370	455,288	-	-
2024	917,370	431,930	-	-
2025	917,370	407,464	-	-
2026-2030	4,586,850	1,624,460	-	-
2031-2035	3,681,850	861,791	-	-
2036-2040	1,051,260	228,191	-	-
	\$ 13,906,810	\$ 4,915,996	\$ 142,667	\$ 8,560

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.

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in the other long-term obligations for the year ended June 30, 2020:

	Balance 7/1/19	Additions	Deletions	Balance 6/30/20	Current Portion
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 227,518	\$ 11,757	\$ -	\$ 239,275	\$ 35,891
Net OPEB liability	833,585	2,338	(93,310)	742,613	-
	<u>\$ 1,061,103</u>	<u>\$ 14,095</u>	<u>\$ (93,310)</u>	<u>\$ 981,888</u>	<u>\$ 35,891</u>
<u>Business-type activities:</u>					
Net OPEB liability	<u>\$ 189,525</u>	<u>\$ 532</u>	<u>\$ (21,265)</u>	<u>\$ 168,792</u>	<u>\$ -</u>

Please see Notes 7 and 14 for detailed information on each of the other long-term obligations.

NOTE 7 - COMPENSATED ABSENCES

The School District's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick time. The liability for compensated absences is recorded as a long-term obligation in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2020, the School District's liability for compensated absences is \$239,275 .

NOTE 8 - OVERSPENT APPROPRIATIONS

The District does not have any overspent appropriations as they stayed within the total budget and do not approve based on department.

HARTFORD SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 9 - RESTRICTED NET POSITION

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

Capital projects fund	\$ 2,699,587
Proprietary funds:	
Collaborative funds	150,000
	<u>\$ 2,849,587</u>

NOTE 10 - NONSPENDABLE FUND BALANCE

At June 30, 2020, the School District had the following nonspendable fund balance:

General fund:	
Prepaid items	\$ 127,843
	<u>127,843</u>

NOTE 11 - RESTRICTED FUND BALANCES

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

Capital projects fund	\$ 2,699,587
	<u>2,699,587</u>

NOTE 12 - COMMITTED FUND BALANCES

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

General fund:	
Reserved for FY 2021 budget	\$ 250,000
Reserve fund:	
Technology equipment	22,468
Vehicle replacement	34,085
Repairs	17,303
Fuel oil	53,433
HACTC renovations	91,452
Kindergarten forest program	3,543
	<u>\$ 472,284</u>

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 - 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 & Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

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

HARTFORD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

HARTFORD SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pays full premium	Members pays full premium	Members pays 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 \$3,020,116 or 19.15% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

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

Employee contributions totaled \$856,226 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 \$15,770,842 for the year ended June 30, 2020. Beginning in 2016, School

HARTFORD SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Districts that pay for teachers with federal dollars are required to include costs of pensions in the federal grant, lowering the liability for the State. Federally funded pension costs reimbursed to the State by the School District for the fiscal year ended June 30, 2020 were \$21,507. The School District's total payroll for all federally funded employees covered under this plan was \$112,310 for the year ended June 30, 2020.

Pension Liabilities

VSTRS Plan

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 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		34,636,290
Total	\$	34,636,290

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 2.21939%, which was a decrease of 0.02081% from its proportion measured as of June 30, 2018.

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 pension revenue of \$4,886,074 and expense of \$4,886,074 for support provided by the State of Vermont for the VSTRS plan. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

\$0 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
Plan year ended June 30:	
2020	\$ -
2021	-
2022	-
2023	-
2024	-
Thereafter	-

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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: 7.50%, net of pension plan investment expenses, including inflation

Inflation: 2.50%

Salary Increases: Ranging from 3.75% to 9.09%

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.

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

Future Administrative Expenses: No provisions were made; expenses of the System are paid by the State.

Unknown Data for Participants: For the VSTRS plan, it is the same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

Percent Married: 85% of male members and 35% of female members are assumed to be married.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments: Adjustments for the VSTRS plan 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.

HARTFORD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Cost Method: Uses 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.

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

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 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%

HARTFORD SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the VSTRS 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 the VSTRS plan, 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:

	Decrease	Rate	Increase
<u>VSTRS:</u>			
Discount rate	6.50%	7.50%	8.50%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -

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 or their participating employers. VSTRS do not issue a stand-alone financial report, 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 & Management website at: http://finance.vermont.gov/reports_and_publications/cafr

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Plan Description

The School District provides supplemental pension and other postemployment employee, primarily health and dental insurance. These defined benefit plans are provided under multiple contractual agreements with various employee groups. They are in addition to the retirement plans described above and are single-employer plans. Eligibility for these benefits is generally based upon employment status, age and years of service. There are many different plans available subsidized by the State of Vermont at varying levels depending on member service, age at retirement and applicable statute at the time of retirement. School District provided benefits are set forth in collective bargaining agreements it maintains with teachers, administration and support staff.

The School District has not created trusts to hold assets and administer the plans but funds benefits on a “pay-as-you-go basis” and administers the plans internally.

Employee Covered by Benefit Terms – At June 30, 2019, The following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	34
Active members	<u>260</u>
Total	<u>294</u>

This benefit is closed to new entrants.

OPEB Liabilities

The School District’s total OPEB liability of \$911,405 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

HARTFORD SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Inflation Rate	2.4%
Investment Rate of Return	3.5%, net of investment expenses, including inflation
Healthcare Cost Trend Rate	7.0% for 2019, decreasing 0.45% per year to 5.2%, then grading down to an ultimate trend rate of 4.0%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075
Mortality:	
Pre-retirement	PubT-2010 Teacher Employee Headcount-Weighted Table with generational projection using scale MP-2019
Health post-retirement	PubT-2010 Teacher Healthy Retiree Headcount-Weighted Table with generational projection using scale MP-2019

The discount rate was based on a tax-exempt, high-quality municipal bond rate.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the School District, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) and one percentage point higher (4.50%) than the current discount rate (3.50%).

	1% Decrease	Discount Rate	1% Increase
Discount rate	2.50%	3.50%	4.50%
School District's proportionate share of the net OPEB liability	\$ 935,082	\$ 911,405	\$ 888,426

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability of the School District, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower and one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Trend Rates	1% Increase
School District's proportionate share of the net OPEB liability	\$ 895,177	\$ 911,405	\$ 888,426

HARTFORD SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 133,790	\$ -
Changes of assumptions	-	56,119
Total	\$ 133,790	\$ 56,119

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

Plan year ended June 30:		
2020	\$	38,997
2021		39,549
2022		(825)
2023		(50)
2024		-
Thereafter		-

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

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 VSTRS Board of Trustees.

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

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

Retirement: Attainment of 30 years of credible service or age 55

Group C - for public school teachers employed within the State of Vermont on or after July 1, 1990 or hired before July 1, 1990 and were a member of Group B at that time

Retirement: Attainment of age 65 or age plus creditable service equal to 90 or age 55 with 5 years of creditable service

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

NOTE 15 - RISK MANAGEMENT

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

To provide insurance coverage, VEHI has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the

HARTFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - RISK MANAGEMENT (CONTINUED)

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 16 - CONTINGENCIES

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

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

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

HARTFORD SCHOOL DISTRICT

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

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 2,742,896	\$ 2,742,896	\$ 2,742,896	\$ -
Resources (Inflows):				
Intergovernmental:				
State support	23,824,885	23,824,885	23,824,885	-
Special education	3,547,000	3,547,000	3,540,896	(6,104)
Other	602,000	602,000	757,341	155,341
Charges for services	2,006,000	2,006,000	2,203,018	197,018
Interest income	4,000	4,000	15,884	11,884
Miscellaneous	351,000	351,000	498,643	147,643
Amounts Available for Appropriation	<u>33,077,781</u>	<u>33,077,781</u>	<u>33,583,563</u>	<u>505,782</u>
Charges to Appropriations (Outflows):				
Current:				
Instructional program	18,466,293	18,466,293	17,502,222	964,071
Instructional support	4,179,297	4,179,297	4,146,055	33,242
Administration/other support	2,746,700	2,746,700	2,548,286	198,414
Operations and maintenance	2,963,977	2,963,977	3,010,399	(46,422)
Transportation	794,321	794,321	782,075	12,246
Food service	511,907	511,907	421,679	90,228
Capital outlay	79,893	79,893	79,893	-
Debt service:				
Principal	615,850	615,850	615,850	-
Interest	456,500	456,500	415,935	40,565
Transfers to other funds	120,147	120,147	-	120,147
Total Charges to Appropriations	<u>30,934,885</u>	<u>30,934,885</u>	<u>29,522,394</u>	<u>1,412,491</u>
Budgetary Fund Balance, June 30	<u>\$ 2,142,896</u>	<u>\$ 2,142,896</u>	<u>\$ 4,061,169</u>	<u>\$ 1,918,273</u>
Utilization of committed fund balance	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ (600,000)</u>

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

HARTFORD 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 School District's proportionate share of the net pension liability	2.22%	2.24%	2.23%	2.28%	2.19%	2.23%
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	<u>\$ 34,636,290</u>	<u>\$ 33,843,412</u>	<u>\$ 33,102,702</u>	<u>\$ 29,859,860</u>	<u>\$ 26,034,221</u>	<u>\$ 21,407,501</u>
Total	<u>\$ 34,636,290</u>	<u>\$ 33,843,412</u>	<u>\$ 33,102,702</u>	<u>\$ 29,859,860</u>	<u>\$ 26,034,221</u>	<u>\$ 21,407,501</u>
Covered payroll	\$ 15,250,144	\$ 15,144,796	\$ 14,756,056	\$ 14,771,137	\$ 12,237,203	\$ 12,661,224
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%

* 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.

HARTFORD 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>					
Covered payroll	\$ 15,770,842	\$ 15,250,144	\$ 15,144,796	\$ 14,756,056	\$ 14,771,137	\$ 12,237,203
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

HARTFORD SCHOOL DISTRICT

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at 7/1/19 (Reporting June 30, 2018)	\$ 1,023,110	\$ -	\$ 1,023,110
Changes for the year:			
Service cost	19,066	-	19,066
Interest	37,144	-	37,144
Changes of benefits	-	-	-
Differences between expected and actual experience	(80,163)	-	(80,163)
Changes of assumptions	77,025	-	77,025
Contributions - employer	-	148,865	(148,865)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(164,777)	(148,865)	-
Administrative expense	-	-	-
Net changes	<u>(111,705)</u>	<u>-</u>	<u>(111,705)</u>
Balances at 6/30/20 (Reporting June 30, 2019)	<u>\$ 911,405</u>	<u>\$ -</u>	<u>\$ 911,405</u>

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

HARTFORD SCHOOL DISTRICT

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS*

	2020	2019	2018
<u>Total OPEB liability</u>			
Service cost (BOY)	\$ 19,066	\$ 18,421	\$ 17,784
Interest (includes interest on service cost)	37,144	37,504	35,935
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(80,163)	-	216,859
Changes of assumptions	77,025	(5,985)	(9,427)
Benefit payments, including refunds of member contributions	(164,777)	(148,865)	(142,876)
Net change in total OPEB liability	<u>\$ (111,705)</u>	<u>\$ (98,925)</u>	<u>\$ 118,275</u>
Total OPEB liability - beginning	\$ 1,023,110	\$ 1,122,035	\$ 1,003,760
Total OPEB liability - ending	\$ 911,405	\$ 1,023,110	\$ 1,122,035
<u>Plan fiduciary net position</u>			
Contributions - employer	164,777	148,865	142,876
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(164,777)	(148,865)	(142,876)
Administrative expense	-	-	-
Net change in fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	\$ -	\$ -	\$ -
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending	<u>\$ 911,405</u>	<u>\$ 1,023,110</u>	<u>\$ 1,003,760</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-	-	-
Covered payroll	\$ 15,803,120	\$ 16,780,768	\$ 14,807,919
Net OPEB liability as a percentage of covered payroll	5.77%	6.10%	6.8%

* 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.

HARTFORD SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer contributions	\$ 164,777	\$ 148,865	\$ 142,876
Benefit payments	<u>(164,777)</u>	<u>(148,865)</u>	<u>(142,876)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,803,120	\$ 16,780,768	\$ 14,807,919
Contributions as a percentage of covered payroll	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.

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 Schedule of Income and Expenses by Program - Enterprise Funds - Collaborative Funds
- Combining Statement of Net Position - Fiduciary Funds - Custodial Funds

HARTFORD 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 Education Spending Grant	\$ 23,824,885	\$ 23,824,885	\$ 23,824,885	\$ -
Transportation Aid	270,000	270,000	306,638	36,638
Mainstream Block Grant	524,000	524,000	524,138	138
General SPED Reimbursement	86,000	86,000	190,237	104,237
Extraordinary Reimbursement	26,000	26,000	65,740	39,740
Intensive Reimbursement	2,800,000	2,800,000	2,649,922	(150,078)
Erate	-	-	29,339	29,339
Essential Early Education	111,000	111,000	110,859	(141)
Food Service	320,000	320,000	332,566	12,566
Other	12,000	12,000	88,798	76,798
Charges for services:				
Tuition	1,806,000	1,806,000	2,065,840	259,840
Food Service	180,000	180,000	119,846	(60,154)
Other	20,000	20,000	17,332	(2,668)
Interest Income	4,000	4,000	15,884	11,884
Miscellaneous:				
Rental Income	336,000	336,000	408,125	72,125
Other Receipts	15,000	15,000	90,518	75,518
Amounts Available for Appropriation	<u>\$ 30,334,885</u>	<u>\$ 30,334,885</u>	<u>\$ 30,840,667</u>	<u>\$ 505,782</u>

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

SCHEDULE B

HARTFORD SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Instructional program:				
Regular education	\$ 12,416,979	\$ 12,416,979	\$ 12,115,742	\$ 301,237
Special education	5,221,345	5,221,345	4,656,122	565,223
Athletics	742,473	742,473	652,959	89,514
Co-curricular	85,496	85,496	77,399	8,097
	<u>18,466,293</u>	<u>18,466,293</u>	<u>17,502,222</u>	<u>964,071</u>
Instructional support:				
Guidance	1,078,817	1,078,817	1,020,017	58,800
School nurse	492,069	492,069	461,170	30,899
Psychological services	377,922	377,922	475,972	(98,050)
Speech and language	628,315	628,315	521,446	106,869
Occupational therapy	187,984	187,984	244,015	(56,031)
Physical therapy	136,008	136,008	107,295	28,713
Curriculum development	314,740	314,740	291,721	23,019
Library	383,564	383,564	393,526	(9,962)
Technology	579,879	579,879	630,893	(51,014)
	<u>4,179,297</u>	<u>4,179,297</u>	<u>4,146,055</u>	<u>33,242</u>
Administration/Other support:				
School Board	126,321	126,321	95,871	30,450
Superintendent's office	374,856	374,856	360,483	14,373
Principals	1,372,927	1,372,927	1,306,841	66,086
Special education support	291,475	291,475	183,249	108,226
Fiscal services	581,121	581,121	569,759	11,362
Prior year expenses	-	-	32,083	(32,083)
	<u>2,746,700</u>	<u>2,746,700</u>	<u>2,548,286</u>	<u>198,414</u>
Operations and maintenance	<u>2,963,977</u>	<u>2,963,977</u>	<u>3,010,399</u>	<u>(46,422)</u>
Transportation	<u>794,321</u>	<u>794,321</u>	<u>782,075</u>	<u>12,246</u>
Food service	<u>511,907</u>	<u>511,907</u>	<u>421,679</u>	<u>90,228</u>
Capital outlay	<u>79,893</u>	<u>79,893</u>	<u>79,893</u>	<u>-</u>
Long-term debt -				
Principal	615,850	615,850	615,850	-
Interest	456,500	456,500	415,935	40,565
	<u>1,072,350</u>	<u>1,072,350</u>	<u>1,031,785</u>	<u>40,565</u>
Transfers to other funds -				
Special revenue funds	<u>120,147</u>	<u>120,147</u>	<u>-</u>	<u>120,147</u>
	<u>120,147</u>	<u>120,147</u>	<u>-</u>	<u>120,147</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 30,934,885</u>	<u>\$ 30,934,885</u>	<u>\$ 29,522,394</u>	<u>\$ 1,412,491</u>

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

HARTFORD SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM
 ENTERPRISE FUNDS - COLLABORATIVE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	HARP		RRC		RAP		Project Search		Total	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
OPERATING REVENUES										
Charges for services	\$ 1,173,434	\$ 1,131,897	\$ 1,294,036	\$ 1,197,238	\$ 1,205,582	\$ 1,202,457	\$ 134,951	\$ 123,857	\$ 3,808,003	\$ 3,655,449
TOTAL OPERATING REVENUES	1,173,434	1,131,897	1,294,036	1,197,238	1,205,582	1,202,457	134,951	123,857	3,808,003	3,655,449
OPERATING EXPENSES										
Instructional program	811,073	792,091	810,002	728,448	688,390	697,474	134,951	123,857	2,444,416	2,341,870
Instructional support	193,777	184,519	293,140	239,321	193,397	205,109	-	-	680,314	628,949
Administration/other support	41,674	41,674	72,031	72,031	42,885	42,885	-	-	156,590	156,590
Operations and maintenance	117,910	106,891	93,963	146,963	266,910	256,250	-	-	478,783	510,104
Transportation	9,000	6,722	24,900	10,475	14,000	739	-	-	47,900	17,936
TOTAL OPERATING EXPENSES	1,173,434	1,131,897	1,294,036	1,197,238	1,205,582	1,202,457	134,951	123,857	3,808,003	3,655,449
OPERATING INCOME (LOSS)	-	-	-	-	-	-	-	-	-	-

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

HARTFORD SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION - CUSTODIAL FUNDS
JUNE 30, 2020

	Athletic Association	High School Student Activities	Middle School Student Activities	HACTC Student Activities	Dothan Brook	Ottauquechee School	White River School	Total
ASSETS								
Cash and cash equivalents	\$ 40,448	\$ 200,475	\$ 26,167	\$ 16,613	\$ 21,438	\$ 4,978	\$ 9,393	\$ 319,512
TOTAL ASSETS	<u>\$ 40,448</u>	<u>\$ 200,475</u>	<u>\$ 26,167</u>	<u>\$ 16,613</u>	<u>\$ 21,438</u>	<u>\$ 4,978</u>	<u>\$ 9,393</u>	<u>\$ 319,512</u>
LIABILITIES								
Deposits held for others	\$ 40,448	\$ 200,475	\$ 26,167	\$ 16,613	\$ 21,438	\$ 4,978	\$ 9,393	\$ 319,512
TOTAL LIABILITIES	<u>\$ 40,448</u>	<u>\$ 200,475</u>	<u>\$ 26,167</u>	<u>\$ 16,613</u>	<u>\$ 21,438</u>	<u>\$ 4,978</u>	<u>\$ 9,393</u>	<u>\$ 319,512</u>

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

HARTFORD SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor Pass-through Grantor Program/Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture				
Passed through State of Vermont - Agency of Education and Cultural Services:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	4452T0931900	\$ 34,938	\$ -
National School Lunch Program	10.555	4450T0931900	118,515	-
School Summer Food Service Program	10.559	4455T0931900	143,285	-
Subtotal Child Nutrition Cluster			<u>296,738</u>	<u>-</u>
Fresh Fruits and Vegetables Program	10.582	4449T0931900	<u>7,584</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>304,322</u>	<u>-</u>
U.S. Department of Education				
Passed through State of Vermont - Agency of Education and Cultural Services:				
Title I Grants to Local Educational Agencies	84.010	4250T0931901	<u>319,876</u>	<u>-</u>
Special Education Cluster (IDEA):				
Special Education - Grants to States (IDEA, Part B)	84.027	4226T0931901	512,074	-
Special Education - Grants to States (IDEA, Part B)	84.027	4223T0931901	14,083	-
Special Education - Preschool Grants (IDEA Preschool)	84.173	4228T0931901	5,255	-
Subtotal Special Education Cluster (IDEA)			<u>531,412</u>	<u>-</u>
Career and Technical Education - Basic Grants to States	84.048	4318T0931901	<u>43,060</u>	<u>-</u>
Supporting Effective Instruction State Grants	84.367	4651T0931901	<u>76,719</u>	<u>-</u>
Student Support and Academic Enrichment Program	84.424	4570T0931901	<u>58,429</u>	<u>-</u>
Passed through State of New Hampshire - Department of Education:				
Career and Technical Education - Basic Grants to States	84.048	N/A	<u>101,980</u>	<u>-</u>
Total U.S. Department of Education			<u>1,131,476</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,435,798</u>	<u>\$ -</u>

HARTFORD SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Hartford School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hartford School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the Hartford School District.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The U.S. Department of Education (USED) has delegated to the State of Vermont Agency of Education the authority to issue indirect cost rates to all Local Education Agencies (LEAs) based on a plan approved by the USED. Therefore, the Hartford School District does not use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

3. Noncash Awards

The Hartford School District reports U.S. Department of Agriculture (USDA) Foods consumed on the Schedule at the fair value [or entitlement value]. The State of Vermont allocated USDA Foods to the respective program(s) that benefitted from the use of those USDA Foods.



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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

School Board
Hartford School District
White River Junction, 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 Hartford School District as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Hartford School District's basic financial statements and have issued our report thereon dated January 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hartford 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 Hartford School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hartford 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.

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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 Hartford 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 management of the Hartford School District in a separate letter dated January 21, 2021.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
January 21, 2021



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE REQUIRED BY THE UNIFORM GUIDANCE

School Board
Hartford School District
White River Junction, Vermont

Report on Compliance for Each Major Federal Program

We have audited Hartford School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hartford School District's major federal programs for the year ended June 30, 2020. Hartford School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to each of its major federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hartford School District's major federal programs based on our audit of the type of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hartford School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Hartford School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hartford School District, complied in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Hartford School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hartford School District internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hartford School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance requirements of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
January 21, 2021

HARTFORD SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

• *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
In accordance with § 200.516 of Uniform Guidance? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

None