

Audited Financial Statements and
Other Financial Information

Hardwick School District

June 30, 2018



Proven Expertise and Integrity

HARDWICK SCHOOL DISTRICT

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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

School Board
Hardwick School District
Hardwick, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hardwick School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Hardwick School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Hardwick School District as of June 30, 2018, 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 and budgetary comparison information and pension and OPEB information on pages 4 through 11 and 63 through 68 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 Hardwick School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2019, on our consideration of the Hardwick 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 Hardwick School District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
January 9, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

(UNAUDITED)

The following management's discussion and analysis of the Hardwick School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the above mentioned financial statements have one column for the School District's one type of activity. The type of activity presented for the School District is:

- *Governmental activities* - The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). All of the School District's basic services are reported in governmental activities, which include instruction, student/instructor support, administration, operations and miscellaneous.

Fund Financial Statements

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

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

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

The School District presents five columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in

fund balances. The School District's major funds are the general fund, building maintenance reserve, capital projects fund and capital construction fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

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

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the 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 are much like that of proprietary funds. They use the accrual basis of accounting.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of 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, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the School District's governmental activities. The School District's total net position decreased by \$282,874 from \$326,726 to \$43,852.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a deficit balance of \$579,665 at the end of this year.

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

	2018	(Restated) 2017
Assets:		
Current Assets	\$ 419,410	\$ 108,790
Capital Assets	699,910	739,489
Total Assets	1,119,320	848,279
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	39,269	53,558
Total Deferred Outflows of Resources	39,269	53,558
Liabilities:		
Current Liabilities	813,487	363,381
Long-term Obligations Outstanding	286,969	192,710
Total Liabilities	1,100,456	556,091
Deferred Inflows of Resources:		
Deferred Inflows Related to Pensions	14,281	19,020
Total Deferred Inflows of Resources	14,281	19,020
Net Position:		
Net Investment in Capital Assets	604,076	739,489
Restricted	19,441	3,397
Unrestricted (Deficit)	(579,665)	(416,160)
Total Net Position	\$ 43,852	\$ 326,726

Revenues and Expenses

Revenues for the School District decreased by 11.75% from the prior year while expenses decreased by 3.55% from the prior year. Revenues decreased primarily due to operating grants and contributions. Expenses decreased primarily due to instruction.

Table 2
Hardwick School District
Change in Net Position
For the Year Ended June 30,

	<u>2018</u>	<u>2017</u>
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 34,739	\$ 44,034
Operating grants and contributions	444,783	826,423
<i>General Revenues:</i>		
Grants and contributions not restricted to specific programs	3,987,839	4,200,970
Miscellaneous	39,269	35,367
Total Revenues	<u>4,506,630</u>	<u>5,106,794</u>
Expenses		
Instruction	2,220,301	2,716,570
Student/instructor support	429,284	529,714
Administration	554,721	579,581
Operations	696,236	762,766
State on-behalf payments	444,783	344,116
Miscellaneous	443,683	31,439
Interest on long-term debt	496	1,533
Total Expenses	<u>4,789,504</u>	<u>4,965,719</u>
Change in Net Position	(282,874)	141,075
Net Position - July 1, Restated	<u>326,726</u>	<u>185,651</u>
Net Position - June 30	<u>\$ 43,852</u>	<u>\$ 326,726</u>

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
Hardwick School District
Fund Balances - Governmental Funds
June 30,

	2018	2017
Major Funds:		
General Fund:		
Assigned	\$ 19,679	\$ -
Unassigned	-	(259,756)
Building Maintenance Reserve:		
Committed	45,346	49,468
Capital Projects Fund:		
Committed	9,311	9,306
Capital Construction Fund:		
Restricted	15,749	-
Unassigned	-	(4,561)
Total Major Funds	\$ 90,085	\$ (205,543)
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 3,692	\$ 3,397
Total Nonmajor Funds	\$ 3,692	\$ 3,397

The general fund total fund balance increased by \$279,435 from the prior fiscal year primarily due to an appropriation to increase fund balance. The building maintenance reserve total fund balance decreased by \$4,122 from the prior fiscal year primarily due to transfers to other funds. The capital projects fund total fund balance increased by \$5 from the prior fiscal year due to interest income. The capital construction fund total fund balance increased by \$20,310 from the prior fiscal year primarily due to expenditures exceeding revenues. Total nonmajor funds balance increased by \$295 from the prior fiscal year primarily due to activity in the sign fund.

Budgetary Highlights

There was no difference between the original and final budget for the general fund. (See pages 68 - 69)

The general fund actual revenues exceeded budgeted amounts by \$5,717 primarily due to intergovernmental revenues, and charges for services being receipted in excess of budgeted amounts.

The general fund actual expenditures were under budgeted amounts by \$302,078 primarily due to all actual expenditures categories being within or under budgeted amounts, with the exception of miscellaneous.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2018, the School District's capital assets decreased by \$39,579 from the prior year. This decrease was the result of current year capital additions of \$40,070 less current year depreciation expense of \$79,649.

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

	2018	(Restated) 2017
Buildings and improvements	\$ 456,772	\$ 479,010
Machinery and equipment	243,138	260,479
Total	<u>\$ 699,910</u>	<u>\$ 739,489</u>

Debt

At June 30, 2018, the School District had \$95,834 in a capital leases payable versus \$46,553 in the previous year. Other obligations include accrued compensated absences and net pension liability. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The 2018-2019 budget could be severely impacted by:

- Reduction of State funding
- Declining availability of grant dollars
- Volatility of student population; including tuition students
- Act 179 - District funding of the Vermont State Teachers Retirement System
- Act 46 - State mandated mergers, transition timeline, merger appeals & budgeting challenges
- High staff turnover rate for the Business Office personnel
- Increased homelessness in member districts

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 John Smith, Jr., CFO, Orleans Southwest Supervisory Union at P.O. Box 338, 156 Daniels Road, Hardwick, Vermont 05843 or by phone 802-472-2902.

HARDWICK SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 256,936
Accounts receivable (net of allowance for uncollectibles)	64,962
Total current assets	419,410
Noncurrent assets:	
Buildings and improvements, net of accumulated depreciation	456,772
Machinery and equipment, net of accumulated depreciation	243,138
Total noncurrent assets	699,910
TOTAL ASSETS	1,119,320
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	39,269
TOTAL DEFERRED OUTFLOWS OF RESOURCES	39,269
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,158,589
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 95,669
Accrued salaries and benefits	146,238
Accrued expenses	73,728
Short-term note/line of credit payable	459,000
Due to other governments	9,998
Current portion of long-term obligations	28,854
Total current liabilities	813,487
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Capital lease payable	95,834
Accrued compensated absences	115,416
Net pension liability	75,719
Total noncurrent liabilities	286,969
TOTAL LIABILITIES	1,100,456
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	14,281
TOTAL DEFERRED INFLOWS OF RESOURCES	14,281
NET POSITION	
Net investment in capital assets	604,076
Restricted: Special revenue funds	19,441
Unrestricted	(579,665)
TOTAL NET POSITION	43,852
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 1,158,589

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

HARDWICK SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue & Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Total Governmental Activities</u>
Governmental activities:					
Instruction	\$ 2,220,301	\$ 3,178	\$ -	\$ -	\$ (2,217,123)
Student/instructor support	429,284	-	-	-	(429,284)
Administration	554,721	-	-	-	(554,721)
Operations	696,236	31,561	-	-	(664,675)
State on-behalf payments	444,783	-	444,783	-	-
Miscellaneous	443,683	-	-	-	(443,683)
Interest on long-term debt	496	-	-	-	(496)
Total governmental activities	<u>\$ 4,789,504</u>	<u>\$ 34,739</u>	<u>\$ 444,783</u>	<u>\$ -</u>	<u>(4,309,982)</u>

STATEMENT B (CONTINUED)
HARDWICK SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities
Changes in net position:	
Net (expense) revenue	(4,309,982)
General revenues:	
Grants and contributions not restricted to specific programs	3,987,839
Miscellaneous	39,269
Total general revenues	4,027,108
Change in net position	(282,874)
NET POSITION - JULY 1, RESTATED	326,726
NET POSITION - JUNE 30	\$ 43,852

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

HARDWICK SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Building Maintenance Reserve	Capital Projects Fund	Capital Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 202,279	\$ 45,346	\$ 9,311	\$ -	\$ -	\$ 256,936
Accounts receivable (net of allowance for uncollectibles)	64,962	-	-	-	-	64,962
Due from other governments	-	-	-	97,512	-	97,512
Due from other funds	-	-	-	156	3,692	3,848
TOTAL ASSETS	\$ 267,241	\$ 45,346	\$ 9,311	\$ 97,668	\$ 3,692	\$ 423,258
LIABILITIES						
Accounts payable	\$ 13,750	\$ -	\$ -	\$ 81,919	\$ -	\$ 95,669
Accrued salaries and benefits	146,238	-	-	-	-	146,238
Accrued expenses	73,728	-	-	-	-	73,728
Due to other governments	9,998	-	-	-	-	9,998
Due to other funds	3,848	-	-	-	-	3,848
TOTAL LIABILITIES	247,562	-	-	81,919	-	329,481
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	15,749	3,692	19,441
Committed	-	45,346	9,311	-	-	54,657
Assigned	19,679	-	-	-	-	19,679
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	19,679	45,346	9,311	15,749	3,692	93,777
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 267,241	\$ 45,346	\$ 9,311	\$ 97,668	\$ 3,692	\$ 423,258

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

HARDWICK SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

	Total Governmental Funds
Total Fund Balances	\$ 93,777
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	699,910
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	39,269
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Short-term note/line of credit payable	(459,000)
Capital lease payable	(95,834)
Accrued compensated absences	(144,270)
Net pension liability	(75,719)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(14,281)
	(14,281)
Net position of governmental activities	\$ 43,852

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

HARDWICK SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Maintenance Reserve	Capital Projects Fund	Capital Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Intergovernmental revenues	\$ 4,131,862	\$ -	\$ -	\$ -	\$ -	\$ 4,131,862
Charges for services	31,561	-	-	-	-	31,561
Interest income	32,233	48	5	-	-	32,286
State on-behalf payments	164,047	-	-	-	-	164,047
Miscellaneous	6,520	-	-	-	463	6,983
TOTAL REVENUES	4,369,401	48	5	-	463	4,369,917
EXPENDITURES						
Current:						
Instruction	2,235,691	-	-	-	-	2,235,691
Student/instructor support	424,487	-	-	-	-	424,487
Administration	554,721	-	-	-	-	554,721
Operations	684,869	-	-	-	-	684,869
State on-behalf payments	164,047	-	-	-	-	164,047
Miscellaneous	655	-	-	442,860	168	443,683
Debt service:						
Principal	25,000	-	-	-	-	25,000
Interest	496	-	-	-	-	496
TOTAL EXPENDITURES	4,089,966	-	-	442,860	168	4,532,994
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	279,435	48	5	(442,860)	295	(163,077)
OTHER FINANCING SOURCES (USES)						
Short-term note/line of credit proceeds	-	-	-	459,000	-	459,000
Transfers in	-	-	-	4,170	-	4,170
Transfers (out)	-	(4,170)	-	-	-	(4,170)
TOTAL OTHER FINANCING SOURCES (USES)	-	(4,170)	-	463,170	-	459,000
NET CHANGE IN FUND BALANCES (DEFICITS)	279,435	(4,122)	5	20,310	295	295,923
FUND BALANCES (DEFICITS) - JULY 1	(259,756)	49,468	9,306	(4,561)	3,397	(202,146)
FUND BALANCES (DEFICITS) - JUNE 30	\$ 19,679	\$ 45,346	\$ 9,311	\$ 15,749	\$ 3,692	\$ 93,777

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

HARDWICK 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, 2018

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 295,923</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	40,070
Depreciation expense	<u>(79,649)</u>
	<u>(39,579)</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>(14,289)</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	<u>(603,023)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	<u>94,742</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>4,739</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	(26,430)
Net pension liability	<u>5,043</u>
Change in net position of governmental activities (Statement B)	<u>\$ (282,874)</u>

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

HARDWICK SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Funds	Private-Purpose Trusts	
	Student Activities Funds	Della Marshall Building Fund	Dutchie Eastman Student Aid Fund
ASSETS			
Cash and cash equivalents	\$ -	\$ 4,681	\$ -
Investments	-	-	2,518
Due from other governments	5,180	-	132
TOTAL ASSETS	<u>\$ 5,180</u>	<u>\$ 4,681</u>	<u>\$ 2,650</u>
LIABILITIES			
Deposits held for others	\$ 5,180	\$ -	\$ -
TOTAL LIABILITIES	<u>\$ 5,180</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted - held in trust		4,681	2,650
TOTAL NET POSITION		<u>\$ 4,681</u>	<u>\$ 2,650</u>

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

HARDWICK SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Private-Purpose Trusts		Total
	Della Marshall Building Fund	Dutchie Eastman Student Aid Fund	
ADDITIONS			
Interest income	\$ 2	\$ 8	\$ 10
Miscellaneous	15	-	15
Total additions	<u>17</u>	<u>8</u>	<u>25</u>
DEDUCTIONS			
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	17	8	25
NET POSITION - JULY 1	<u>4,664</u>	<u>2,642</u>	<u>7,306</u>
NET POSITION - JUNE 30	<u>\$ 4,681</u>	<u>\$ 2,650</u>	<u>\$ 7,331</u>

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

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The School District was incorporated under the laws in the State of Vermont. The School District operates under the Board of Directors-superintendent form of government and provides the following services: instruction, student/instructor support, administration, operations and miscellaneous

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

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

Implementation of New Accounting Standards

During the year ended June 30, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements in which a donor transfers resources to an intermediary to hold and

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, "Omnibus 2017." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

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

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

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

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions (fiscal, debt service, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (certain intergovernmental 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. 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 School District.

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 & Fund Financial Statements

The financial transactions of the School District are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. Both fiduciary funds and component units that are fiduciary in nature have been excluded from these 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.

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. The Building Maintenance Reserve is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.
- c. The Capital Projects Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.
- d. The Capital Construction Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Nonmajor Funds

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

2. Fiduciary Funds:

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

The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency 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.

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

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

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

2. Modified Accrual

The governmental funds 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	\$ 4,205,354
Add: On-behalf payments	164,047
Total GAAP basis	\$ 4,369,401
Expenditures per budgetary basis	\$ 3,925,919
Add: On-behalf basis	164,047
Total GAAP basis	\$ 4,089,966

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 District's educational priorities and programs and forms the basis for voter review and approval of the budget according to applicable State of Vermont education finance laws.
2. The Board budget process includes input from school district administration and staff, educational priorities for the next school year, along with public hearings, which include the 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.

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. The School District Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

The Woodbury 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. Allowances for uncollectible

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

accounts netted with accounts receivable were \$167,786 for the year ended June 30, 2018. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2018.

Interfund Receivables and Payables

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

Transactions Between Funds

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

Capital Assets

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

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

Estimated useful lives are as follows:

Land improvements	10 - 40 years
Buildings	25 - 50 years
Building improvements	10 - 50 years
Infrastructure	10 - 50 years
Machinery and equipment	3 - 30 years

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

The accounting treatment of long-term debt 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 debt to be repaid from governmental resources is reported as liabilities in government-wide statements. The long-term debt consists of capital leases payable, accrued compensated absences and net pension liability.

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

Pensions

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

OPEB

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

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is 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

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

funds besides the general fund can only report a negative unassigned fund balance amount.

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

Program Revenues

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

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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.

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

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. However, the School District maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF. At June 30, 2018, the School District's cash balance of \$261,617 was comprised of bank balances of \$387,979. All of the bank deposits were fully covered by federal depository insurance, and consequently were not exposed to custodial credit risk.

Account Type	Bank Balance
Checking accounts	\$ 77,285
ICS accounts	256,037
Money market account	54,657
	\$ 387,979

Investments:

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

At June 30, 2018, the School District's investments in certificates of deposit balance of \$2,518 was fully covered by federal depository insurance, and consequently was not exposed to custodial credit risk.

The School District had the following investments and maturities at June 30, 2018:

Investment Type	Fair Value	N/A	Less than 1 Year	1 - 5 Years	Over 5 Years
Certificates of deposit	\$ 2,518	\$ -	\$ 2,518	\$ -	\$ -

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

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. Generally, the School District invests excess funds in savings accounts and various insured certificates of deposit.

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2018 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ -	\$ 3,848
Capital construction fund	156	-
Nonmajor special revenue funds	3,692	-
	\$ 3,848	\$ 3,848

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance, 7/1/17 (Restated)	Additions	Disposals	Balance, 6/30/18
<u>Governmental activities:</u>				
Depreciated assets:				
Land improvements	\$ 34,400	\$ -	\$ -	\$ 34,400
Buildings and improvements	1,738,580	20,820	-	1,759,400
Furniture and equipment	640,945	19,250	-	660,195
	<u>2,413,925</u>	<u>40,070</u>	<u>-</u>	<u>2,453,995</u>
Less: accumulated depreciation				
Land improvements	(34,400)	-	-	(34,400)
Buildings and improvements	(1,259,575)	(43,053)	-	(1,302,628)
Furniture and equipment	(380,461)	(36,596)	-	(417,057)
	<u>(1,674,436)</u>	<u>(79,649)</u>	<u>-</u>	<u>(1,754,085)</u>
Net capital assets	<u>\$ 739,489</u>	<u>\$ (39,579)</u>	<u>\$ -</u>	<u>\$ 699,910</u>

Current year depreciation:

Direct services	\$ 63,485
Support services	4,797
Operations	11,367
Total depreciation expense	<u>\$ 79,649</u>

NOTE 5 - SHORT-TERM DEBT

On July 3, 2017 the Hardwick School District issued a tax/revenue anticipation note to provide liquidity for governmental operations financed by property taxes. The tax/revenue anticipation note allowed principal draws up to \$2,200,000 at 1.19% interest per annum with a maturity date of June 29, 2018. On June 22, 2018 the tax/revenue anticipation note was paid in full. Interest expense for the note was \$25,893.

On June 20, 2017, the Hardwick Town School District entered into a capital improvement note with Union Bank, in the amount of \$500,000, with an interest rate of 1.31%, to be paid in full on or before June 21, 2018. The School District was allowed an extension for repayment of this note until August 3, 2018.

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - SHORT TERM DEBT (CONTINUED)

	Balance, 7/1/17	Additions	Reductions	Balance, 6/30/18
Tax/revenue anticipation note	\$ -	\$ 2,200,000	\$ (2,200,000)	\$ -
Capital improvement note	-	459,000	-	459,000
Total	<u>\$ -</u>	<u>\$ 2,659,000</u>	<u>\$ (2,200,000)</u>	<u>\$ 459,000</u>

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2018:

	Balance, 7/1/17 (Restated)	Additions	Deletions	Balance, 6/30/18	Current Portion
Bond payable	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ -
Capital lease payable	21,553	144,023	(69,742)	95,834	-
Accrued compensated absences	117,840	26,430	-	144,270	28,854
Net pension liability	80,762	17,260	(22,303)	75,719	-
	<u>\$ 245,155</u>	<u>\$ 187,713</u>	<u>\$ (117,045)</u>	<u>\$ 315,823</u>	<u>\$ 28,854</u>

A summary of the outstanding capital leases payable is as follows:

Capital lease payable to USBank, interest at a rate of 3.94%, annual principal and interest payments of \$3,126. Maturity in August of 2021.	\$ 11,345
Capital lease payable to Municipal Leasing Consultants, interest at a rate of 4.49%, three annual payments of principal and interest of \$45,111. Maturity in August of 2019.	<u>84,489</u>
Total Capital Leases Payable	<u>\$ 95,834</u>

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding capital lease requirements for the fiscal year ending June 30:

Year Ending June 30:	
2019	\$ 48,237
2020	48,237
2021	3,126
2022	3,126
Total minimum lease payment	<u>102,726</u>
Less amount representing interest	(6,892)
Present value of future minimum lease payments	<u><u>\$ 95,834</u></u>

NOTE 7 - RESTRICTED FUND BALANCES

At June 30, 2018, the School District had the following restricted fund balances:

Capital construction fund	\$ 15,749
Nonmajor special revenue funds (Schedule E)	<u>3,692</u>
	<u><u>\$ 19,441</u></u>

NOTE 8 - COMMITTED FUND BALANCES

At June 30, 2018, the School District had the following committed fund balances:

Building maintenance reserve	\$ 45,346
Capital projects fund	<u>9,311</u>
	<u><u>\$ 54,657</u></u>

NOTE 9 - ASSIGNED FUND BALANCE

At June 30, 2018, the School District had the following assigned fund balance:

General fund	<u><u>\$ 19,679</u></u>
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HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the School District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private Union teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2017 (the most recent period available), the retirement system consisted of 299 participating employers.

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.

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided

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

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

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

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction

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 \$164,047 or 13.58% of total payroll for employees covered under the plan.

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Employee contribution rates by plan group follow:

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

Employee contributions totaled \$62,466 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 \$1,208,003 for the year ended June 30, 2018.

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

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

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

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

Benefits Provided

The pension plan is divided into four membership groups:

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

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

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

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

Contributions

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

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.5% of gross salary	4.875% of gross salary	10.0% of gross salary	11.35% of gross salary
Employer Contributions	4.0% of gross salary	5.5% of gross salary	7.25% of gross salary	9.85% of gross salary

Employee contributions are withheld pre-income tax by the School District and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2018 totaled \$5,009. The School District contributed \$8,014 for the year ended June 30, 2018. The School District's total payroll \$200,348.

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Liabilities

VSTRS Plan

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2018. The State's portion of the collective net pension liability that was associated with the School District was as follows:

School District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the School District		<u>2,730,231</u>
Total	\$	<u><u>2,730,231</u></u>

The State of Vermont's proportionate share of the net pension liability associated with the School District is equal to the collective net pension liability, actuarially measured as of June 30, 2017, 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, 2017, the School District's proportion was 0.18418% which was a decrease of 0.02685% from its proportion measured as of June 30, 2016.

VMERS Plan

At June 30, 2018, the School District reported a liability of \$75,719 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liabilities were based on a projection of the School District's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2017, the School District's proportion was 0.06250% for VMERS, which was a decrease of 0.00025% from its proportion measured as of June 30, 2016 for VMERS.

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2018, the School District recognized total pension expense of \$164,047 and revenue of \$164,047 for support provided by the State of Vermont for the VSTRS plan. In the same period, the School District recognized pension of for the VMERS plan. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 1,102	\$ 1,874
Changes of assumptions	-	-	15,852	-
Net difference between projected and actual earnings on pension plan investments	-	-	12,611	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	1,690	12,407
Contributions subsequent to the measurement date	-	-	8,014	-
Total	\$ -	\$ -	\$ 39,269	\$ 14,281

\$8,014 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS Plan	VMERS Plan
Plan year ended June 30:		
2018	\$ -	\$ 4,060
2019	-	9,666
2020	-	3,874
2021	-	(626)
2022	-	-
Thereafter	-	-

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed on July 27, 2015:

Investment Rate of Return: For both plans, 7.50% per annum.

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments for both plans are consistent with an expected annual inflation rate of 2.50% per year.

Salary Increases: Representative values of the assumed annual rates of future salary increases for the VSTRS plan are as follows:

Age	Annual Rate of Salary Increase
25	7.78%
30	6.47%
35	5.60%
40	4.92%
45	4.43%
50	4.09%
55	3.85%
60	3.75%

For the VMERS plan, increases are 5.00% per year.

Deaths After Retirement: The VSTRS plan used the RP-2014 White Collar Employee with generational improvement Table for pre-retirement, the RP-2014 White Collar Annuitant with generational improvement Table for healthy retirees, and the RP-2014 Disabled Mortality Table for disabled retirees.

Mortality rates for pre-retirement, healthy retirees and disabled retirees in the VMERS plan for Groups A, B, C and D were based variations of RP-2014 Tables with generational improvement using Scale SSA-2017 as follows:

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

Disabled Retiree - All Groups with a Disabled Mortality Table

Separation from Service Before Retirement (Due to Withdrawal and Disability):
 Representative values of the assumed annual rates of withdrawal and disability are as follows:

VSTRS Plan:

Age	Withdrawal		Disability	
	Male	Female	Male	Female
25	21.00%	20.00%	0.005%	0.008%
30	12.60%	14.00%	0.008%	0.008%
35	8.40%	11.30%	0.010%	0.008%
40	6.50%	9.03%	0.015%	0.010%
45	5.80%	6.30%	0.026%	0.023%
50	5.40%	5.25%	0.067%	0.070%
55	5.40%	5.04%	0.044%	0.048%
60	5.40%	5.04%	0.147%	0.084%

VMERS Plan:

Service	Withdrawal		
	Male All Ages	Female Ages 25-34 Other Ages	
0	22.5%	45.0%	30.0%
1	16.2%	33.0%	22.0%
2	13.5%	27.0%	18.0%
3	12.2%	22.5%	15.0%
4	10.8%	18.0%	12.0%
5	9.0%	15.0%	10.0%
6	8.1%	13.5%	9.0%
7	7.2%	12.0%	8.0%
8	7.2%	9.0%	6.0%
9	6.3%	9.0%	6.0%
10+	3.6%	7.5%	5.0%

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Disability

Age	Male	Female
25	0.0100%	0.0050%
30	0.0130%	0.0065%
35	0.0170%	0.0085%
40	0.0300%	0.0150%
45	0.0500%	0.0250%
50	0.0900%	0.0450%
55	0.1800%	0.0900%
60	0.3150%	0.1575%
65	0.3150%	0.1575%

Retirement Rates: For the VSTRS plan:

Age	Reduced Early Retirement		Full Early Retirement
	Group A	Group C	Grandfathered (Group C)
55	6.13%	6.13%	6.13%
56	6.25%	6.25%	6.25%
57	6.25%	6.25%	6.25%
58	6.25%	6.25%	6.25%
59	9.38%	9.38%	9.38%
60	12.50%	18.75%	18.75%
61	18.75%	18.75%	18.75%

Service Retirement

Age	Group A	Group C	
		Non-Grandfathered	Grandfathered
60	12.5%	17.0%	N/A
61	18.8%	17.0%	N/A
62	25.0%	20.0%	20.0%
63	22.0%	22.0%	22.0%
64	22.0%	22.0%	22.0%
65	33.0%	33.0%	33.0%
66	33.0%	33.0%	33.0%
67	33.0%	33.0%	33.0%
68	22.0%	22.0%	22.0%
69	33.0%	33.0%	33.0%
70	100.0%	100.0%	100.0%

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Retirement After 30 Years of Service

Age	Group A	Grandfathered (Group C)
49	0.00%	0.00%
50	40.00%	40.00%
51	20.00%	20.00%
52	20.00%	20.00%
53	20.00%	20.00%
54	20.00%	20.00%
55	20.00%	8.75%
56	10.00%	6.25%
57	10.00%	6.25%
58	10.00%	10.00%
59	10.00%	10.00%
60	30.00%	25.00%
61	25.50%	17.00%

For the VMERS Plan:

Retirement Group A

Age	Male	Female	Age	Male	Female
55	3.0%	4.9%	63	21.0%	22.5%
56	7.5%	7.7%	64	21.0%	25.0%
57	5.0%	7.0%	65	56.0%	25.0%
58	5.0%	4.9%	66	15.0%	20.0%
59	7.2%	7.0%	67	20.0%	30.0%
60	7.2%	4.9%	68	20.0%	20.0%
61	12.0%	10.5%	69	20.0%	20.0%
62	28.0%	10.5%	70	100.0%	100.0%

Retirement Group B

Age	Male	Female	Age	Male	Female
55	4.9%	4.9%	63	24.0%	14.0%
56	4.9%	4.9%	64	18.0%	14.0%
57	4.9%	8.4%	65	48.0%	28.0%
58	4.9%	8.4%	66	30.0%	18.0%
59	4.9%	4.9%	67	30.0%	14.0%
60	4.9%	8.4%	68	30.0%	14.0%
61	14.0%	10.5%	69	30.0%	14.0%
62	36.0%	17.5%	70	100.0%	100.0%

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Retirement Group C

Age	Male	Female	Age	Male	Female
55	30.0%	0.0%	63	10.0%	20.0%
56	10.0%	5.0%	64	20.0%	20.0%
57	5.0%	5.0%	65	35.0%	35.0%
58	20.0%	25.0%	66	35.0%	35.0%
59	20.0%	5.0%	67	35.0%	35.0%
60	10.0%	5.0%	68	35.0%	35.0%
61	10.0%	5.0%	69	35.0%	35.0%
62	40.0%	5.0%	70	100.0%	100.0%

Retirement Group D

Age	<20 Years of Service	20+ Years of Service	Age	<20 Years of Service	20+ Years of Service
50	0.0%	40.0%	58	10.0%	10.0%
51	0.0%	35.0%	59	10.0%	10.0%
52	0.0%	30.0%	60	15.0%	15.0%
53	0.0%	25.0%	61	10.0%	10.0%
54	0.0%	20.0%	62	25.0%	25.0%
55	15.0%	15.0%	63	25.0%	25.0%
56	10.0%	10.0%	64	25.0%	25.0%
57	10.0%	10.0%	65	100.0%	100.0%

Inactive Members: Valuation liability for the VSTRS plan equals 332.5% of accumulated contributions and 200% for the VMERS plan.

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

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

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

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Cost-of-Living Adjustments: Adjustments for both plans are assumed to occur on January 1 following one year of retirement. For the VSTRS plan this occurs at the rate of 2.55% per annum for Group A members and 1.40% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement). For the VMERS plan, this occurs at the rate of 1.15% per annum for Group A members and 1.30% per annum for Groups B, C and D members (beginning Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for Group A, B and D members who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit).

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

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

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

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

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	16.00%	6.07%
Non-US Equity	16.00%	7.42%
Global Equity	9.00%	6.85%
Fixed Income	24.00%	2.41%
Real Estate	8.00%	4.62%
Private Markets	15.00%	7.80%
Hedge Funds	8.00%	3.95%
Risk Parity	4.00%	4.84%

Discount Rate

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

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

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

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.50%	7.50%	8.50%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.50%	7.50%	8.50%
School District's proportionate share of the net pension liability	\$ 135,192	\$ 75,719	\$ 26,396

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

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

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

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

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

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

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

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Benefits Provided

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

Contributions

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

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

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

Premium Reduction Option: Participants retiring on or after January 1, 2007 with a VSTRS premium subsidy have a one-time option to reduce the VSTRS subsidy percentage during the retiree's life so that a surviving spouse may continue to receive the same VSTRS subsidy for the spouse's lifetime. If the retiree elects the joint and

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

survivor pension option but not the Premium Reduction Option, spouses are covered for the spouse's lifetime but pay 100% of the plan premium after the retiree's death.

OPEB Liabilities

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 75 and the State is treated as a nonemployer to VSTRS. Since the Supervisory Union does not contribute directly to VSTRS, no net OPEB liability was recorded at June 30, 2018. The State's portion of the collective net OPEB liability that was associated with the Supervisory Union was as follows:

School District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the School District		1,816,287
Total	<u>\$</u>	<u>1,816,287</u>

The State of Vermont's proportionate share of the net OPEB liability associated with the Supervisory Union is equal to the collective net OPEB liability, actuarially measured as of June 30, 2017, multiplied by the Supervisory Union's proportionate share percentage. The Supervisory Union's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2017, the Supervisory Union's proportion was 0.19482% which was a decrease of 0.03550% from its proportion measured as of June 30, 2016.

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

For the year ended June 30, 2018, the Supervisory Union recognized total OPEB expense of \$180,896 and revenue of \$180,896 for support provided by the State of Vermont for the Plan. At June 30, 2018, the Supervisory Union reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

	VSTRS OPEB Plan
Plan year ended June 30:	
2018	\$ -
2019	-
2020	-
2021	-
2022	-
Thereafter	-

Discount Rate

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

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
VSTRS OPEB Plan: Discount rate	2.580%	3.580%	4.580%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Healthcare Trend Rate

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2018 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics. The sensitivity of net OPEB liability to changes in healthcare trend rates are as follows:

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

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2016, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

Amortization

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

Asset Valuation Method

The Asset Valuation Method used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset

HARDWICK SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

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

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	5.92%
International equity	15.00%	6.71%
Emerging international equity	5.00%	9.70%
Core bonds	60.00%	1.38%
Inflation		2.75%
Total	<u>100.00%</u>	

Assumptions

The actuarial assumptions used to calculate the actuarially determined contribution rates can be found in the Report on the Actuarial Valuation of Post-Retirement Benefits of the Vermont State Teachers' Retirement System Prepared as of June 30, 2016 completed by Buck Consulting. As of June 30, 2017, they are as follows:

Discount Rate	3.58%
Salary Increase Rate	Varies by age
Non-Medicare	7.50% graded to 4.50% over 12 years
Medicare	7.75% graded to 4.50% over 11 years
Retiree Contributions	Equal to health trend
Pre-retirement Mortality	98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017.
Post-retirement Mortality	98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017.

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Changes in Net OPEB Liability

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

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for June 30, 2017. For the fiscal year ended June 30, 2017, there were no changes in assumptions with the exception of the discount rate was increased from 2.85% to 3.58%.

OPEB Plan Fiduciary Net Position

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

NOTE 12 - 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.

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - CONTINGENCIES (CONTINUED)

The School District participates in a medical insurance plan negotiated through VEHI. This plan is a high-deductible plan with an HRA (Health Reimbursement Arrangement) funded by the School District. The organization contracted to coordinate the processing of claims on behalf of the School District with HRA funds has not processed all claims through June 30, 2018, and as of the date of this report. Additionally, they were unable to provide management with the outstanding amount to be expensed by the School District through June 30, 2018. Therefore, the amount, if any, of any liabilities arising from the unprocessed claims cannot be determined at this time.

NOTE 13 - 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, 2018. 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.

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, and unemployment compensation program, and the Vermont Education Health Initiative (VEHI) for medical benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont School Districts and is owned by the participating School Districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

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

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - RISK MANAGEMENT (CONTINUED)

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 14 - RELATED ORGANIZATION

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

Hazen Union School District #26 provides educational services to 7 - 12 students residing in Hardwick, VT.

HARDWICK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15 - COMPARATIVE DATA/RECLASSIFICATION

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the School District's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 16 - RESTATEMENTS

In 2018, the School District determined that certain transactions in prior years had been recorded incorrectly or omitted. Therefore, a restatement to the 2017 government-wide financial statements was required. The beginning net position was restated by \$21,553 to include additional capital leases and \$124,188 to correct an error in accumulated depreciation. The resulting restatements increased net position from \$224,091 to \$326,726.

NOTE 17 - SUBSEQUENT EVENTS

On July 2, 2018, the Hardwick School District issued a Tax/Revenue Anticipation Note to meet its operating obligations during the fiscal year. The Tax/Revenue Anticipation Note allows principal draws of up to \$1,265,500 with interest at 1.89% per annum and a maturity date of June 28, 2019.

On July 10, 2018, the School District issued a general obligation bond through the Vermont Municipal Bond Bank in the amount of \$459,000 with a varying interest rate from 1.70% to 4.17% and a maturity date of November 1, 2038.

Required Supplementary Information

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

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

HARDWICK SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (259,756)	\$ (259,756)	\$ (259,756)	\$ -
Resources (Inflows):				
Intergovernmental:				
State support	4,025,137	4,025,137	3,999,239	(25,898)
Other	127,500	127,500	132,623	5,123
Tuition	-	-	3,178	3,178
Charges for services	38,000	38,000	31,561	(6,439)
Interest income	9,000	9,000	32,233	23,233
Miscellaneous	-	-	6,520	6,520
Amounts Available for Appropriation	<u>3,939,881</u>	<u>3,939,881</u>	<u>3,945,598</u>	<u>5,717</u>
Charges to Appropriations (Outflows):				
Current:				
Instruction	2,308,484	2,310,249	2,235,691	74,558
Student/instructor support	467,937	459,534	424,487	35,047
Administration	609,480	631,755	554,721	77,034
Operations	712,549	696,912	684,869	12,043
Miscellaneous	104,000	104,000	655	103,345
Debt service:				
Principal	25,000	25,000	25,000	-
Interest	547	547	496	51
Total Charges to Appropriations	<u>4,227,997</u>	<u>4,227,997</u>	<u>3,925,919</u>	<u>302,078</u>
Budgetary Fund Balance, June 30	<u>\$ (288,116)</u>	<u>\$ (288,116)</u>	<u>\$ 19,679</u>	<u>\$ 307,795</u>
Utilization of unassigned fund balance	<u>\$ (104,000)</u>	<u>\$ (104,000)</u>	<u>\$ -</u>	<u>\$ 104,000</u>

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

HARDWICK SCHOOL DISTRICT

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>					
Proportion of the net pension liability	0.18%	0.21%	0.22%	0.23%	0.24%
Proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	<u>2,730,231</u>	<u>2,763,510</u>	<u>2,639,306</u>	<u>\$ 2,198,695</u>	<u>\$ 2,457,546</u>
Total	<u>\$ 2,730,231</u>	<u>\$ 2,763,510</u>	<u>\$ 2,639,306</u>	<u>\$ 2,198,695</u>	<u>\$ 2,457,546</u>
Covered-employee payroll	\$ 1,217,726	\$ 1,367,059	\$ 1,240,587	\$ 1,300,393	\$ 1,370,050
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	53.98%	55.31%	58.22%	64.02%	60.59%
<u>VMERS:</u>					
Proportion of the net pension liability	0.06%	0.06%	0.06%	0.13%	0.15%
Proportionate share of the net pension liability	\$ 75,719	\$ 80,762	\$ 42,511	\$ 11,810	\$ 53,148
Covered-employee payroll	\$ 255,155	\$ 238,450	\$ 192,700	\$ 417,300	\$ 438,075
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	29.68%	33.87%	22.06%	2.83%	12.13%
Plan fiduciary net position as a percentage of the total pension liability	83.64%	80.95%	87.42%	98.32%	92.71%

* 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.

HARDWICK SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,208,003	\$ 1,217,726	\$ 1,367,059	\$ 1,240,587	\$ 1,300,393
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
<u>VMERS:</u>					
Contractually required contribution	\$ 8,014	\$ 10,206	\$ 9,538	\$ 7,708	\$ 16,692
Contributions in relation to the contractually required contribution	<u>(8,014)</u>	<u>(10,206)</u>	<u>(9,538)</u>	<u>(7,708)</u>	<u>(16,692)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 200,348	\$ 255,155	\$ 238,450	\$ 192,700	\$ 417,300
Contributions as a percentage of covered-employee payroll	4.00%	4.00%	4.00%	4.00%	4.00%

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

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

HARDWICK SCHOOL DISTRICT

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

	<u>2018</u>	<u>2017</u>
<u>VSTRS OPEB Plan:</u>		
Proportion of the net OPEB liability	0.19%	0.23%
School District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the School District	<u>1,816,287</u>	<u>-</u>
Total	<u>\$ 1,816,287</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,217,726	\$ 1,367,059
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%

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

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

HARDWICK SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>
<u>VSTRS OPEB Plan:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,208,003	\$ 1,217,726
Contributions as a percentage of covered- employee payroll	0.00%	0.00%

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

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

HARDWICK SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Changes of Assumptions

The actuarial assumptions regarding inflation, investment return, salary increase, COLA increase and mortality were changed based on reviews of economic assumptions, rates of mortality and future expectations of experience for VSTRS.

The actuarial assumptions regarding inflation, investment return, COLA increase and mortality were changed based on reviews of economic assumptions, rates of mortality and future expectations of experience for VMERS.

The discount rate increased from 2.85% to 3.58% for the VSTRS OPEB liability.

Other Supplementary Information

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

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

HARDWICK SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
State Education Spending Grant	\$ 4,025,137	\$ 4,025,137	\$ 3,999,239	\$ (25,898)
Federal/State-Lunch and Breakfast	119,500	119,500	120,778	1,278
Free Lunch Program	-	-	2,009	2,009
Commodities	8,000	8,000	9,836	1,836
Tuition	-	-	3,178	3,178
Other grants	28,360	28,360	-	(28,360)
Charges for services:				
Services to Vermont LEAs	9,000	9,000	4,485	(4,515)
Student Meals	25,000	25,000	20,054	(4,946)
Adult Meals	4,000	4,000	7,022	3,022
Interest income	9,000	9,000	32,233	23,233
Miscellaneous:				
Other receipts	-	-	6,520	6,520
Amounts Available for Appropriation	<u>\$ 4,227,997</u>	<u>\$ 4,227,997</u>	<u>\$ 4,205,354</u>	<u>\$ (22,643)</u>

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

HARDWICK SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Instruction -				
General education	\$ 1,928,399	\$ 1,964,715	\$ 1,893,994	\$ 70,721
Special education	361,800	326,569	324,451	2,118
Athletics	18,285	18,965	17,246	1,719
	<u>2,308,484</u>	<u>2,310,249</u>	<u>2,235,691</u>	<u>74,558</u>
Student / instructor support -				
Guidance	174,119	206,018	186,561	19,457
Health services	88,120	85,816	80,303	5,513
Psychological services	23,600	23,671	23,597	74
Speech services	27,600	27,794	27,794	-
Occupational therapy services	4,700	4,703	4,703	-
Improvement of instruction	12,550	32,510	33,572	(1,062)
Library / media services	51,319	78,494	67,610	10,884
Technology integration	85,929	528	347	181
	<u>467,937</u>	<u>459,534</u>	<u>424,487</u>	<u>35,047</u>
Administration -				
School Board	46,824	29,845	22,900	6,945
Office of Superintendent	53,000	53,295	53,295	-
Office of Principal	241,356	263,232	205,100	58,132
Special education administration	11,200	11,255	11,255	-
Business office / human resources	137,100	156,608	153,428	3,180
Technology administration	120,000	117,520	108,743	8,777
	<u>609,480</u>	<u>631,755</u>	<u>554,721</u>	<u>77,034</u>
Operations -				
Operations and maintenance	398,305	376,736	382,114	(5,378)
Student transportation	106,900	105,621	101,882	3,739
Food service	207,344	214,555	200,873	13,682
	<u>712,549</u>	<u>696,912</u>	<u>684,869</u>	<u>12,043</u>
Miscellaneous -				
Other outlays and prior year adjustments	104,000	104,000	655	103,345
Debt service -				
Principal	25,000	25,000	25,000	-
Interest	547	547	496	51
	<u>25,547</u>	<u>25,547</u>	<u>25,496</u>	<u>51</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 4,227,997</u></u>	<u><u>\$ 4,227,997</u></u>	<u><u>\$ 3,925,919</u></u>	<u><u>\$ 302,078</u></u>

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

HARDWICK SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Due from other funds	\$ 3,692	\$ 3,692
TOTAL ASSETS	<u>\$ 3,692</u>	<u>\$ 3,692</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	3,692	3,692
Committed	-	-
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>3,692</u>	<u>3,692</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,692</u>	<u>\$ 3,692</u>

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

HARDWICK SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>
REVENUES		
Other income	\$ 463	\$ 463
TOTAL REVENUES	<u> 463</u>	<u> 463</u>
EXPENDITURES		
Other	<u> 168</u>	<u> 168</u>
TOTAL EXPENDITURES	<u> 168</u>	<u> 168</u>
NET CHANGE IN FUND BALANCES	295	295
FUND BALANCES - JULY 1	<u> 3,397</u>	<u> 3,397</u>
FUND BALANCES - JUNE 30	<u> \$ 3,692</u>	<u> \$ 3,692</u>

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

Special Revenue Funds

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

HARDWICK SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Kitchen Fund	Sign Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Due from other funds	\$ 4	\$ 3,688	\$ 3,692
TOTAL ASSETS	<u>\$ 4</u>	<u>\$ 3,688</u>	<u>\$ 3,692</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	4	3,688	3,692
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>4</u>	<u>3,688</u>	<u>3,692</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4</u>	<u>\$ 3,688</u>	<u>\$ 3,692</u>

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

HARDWICK SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Kitchen Fund	Sign Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Other income	\$ 5	\$ 458	\$ 463
TOTAL REVENUES	<u> 5</u>	<u> 458</u>	<u> 463</u>
EXPENDITURES			
Other	168	-	168
TOTAL EXPENDITURES	<u> 168</u>	<u> -</u>	<u> 168</u>
NET CHANGE IN FUND BALANCES	(163)	458	295
FUND BALANCES - JULY 1	<u> 167</u>	<u> 3,230</u>	<u> 3,397</u>
FUND BALANCES - JUNE 30	<u> \$ 4</u>	<u> \$ 3,688</u>	<u> \$ 3,692</u>

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

General Capital Assets

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

HARDWICK SCHOOL DISTRICT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
 JUNE 30, 2018

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Direct services	\$ -	\$ 1,693,287	\$ 297,961	\$ -	\$ 1,991,248
Support services	-	72,045	85,302	-	157,347
Operations	-	28,468	276,932	-	305,400
Total General Capital Assets	-	1,793,800	660,195	-	2,453,995
Less: Accumulated Depreciation	-	(1,337,028)	(417,057)	-	(1,754,085)
Net General Capital Assets	<u>\$ -</u>	<u>\$ 456,772</u>	<u>\$ 243,138</u>	<u>\$ -</u>	<u>\$ 699,910</u>

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

HARDWICK SCHOOL DISTRICT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2018

	General Capital Assets 7/1/17 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	General Capital Assets 6/30/18 <u></u>
Direct services	\$ 1,951,178	\$ 40,070	\$ -	\$ 1,991,248
Support services	157,347	-	-	157,347
Operations	<u>305,400</u>	<u>-</u>	<u>-</u>	<u>305,400</u>
Total General Capital Assets	2,413,925	40,070	-	2,453,995
Less: Accumulated Depreciation	<u>(1,674,436)</u>	<u>(79,649)</u>	<u>-</u>	<u>(1,754,085)</u>
Net General Capital Assets	<u>\$ 739,489</u>	<u>\$ (39,579)</u>	<u>\$ -</u>	<u>\$ 699,910</u>

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



Proven Expertise and Integrity

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

School Board
Hardwick School District
Hardwick, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hardwick School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Hardwick School District's basic financial statements, and have issued our report thereon dated January 9, 2019.

Internal Control Over Financial Reporting

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

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
January 9, 2019