

Audited Financial Statements and  
Other Financial Information

Craftsbury School District

June 30, 2018



*Proven Expertise and Integrity*

CRAFTSBURY SCHOOL DISTRICT

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JUNE 30, 2018

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## INDEPENDENT AUDITORS' REPORT

School Board  
Craftsbury School District  
Craftsbury, 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 Craftsbury School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Craftsbury 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.

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 Craftsbury 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 59 through 64 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 Craftsbury School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and combining and individual nonmajor fund financial statements 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 and combining and individual nonmajor fund financial statements 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 December 30, 2018, on our consideration of the Craftsbury 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 Craftsbury School District's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
December 30, 2018

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

**(UNAUDITED)**

The following management's discussion and analysis of the Craftsbury 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, miscellaneous and program expenditures.

### **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 four columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's major funds are the general fund, the debt service fund and the building maintenance 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 increased by \$184,717 from \$2,422,135 to \$2,606,852.

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 - increased for governmental activities to a balance of \$2,225,233 at the end of this year (see Table 1).

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

	<b>2018</b>	<b>2017</b>
<b>Assets:</b>		
Current Assets	\$ 559,557	\$ 388,079
Noncurrent Assets:		
Investments	2,110,069	1,837,948
Capital Assets	5,273,829	5,429,325
Total Assets	7,943,455	7,655,352
<b>Liabilities:</b>		
Current Liabilities	345,598	194,968
Long-term Obligations Outstanding	4,977,303	5,027,682
Total Liabilities	5,322,902	5,222,650
<b>Deferred Inflows of Resources:</b>		
Deferred Revenue	13,701	10,567
Total Deferred Inflows of Resources	13,701	10,567
<b>Net Position:</b>		
Net Investment in Capital Assets	330,108	442,626
Restricted	51,511	49,309
Unrestricted	2,225,233	1,930,200
Total Net Position	\$2,606,852	\$2,422,135

## Revenues and Expenses

Revenues for the School District's governmental activities decreased by 8.53%, while total expenses decreased by 7.71%. The decrease in revenues was primarily due to grants and contributions not restricted to specific programs. The decrease in expenses was due to decreases in all categories except state on-behalf payments, interest on long-term debt and unallocated depreciation (see Table 2).

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

	2018	2017
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for services	\$ 782,192	\$ 691,003
Operating grants and contributions	524,092	496,564
<i>General Revenues:</i>		
Grants and contributions not restricted to specific programs	2,754,158	3,162,679
Miscellaneous	25,948	117,462
<b>Total Revenues</b>	<b>4,086,390</b>	<b>4,467,708</b>
<b>Expenses</b>		
Instruction	1,792,641	1,894,810
Student/instructor support	356,202	414,236
Administration	475,204	485,766
Operations	551,454	610,289
State on-behalf payments	524,092	496,564
Miscellaneous	-	146,098
Program expenditures	100	9,093
Interest on long-term debt	19,156	19,000
Unallocated depreciation	155,496	151,872
<b>Total Expenses</b>	<b>3,901,673</b>	<b>4,227,728</b>
 Change in Net Position	 184,717	 239,980
 Net Position - July 1	 2,422,135	 2,182,155
 Net Position - June 30	 <b>\$ 2,606,852</b>	 <b>\$ 2,422,135</b>

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

*Governmental funds:* The financial reporting focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the School District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending (see Table 3).

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

	<b>2018</b>	<b>2017 (Restated)</b>
Major Funds:		
General Fund:		
Nonspendable	\$ 655	\$ 35,194
Assigned	150,546	70,069
Debt Service Fund:		
Committed	2,118,769	1,881,209
Building Maintenance Fund:		
Committed	32,397	59,794
Total Major Funds	\$ 2,302,367	\$ 2,046,266
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 49,356	\$ 49,309
Permanent Funds:		
Restricted	2,155	2,255
Total Nonmajor Funds	\$ 51,511	\$ 51,564

The general fund total fund balance increased by \$45,938 from the prior fiscal year primarily due to revenues exceeding expenditures. The debt service fund total fund balance increased by \$237,560 from the prior fiscal year primarily due to transfers from other funds. The building maintenance fund total fund balance decreased by \$27,397 from the prior fiscal year primarily due to capital outlay. The nonmajor funds total fund balance decreased by \$53 from the prior fiscal year primarily due to program expenditures.

## Budgetary Highlights

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

The general fund actual revenues were over budgeted revenues by \$60,060. This was primarily due to charges for services being receipted in excess of budgeted amounts.

The general fund actual expenditures were over budget by \$14,193. This was due to all expenditure categories being expended within or in excess of budgeted amounts with the exception of student/instructor support, administration and miscellaneous.

## Capital Asset and Long-Term Debt Activity

### Capital Assets

As of June 30, 2018, the School District's capital assets decreased by \$155,496 from the prior year. This decrease was the result of current year depreciation expense.

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

	<u>2018</u>	<u>2017</u>
Land improvements	\$ 19,782	\$ 23,529
Buildings and improvements	5,147,264	5,278,703
Infrastructure	20,491	21,776
Machinery and equipment	78,924	97,423
Furniture and fixtures	7,368	7,894
Total	<u>\$ 5,273,829</u>	<u>\$ 5,429,325</u>

### Debt

At June 30, 2018, the School District had \$4,900,000 in bonds payable, the same amount as the prior year. Other obligations include capital leases payable and accrued compensated absences. 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:

- The reduction of funding from the State
- Declining availability of grant dollars
- Act 179 - District funding of the Vermont State Teachers Retirement System
- Act 46 - State mandated mergers, transition timeline, merger appeals & budgeting challenges
- Act 153 - Centralization of services at the SU level
- High staff turnover rate for the Business Office personnel
- Volatility of student population
- 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, SFO, Orleans Southwest Supervisory Union at P.O. Box 338, 156 Daniels Road, Hardwick, Vermont 05843 or by phone 802-472-2902.

## CRAFTSBURY SCHOOL DISTRICT

STATEMENT OF NET POSITION  
JUNE 30, 2018

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 469,084
Investments	59,463
Accounts receivable (net of allowance for uncollectibles)	30,355
Prepaid items	655
Total current assets	<u>559,557</u>
Noncurrent assets:	
Investments	2,110,069
Capital assets:	
Land improvements, buildings and improvements, net of accumulated depreciation	5,167,046
Machinery and equipment and furniture and fixtures, net of accumulated depreciation	86,292
Infrastructure, net of accumulated depreciation	20,491
Total capital assets	<u>5,273,829</u>
Total noncurrent assets	<u>7,383,898</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,943,455</u></b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 63,053
Accrued expenses	168,664
Other liabilities	70,330
Current portion of long-term obligations	43,551
Total current liabilities	<u>345,598</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	4,900,000
Capital leases payable	19,453
Accrued compensated absences	57,850
Total noncurrent liabilities	<u>4,977,303</u>
<b>TOTAL LIABILITIES</b>	<b><u>5,322,902</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue	13,701
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>13,701</u></b>
<b>NET POSITION</b>	
Net investment in capital assets	330,108
Restricted: Special revenue funds	51,511
Unrestricted	2,225,233
<b>TOTAL NET POSITION</b>	<b><u>2,606,852</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b><u>\$ 7,943,455</u></b>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities
Governmental activities:					
Instruction	\$ 1,792,641	\$ 681,690	\$ -	\$ -	\$ (1,110,951)
Student/instructor support	356,202	-	-	-	(356,202)
Administration	475,204	-	-	-	(475,204)
Operations	551,454	100,502	-	-	(450,952)
State on-behalf payments	524,092	-	524,092	-	-
Program expenditures	100	-	-	-	(100)
Interest on long-term debt	19,156	-	-	-	(19,156)
Capital outlay	27,328	-	-	-	(27,328)
Unallocated depreciation (Note 4)*	155,496	-	-	-	(155,496)
Total governmental activities	<u>\$ 3,901,673</u>	<u>\$ 782,192</u>	<u>\$ 524,092</u>	<u>\$ -</u>	<u>(2,595,389)</u>

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

STATEMENT B (CONTINUED)  
CRAFTSBURY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(2,595,389)</u>
General revenues:	
Grants and contributions not restricted to specific programs	2,754,158
Miscellaneous	<u>25,948</u>
Total general revenues	<u>2,780,106</u>
Change in net position	184,717
NET POSITION - JULY 1	<u>2,422,135</u>
NET POSITION - JUNE 30	<u>\$ 2,606,852</u>

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

## CRAFTSBURY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General Fund	Debt Service Fund	Building Maintenance Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 425,478	\$ 8,700	\$ 34,906	\$ -	\$ 469,084
Investments	9,389	2,110,069	-	50,074	2,169,532
Accounts receivable (net of allowance for uncollectibles)	30,355	-	-	-	30,355
Prepaid items	655	-	-	-	655
Due from other funds	8,985	-	-	7,913	16,898
<b>TOTAL ASSETS</b>	<b>\$ 474,862</b>	<b>\$ 2,118,769</b>	<b>\$ 34,906</b>	<b>\$ 57,987</b>	<b>\$ 2,686,524</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 63,053	\$ -	\$ -	\$ -	\$ 63,053
Accrued expenses	168,664	-	-	-	168,664
Other liabilities	70,330	-	-	-	70,330
Due to other funds	7,913	-	2,509	6,476	16,898
<b>TOTAL LIABILITIES</b>	<b>309,960</b>	<b>-</b>	<b>2,509</b>	<b>6,476</b>	<b>318,945</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue	13,701	-	-	-	13,701
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>13,701</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,701</b>
<b>FUND BALANCES</b>					
Nonspendable - prepaid items	655	-	-	-	655
Restricted	-	-	-	51,511	51,511
Committed	-	2,118,769	32,397	-	2,151,166
Assigned	150,546	-	-	-	150,546
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>151,201</b>	<b>2,118,769</b>	<b>32,397</b>	<b>51,511</b>	<b>2,353,878</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 474,862</b>	<b>\$ 2,118,769</b>	<b>\$ 34,906</b>	<b>\$ 57,987</b>	<b>\$ 2,686,524</b>

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

## CRAFTSBURY SCHOOL DISTRICT

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

	Total Governmental Funds
Total Fund Balances	\$ 2,353,878
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	5,273,829
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(4,900,000)
Capital leases payable	(43,721)
Accrued compensated absences	(77,134)
Net position of governmental activities	\$ 2,606,852

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

## CRAFTSBURY SCHOOL DISTRICT

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

	General Fund	Debt Service Fund	Building Maintenance Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Intergovernmental revenues	\$ 2,754,158	\$ -	\$ -	\$ -	\$ 2,754,158
Tuition	681,690	-	-	-	681,690
Charges for services	100,502	-	-	-	100,502
Investment income	20,926	19,153	-	47	40,126
Unrealized gain/(loss) on investments	-	(41,058)	-	-	(41,058)
State on-behalf payments	167,469	-	-	-	167,469
Miscellaneous	39,913	-	2	-	39,915
<b>TOTAL REVENUES</b>	<b>3,764,658</b>	<b>(21,905)</b>	<b>2</b>	<b>47</b>	<b>3,742,802</b>
<b>EXPENDITURES</b>					
Current:					
Instruction	1,920,249	-	-	-	1,920,249
Student/instructor support	312,759	-	-	-	312,759
Administration	475,204	-	-	-	475,204
Operations	551,454	-	-	-	551,454
State on-behalf payments	167,469	-	-	-	167,469
Program expenditures	-	13,035	-	100	13,135
Debt service:					
Interest	19,156	-	-	-	19,156
Capital outlay	-	-	27,328	-	27,328
<b>TOTAL EXPENDITURES</b>	<b>3,446,291</b>	<b>13,035</b>	<b>27,328</b>	<b>100</b>	<b>3,486,754</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>318,367</b>	<b>(34,940)</b>	<b>(27,326)</b>	<b>(53)</b>	<b>256,048</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	272,500	-	-	272,500
Transfers (out)	(272,500)	-	-	-	(272,500)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(272,500)</b>	<b>272,500</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>45,867</b>	<b>237,560</b>	<b>(27,326)</b>	<b>(53)</b>	<b>256,048</b>
<b>FUND BALANCES - JULY 1, RESTATED</b>	<b>105,334</b>	<b>1,881,209</b>	<b>59,723</b>	<b>51,564</b>	<b>2,097,830</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 151,201</b>	<b>\$ 2,118,769</b>	<b>\$ 32,397</b>	<b>\$ 51,511</b>	<b>\$ 2,353,878</b>

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

## CRAFTSBURY 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>\$ 256,048</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: Depreciation expense	<u>(155,496)</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	<u>(43,443)</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>86,421</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	<u>41,187</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 184,717</u></u>

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

## CRAFTSBURY SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2018

	<u>Agency Student Activities</u>	<u>Total Private-Purpose Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 46,740	\$ 19,820
Investments	-	13,059
<b>TOTAL ASSETS</b>	<u>\$ 46,740</u>	<u>\$ 32,879</u>
<b>LIABILITIES</b>		
Deposits held for others	\$ 46,740	\$ -
<b>TOTAL LIABILITIES</b>	<u>\$ 46,740</u>	<u>\$ -</u>
<b>NET POSITION</b>		
Restricted - held in trust		<u>\$ 32,879</u>
<b>TOTAL NET POSITION</b>		<u>\$ 32,879</u>

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

## CRAFTSBURY SCHOOL DISTRICT

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

	Total Private-Purpose Funds
	<u>                    </u>
ADDITIONS	
Contributions	\$      1,000
Net increase (decrease) in the fair value of investments	79
Total additions	<u>          1,079</u>
DEDUCTIONS	
Distributions	\$      575
Miscellaneous	12
Total deductions	<u>          587</u>
CHANGE IN NET POSITION	492
NET POSITION - JULY 1	<u>         32,387</u>
NET POSITION - JUNE 30	<u>         \$  32,879</u>

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

CRAFTSBURY 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, miscellaneous and program.

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

CRAFTSBURY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

agreements in which a donor transfers resources to an intermediary to hold and 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 activity 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

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The School District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions (instruction, student/instructor support, administration, operations, miscellaneous, program, etc.) except 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. 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:

CRAFTSBURY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

- a. The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Debt Service Fund is used to accumulate deposits remitted into a sinking fund, which will be used for the payment of the Qualified School Construction General Obligation bonds at maturity.
- c. The Building Maintenance Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Nonmajor Funds

- d. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- e. Permanent Funds are used to account for assets held by the School District in trust or as an agent of individuals, private organizations, other governmental units and/or other funds. Unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the School District students and/or staff. These funds have been established for purposes including the provision and/or maintenance of scholarships.

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.

CRAFTSBURY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Basis of Accounting**

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

1. Accrual

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

2. Modified Accrual

The governmental 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.

CRAFTSBURY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	\$ 3,627,721
Add: On-behalf payments	<u>136,937</u>
Total GAAP basis	<u><u>\$ 3,764,658</u></u>
Expenditures per budgetary basis	\$ 3,580,413
Add: On-behalf payments	<u>136,937</u>
Total GAAP basis	<u><u>\$ 3,717,350</u></u>

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

1. The annual school budget is the planning management tool, which delineates the School 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 Board of Directors and general public.
3. The budget document itself is based upon the most current funding information available along with the projection of current revenues and expenditures for the next year. At the conclusion of the budget process, a final budget is approved by the Board of Directors.

**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:

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Prepaid Items**

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

**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.

**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 accounts netted with accounts receivable were \$30,355 for the year ended June 30, 2018. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2018.

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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
Furniture and fixtures	3 - 30 years

**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 a bond payable, a capital lease payable and accrued compensated absences.

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.

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) Plan and additions to/deductions from the VSTRS Plan's fiduciary net position has been determined on the same basis as they are reported by the VSTRS Plan. 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.

**Compensated Absences**

The School District's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2018, the School District's liability for compensated absences is \$77,134.

**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.

CRAFTSBURY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 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.

CRAFTSBURY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District does not have any items that qualify for reporting in this category.

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

**Program Revenues**

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

**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.

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS

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

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the School District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The School District does not have a policy covering custodial credit risk. 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 \$530,583 was comprised of bank balances of \$615,267. Of these deposits, \$78,022 were covered by federal depository insurance and \$12,208 were covered by the Securities Investor Protection Corporation (SIPC), and consequently were not exposed to custodial credit risk. \$525,037 were collateralized by securities held by the financial institution in the School District's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 26,802
Repurchase account	525,037
Money market checking accounts	42,526
Cash and cash equivalents	20,902
	<u>\$ 615,267</u>

**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 \$67,987 were covered by federal depository insurance, and consequently were not exposed to custodial credit risk. Of the remaining deposits, \$504,535 was covered by the Securities Investor Protection Corporation (SIPC) and consequently was

CRAFTSBURY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

not exposed to custodial credit risk. The remaining balance of \$1,610,069 was uninsured and uncollateralized.

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	\$ 67,987	\$ -	\$ -	\$ 67,987	\$ -
Fixed income securities	2,110,069	-	-	-	2,110,069
Mutual funds	4,535	4,535	-	-	-
	<u>\$2,182,591</u>	<u>\$ 4,535</u>	<u>\$ -</u>	<u>\$ 67,987</u>	<u>\$2,110,069</u>

**Fair Value Hierarchy**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The School District has the following recurring fair value measurements as June 30, 2018:

	June 30, 2018 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Agency Securities	\$ 2,110,069	\$ 2,110,069	\$ -	\$ -
Total debt securities	<u>2,110,069</u>	<u>2,110,069</u>	<u>-</u>	<u>-</u>
Equity securities:				
Mutual funds - domestic	4,535	4,535	-	-
Total equity securities	<u>4,535</u>	<u>4,535</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$ 2,114,604</u>	<u>\$ 2,114,604</u>	<u>\$ -</u>	<u>\$ -</u>

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. The School District has no Level 2 or Level 3 investments. Certificates of deposit held with local financial institutions for \$67,987 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

CRAFTSBURY 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.

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	\$ 8,906	\$ 7,913
Building maintenance fund	-	2,430
Nonmajor special revenue funds	5,758	6,476
Nonmajor permanent funds	2,155	-
	<u>\$ 16,819</u>	<u>\$ 16,819</u>

CRAFTSBURY 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	Additions	Disposals	Balance 6/30/18
<u>Governmental activities:</u>				
<u>Depreciated assets:</u>				
Land improvements	\$ 55,470	\$ -	\$ -	\$ 55,470
Buildings and improvements	6,502,905	-	-	6,502,905
Infrastructure	52,101	-	-	52,101
Machinery and equipment	297,683	-	-	297,683
Furniture and fixtures	10,525	-	-	10,525
	<u>6,918,684</u>	<u>-</u>	<u>-</u>	<u>6,918,684</u>
Less: accumulated depreciation				
Land improvements	(31,941)	(3,747)	-	(35,688)
Buildings and improvements	(1,224,202)	(131,439)	-	(1,355,641)
Infrastructure	(30,325)	(1,285)	-	(31,610)
Machinery and equipment	(200,260)	(18,499)	-	(218,759)
Furniture and fixtures	(2,631)	(526)	-	(3,157)
	<u>(1,489,359)</u>	<u>(155,496)</u>	<u>-</u>	<u>(1,644,855)</u>
Net capital assets	<u>\$ 5,429,325</u>	<u>\$ (155,496)</u>	<u>\$ -</u>	<u>\$ 5,273,829</u>
<u>Current year depreciation:</u>				
District-wide				\$ 155,496
Total depreciation expense				<u>\$ 155,496</u>

NOTE 5 - SHORT-TERM DEBT

On July 1, 2017 the Craftsbury 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 \$920,000 at 2.70% interest per annum with a maturity date of June 30, 2018. On June 29, 2018 the tax/revenue anticipation note was paid in full. Interest expense for the note was \$21,778.

	Balance 7/1/17	Additions	Reductions	Balance 6/30/18
Tax/revenue anticipation note	\$ -	\$ 920,000	\$ (920,000)	\$ -

CRAFTSBURY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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	Additions	Deletions	Balance 6/30/18	Current Portion
Bonds payable	\$ 4,900,000	\$ -	\$ -	\$ 4,900,000	\$ -
Capital leases payable	86,699	43,443	(86,421)	43,721	24,268
Accrued compensated absences	118,321	-	(41,187)	77,134	19,283
	<u>\$ 5,105,020</u>	<u>\$ 43,443</u>	<u>\$(127,608)</u>	<u>\$ 5,020,855</u>	<u>\$ 43,551</u>

A summary of the outstanding bonds payable is as follows:

<p>\$3,000,000 Community Bank N.A. Qualified School Construction General Obligation Bond Series 2010 dated May 14, 2010 due in one principal installment of \$3,000,000 in March of 2026. Deposits of \$170,000 remitted annually into a sinking fund starting March of 2011 through March of 2026. The sinking fund balance is irrevocably pledged to secure the principal payment of the bond at maturity. Proceeds from this issuance are to finance public school building improvements.</p>	<p>\$ 3,000,000</p>
<p>\$1,900,000 Community Bank N.A. Qualified School Construction General Obligation Bond Series 2011 dated August 1, 2011 due in one principal installment of \$1,900,000 in March of 2028. Interest of 1.00% per annum payable semi-annually through March of 2028. Deposits of \$102,500 remitted annually into a sinking fund starting on March of 2012 through March of 2028. The sinking fund balance is irrevocably pledged to secure the principal payment of the bond at maturity. Proceeds from this issuance are to finance public school building improvements.</p>	<p><u>1,900,000</u></p>
<p>Total Bonds Payable</p>	<p><u>\$ 4,900,000</u></p>

CRAFTSBURY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding bond principal and interest requirements for the fiscal years ending June 30:

Year	Principal	Interest	Total Debt Service
2019	\$ 272,500	\$ 19,000	\$ 291,500
2020	298,500	19,000	317,500
2021	298,500	19,000	317,500
2022	298,500	19,000	317,500
2023	298,500	19,000	317,500
2024-2028	3,433,500	114,000	3,547,500
	\$ 4,900,000	\$ 209,000	\$ 5,109,000

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

Capital lease payable to Apple, Inc., as assigned to Wells Fargo Vendor Financial Services, LLC, interest at a rate of 4.99%, three annual payments of principal and interest of \$13,547. Maturity in July of 2018.	\$ 12,899
Capital lease payable to USBank, interest at a rate of 3.94%, annual principal and interest payments of \$4,026. Maturity in August of 2021.	14,608
Capital lease payable to Municipal Leasing Consultants, interest at a rate of 4.49%, three annual payments of principal and interest of \$8,657. Maturity in August of 2019.	<u>16,214</u>
<b>Total Capital Leases Payable</b>	<u><u>\$ 43,721</u></u>

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

Year Ending June 30:	
2019	\$ 26,226
2020	12,683
2021	4,026
2022	4,026
Total minimum lease payment	46,961
Less amount representing interest	(3,240)
Present value of future minimum lease payments	\$ 43,721

CRAFTSBURY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 7 - OVERSPENT APPROPRIATIONS

The School District was noncompliant with the legally adopted budget, overspending the entire allowed appropriation of \$3,567,661 by \$14,193 at June 30, 2018.

NOTE 8 - NONSPENDABLE FUND BALANCE

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

General fund:	
Prepaid items	\$ <u>655</u>

NOTE 9 - RESTRICTED FUND BALANCES

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

Nonmajor special revenue funds (Schedule E)	\$ 49,356
Nonmajor permanent funds (Schedule I)	<u>2,155</u>
	<u>\$ 51,511</u>

NOTE 10- COMMITTED FUND BALANCES

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

Debt service fund	\$ 2,118,769
Building maintenance fund	<u>32,397</u>
	<u>\$ 2,151,166</u>

NOTE 11 - ASSIGNED FUND BALANCE

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

General fund:	
Subsequent year expenditures	<u>\$ 150,546</u>

CRAFTSBURY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - 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, 2016 (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](http://finance.vermont.gov/reports_and_publications/cafr).

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - 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:

<b>VSTRS</b>	<b>Group A</b>	<b>Group C - Group # 1</b>	<b>Group C - Group # 2</b>
Normal service retirement eligibility (no reduction)	Age 60 or 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula - normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 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

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

<b>VSTRS</b>	<b>Group A</b>	<b>Group C - Group # 1</b>	<b>Group C - Group # 2</b>
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%, minimum of 1% after 12 months of normal retirement or age 65
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction

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

<b>VSTRS</b>	<b>Group A</b>	<b>Group C - Group # 1</b>	<b>Group C - Group # 2</b>
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members 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 \$136,937 or 13.58% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 \$54,223 during the year and were paid by the School District to the State of Vermont. The Supervisory Union has no other liability under the plan. The School District's total payroll for all employees covered under this plan was \$1,008,370 for the year ended June 30, 2018.

**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>1,011,004</u>
Total	<u><u>\$ 1,011,004</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 0.1530% which was a decrease of 0.0043% from its proportion measured as of June 30, 2016.

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - 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 \$136,937 and revenue of \$136,937 for support provided by the State of Vermont for the VSTRS 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	
	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	<u>\$ -</u>	<u>\$ -</u>

\$0 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - 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:* 7.50% per annum.

*Inflation:* The separately stated assumptions for investment return, salary increases and cost of living adjustments for the VSTRS plan is 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%

*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.

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

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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%

Retirement Rates:

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%

Age	Service Retirement		
	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%

CRAFTSBURY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 12 - 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%

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

*Future Administrative Expenses:* No provisions were made for the VSTRS plan.

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

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

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

*Cost-of-Living Adjustments:* Adjustments for the VSTRS plan are assumed to occur on January 1 following one year of retirement. For the VSTRS plan this occurs at the rate of 2.55% per annum for Group A members and 1.40% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement).

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

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

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. 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.

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

	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	\$ -	\$ -	\$ -

**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 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](http://finance.vermont.gov/reports_and_publications/cafr)

NOTE 13 - 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.

CRAFTSBURY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

**Benefits Provided**

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

**Contributions**

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

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	<b>Retiree Subsidy</b>		<b>Spouse Subsidy*</b>	
Retired before June 30, 2010	At least ten years of service- 80% of premium Less than ten years of service- 0% of premium		0% of premium	
Retired after June 30, 2010	10 years or more of service at June 30, 2010-80% of premium		Years of service at June 30, 2010-80% of premium:	
	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	35 years at retirement
30 or more years			5 additional years from June 30, 2010	

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

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

**OPEB Liabilities**

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

CRAFTSBURY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

30, 2018. The State's portion of the collective net OPEB liability that was associated with the School District was as follows:

School District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the School District		1,759,081
Total	\$	1,759,081

The State of Vermont's proportionate share of the net OPEB liability associated with the School District is equal to the collective net OPEB liability, actuarially measured as of June 30, 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 0.1887% which was an increase of 0.00155% 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 School District recognized total OPEB expense of \$96,695 and revenue of \$96,695 for support provided by the State of Vermont for the Plan. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	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	\$ -	\$ -

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

	<u>VSTRS OPEB Plan</u>	
Plan year ended June 30:		
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:

	<u>1%</u> <u>Decrease</u>	<u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
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:

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

CRAFTSBURY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

**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 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:

CRAFTSBURY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

**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

CRAFTSBURY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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](http://finance.vermont.gov/reports_and_publications/cafr)

NOTE 14 - 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.

NOTE 15 - RISK MANAGEMENT

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

Based on the coverage provided by the insurance purchased, the School District is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 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.

CRAFTSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 15 - RISK MANAGEMENT (CONTINUED)

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.

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.

CRAFTSBURY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 16 - RELATED ORGANIZATION

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

Craftsbury School District shares a Driver's Education teacher and vehicle with Hazen Union School District #26.

Craftsbury School District shares a nurse with the Wolcott and Woodbury School Districts.

NOTE 17 - RESTATEMENT

In 2018, the School District determined that certain transactions in prior years had been recorded incorrectly. Therefore, a restatement to the 2017 fund financial statements was required. The beginning general fund assigned fund balance and the building maintenance fund committed fund balance were restated by \$9,381 to correct an error in the assignment of cash between the funds. The resulting restatement increased the general fund assigned fund balance from \$95,953 to \$105,334 and the building maintenance fund committed fund balance from \$69,104 to \$59,723.

NOTE 18 - SUBSEQUENT EVENT

On July 2, 2018 the Craftsbury School District issued a tax/revenue anticipation note in the amount of \$750,000. Interest is payable at a rate of 2.75% per annum with a maturity date of June 28, 2019.

## 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

## CRAFTSBURY SCHOOL DISTRICT

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, Restated	\$ 105,263	\$ 105,263	\$ 105,263	\$ -
Resources (Inflows):				
Intergovernmental:				
State support	2,725,562	2,725,562	2,540,264	(185,298)
Other	50,200	50,200	213,894	163,694
Tuition	692,300	692,300	681,690	(10,610)
State on-behalf payments	23,063	23,063	30,532	7,469
Charges for services	25,300	25,300	100,502	75,202
Interest income	3,000	3,000	20,926	17,926
Miscellaneous	48,236	48,236	39,913	(8,323)
Amounts Available for Appropriation	<u>3,672,924</u>	<u>3,672,924</u>	<u>3,732,984</u>	<u>60,060</u>
Charges to Appropriations (Outflows):				
Current:				
Instruction	1,822,175	1,867,041	1,950,781	(83,740)
Student/instructor support	366,221	314,609	312,759	1,850
Administration	488,128	510,614	475,204	35,410
Operations	564,537	548,240	551,454	(3,214)
Miscellaneous	35,000	35,557	-	35,557
Debt service:				
Interest	19,100	19,100	19,156	(56)
Transfers to other funds	272,500	272,500	272,500	-
Total Charges to Appropriations	<u>3,567,661</u>	<u>3,567,661</u>	<u>3,581,854</u>	<u>(14,193)</u>
Budgetary Fund Balance, June 30	<u>\$ 105,263</u>	<u>\$ 105,263</u>	<u>\$ 151,130</u>	<u>\$ 45,867</u>

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

CRAFTSBURY 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>VSTRS:</u>				
Proportion of the net pension liability School District's proportionate share of the net pension liability	0.15%	0.16%	0.00%	0.00%
	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District Total	<u>2,268,015</u> <u>\$ 2,268,015</u>	<u>2,059,916</u> <u>\$ 2,059,916</u>	<u>1,879,607</u> <u>\$ 1,879,607</u>	<u>1,532,355</u> <u>\$ 1,532,355</u>
Covered-employee payroll	\$ 1,011,004	\$ 1,019,004	\$ 883,496	\$ 906,294
Proportionate share of the net pension liability as a percentage of its covered- employee payroll	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%

\* 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.

CRAFTSBURY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSIONS  
LAST 10 FISCAL YEARS\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>VSTRS:</u>				
Contractually required contribution	0.16%	0.16%	0.16%	0.16%
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,008,370	\$ 1,011,004	\$ 1,019,004	\$ 883,496
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

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

## CRAFTSBURY 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 School District's proportionate share of the net OPEB liability	0.1887% \$ -	0.1871% \$ -
State's proportionate share of the net OPEB liability associated with the School District Total	<u>1,759,081</u> <u>\$ 1,759,081</u>	<u>-</u> <u>\$ -</u>
Covered-employee payroll	\$ 1,011,004	\$ 1,019,004
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.

## CRAFTSBURY 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	\$ 1,008,370	\$ 1,011,004
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.

CRAFTSBURY 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
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Combining Schedule of Net Position - Fiduciary Funds - Private-Purpose Funds
- Combining Schedule of Changes in Net Position - Fiduciary Funds Private-Purpose Funds

## CRAFTSBURY 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	\$ 2,725,562	\$ 2,725,562	\$ 2,540,264	\$(185,298)
Local Share Support Tech Tuition	-	-	1,400	1,400
Small School	-	-	136,851	136,851
Driver's Education Reimbursement	1,000	1,000	1,769	769
Tech Transportation	1,000	1,000	13,154	12,154
High School Completion	-	-	1,230	1,230
Lunch - State	-	-	824	824
Breakfast - State	-	-	373	373
Additional Breakfast Reimbursement - State	-	-	587	587
Lunch - Federal	43,000	43,000	34,484	(8,516)
Breakfast - Federal	-	-	16,540	16,540
Reduced Lunch Initiative	-	-	1,168	1,168
Commodities	5,200	5,200	5,514	314
Tuition	692,300	692,300	681,690	(10,610)
Tech Tuition on-Behalf	23,063	23,063	30,532	7,469
Charges for services:				
Student Meals	25,300	25,300	20,125	(5,175)
Adult Meals	-	-	4,649	4,649
Services to Other LEA	-	-	75,728	75,728
Interest income	3,000	3,000	20,926	17,926
Miscellaneous:				
Athletic Gate Receipts	3,000	3,000	1,172	(1,828)
Rent/lease of Facility	-	-	1,200	1,200
CA Trustees Operating Fund	-	-	6,175	6,175
Other receipts	45,236	45,236	31,366	(13,870)
Amounts Available for Appropriation	<u>\$ 3,567,661</u>	<u>\$ 3,567,661</u>	<u>\$ 3,627,721</u>	<u>\$ 60,060</u>

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

## CRAFTSBURY 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	\$ 1,498,990	\$ 1,580,244	\$ 1,668,664	\$ (88,420)
Special education	226,600	202,520	202,520	-
Co-curricular	96,585	84,277	20,734	63,543
Athletics Instruction	-	-	58,863	(58,863)
	<u>1,822,175</u>	<u>1,867,041</u>	<u>1,950,781</u>	<u>(83,740)</u>
Student/instructor support -				
Guidance	226,867	231,177	108,195	122,982
Health services	-	-	80,910	(80,910)
Psychological services	-	-	15,079	(15,079)
Speech services	-	-	17,349	(17,349)
Occupational therapy services	-	-	2,936	(2,936)
Improvement of instruction	139,354	83,432	25,900	57,532
Library / media services	-	-	62,302	(62,302)
Technology integration	-	-	88	(88)
	<u>366,221</u>	<u>314,609</u>	<u>312,759</u>	<u>1,850</u>
Administration -				
School Board	73,871	64,602	22,484	42,118
Office of Superintendent	-	-	33,266	(33,266)
Office of Principal	256,857	258,837	249,701	9,136
Business office / human resources	157,400	187,175	99,988	87,187
Technology administration	-	-	69,765	(69,765)
	<u>488,128</u>	<u>510,614</u>	<u>475,204</u>	<u>35,410</u>
Operations -				
Operations and maintenance	302,585	293,413	311,241	(17,828)
Student transportation	149,687	141,015	138,286	2,729
Food service	112,265	113,812	101,927	11,885
	<u>564,537</u>	<u>548,240</u>	<u>551,454</u>	<u>(3,214)</u>
Miscellaneous -				
Other outlays and prior year adjustments	35,000	35,557	-	35,557
Debt service -				
Interest	19,100	19,100	19,156	(56)
Transfers to other funds -				
Debt service fund	272,500	272,500	272,500	-
	<u>272,500</u>	<u>272,500</u>	<u>272,500</u>	<u>-</u>
<b>TOTAL DEPARTMENTAL OPERATIONS</b>	<u><u>\$ 3,567,661</u></u>	<u><u>\$ 3,567,661</u></u>	<u><u>\$ 3,581,854</u></u>	<u><u>\$ (14,193)</u></u>

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

## CRAFTSBURY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Investments	\$ 50,074	\$ -	\$ 50,074
Due from other funds	5,758	2,155	7,913
<b>TOTAL ASSETS</b>	<u>\$ 55,832</u>	<u>\$ 2,155</u>	<u>\$ 57,987</u>
<b>LIABILITIES</b>			
Due to other funds	\$ 6,476	\$ -	\$ 6,476
<b>TOTAL LIABILITIES</b>	<u>6,476</u>	<u>-</u>	<u>6,476</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	49,356	2,155	51,511
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>49,356</u>	<u>2,155</u>	<u>51,511</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 55,832</u>	<u>\$ 2,155</u>	<u>\$ 57,987</u>

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

## CRAFTSBURY 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	Permanent Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
REVENUES			
Interest income	\$    47	\$      -	\$    47
TOTAL REVENUES	<u>          47</u>	<u>          -</u>	<u>          47</u>
EXPENDITURES			
Other	-	100	100
TOTAL EXPENDITURES	<u>          -</u>	<u>         100</u>	<u>         100</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	47	(100)	(53)
FUND BALANCES (DEFICITS) - JULY 1	<u>49,309</u>	<u>2,255</u>	<u>51,564</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 49,356</u>	<u>\$ 2,155</u>	<u>\$ 51,511</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.

CRAFTSBURY SCHOOL DISTRICT

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

	Laura Dustan Bequest	Science Program Fund	Washburn Music Fund	Gymnasium Donations	Total
<b>ASSETS</b>					
Investments	\$ 28,171	\$ 21,903	\$ -	\$ -	\$ 50,074
Due from other funds	-	-	4,500	1,258	5,758
<b>TOTAL ASSETS</b>	<b>\$ 28,171</b>	<b>\$ 21,903</b>	<b>\$ 4,500</b>	<b>\$ 1,258</b>	<b>\$ 55,832</b>
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ 6,476	\$ -	\$ -	\$ 6,476
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>6,476</b>	<b>-</b>	<b>-</b>	<b>6,476</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	28,171	15,427	4,500	1,258	49,356
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>28,171</b>	<b>15,427</b>	<b>4,500</b>	<b>1,258</b>	<b>49,356</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 28,171</b>	<b>\$ 21,903</b>	<b>\$ 4,500</b>	<b>\$ 1,258</b>	<b>\$ 55,832</b>

CRAFTSBURY SCHOOL DISTRICT

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

	Laura Dustan Bequest	Science Program Fund	Washburn Music Fund	Gymnasium Donations	Total
REVENUES					
Interest income	\$ 17	\$ 30	\$ -	\$ -	\$ 47
TOTAL REVENUES	<u>17</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>47</u>
EXPENDITURES					
Other	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	17	30	-	-	47
FUND BALANCES - JULY 1	<u>28,154</u>	<u>15,397</u>	<u>4,500</u>	<u>1,258</u>	<u>49,309</u>
FUND BALANCES - JUNE 30	<u>\$ 28,171</u>	<u>\$ 15,427</u>	<u>\$ 4,500</u>	<u>\$ 1,258</u>	<u>\$ 49,356</u>

## Permanent Funds

Permanent funds are used to account for assets held by the School District in trust or as an agent of individuals, private organizations, other governmental units and/or other funds. Unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the School District students and/or staff. These funds have been established for purposes including the provision and/or maintenance of scholarships.

## CRAFTSBURY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2018

	<u>Scholarships</u>	<u>Total</u>
<b>ASSETS</b>		
Due from other funds	\$ 2,155	\$ 2,155
<b>TOTAL ASSETS</b>	<u>\$ 2,155</u>	<u>\$ 2,155</u>
<b>LIABILITIES</b>		
Due to other funds	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>		
Nonspendable	-	-
Restricted	2,155	2,155
Committed	-	-
Assigned	-	-
Unassigned	-	-
<b>TOTAL FUND BALANCES</b>	<u>2,155</u>	<u>2,155</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,155</u>	<u>\$ 2,155</u>

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

## CRAFTSBURY SCHOOL DISTRICT

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

	<u>Scholarships</u>	<u>Total</u>
REVENUES		
Intergovernmental	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>
EXPENDITURES		
Other	100	100
TOTAL EXPENDITURES	<u>100</u>	<u>100</u>
NET CHANGE IN FUND BALANCES	(100)	(100)
FUND BALANCES - JULY 1	<u>2,255</u>	<u>2,255</u>
FUND BALANCES - JUNE 30	<u>\$ 2,155</u>	<u>\$ 2,155</u>

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

## 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.

CRAFTSBURY SCHOOL DISTRICT

COMBINING SCHEDULE OF NET POSITION - FIDUCIARY FUNDS - PRIVATE-PURPOSE FUNDS  
 JUNE 30, 2018

	Marshall Brown Scholarship	Stephanie Dunbar Scholarship	Bradley Harris Memorial Fund	Helen Paterson Dustan Fund	Bunny Sweat Fund	VESA Memorial Fund	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ 6,834	\$ -	\$ 5,598	\$ 7,335	\$ 53	\$ 19,820
Investments	3,679	-	4,845	4,535	-	-	13,059
<b>TOTAL ASSETS</b>	<u>\$ 3,679</u>	<u>\$ 6,834</u>	<u>\$ 4,845</u>	<u>\$ 10,133</u>	<u>\$ 7,335</u>	<u>\$ 53</u>	<u>\$ 32,879</u>
<b>NET POSITION</b>							
Restricted - held in trust	\$ 3,679	\$ 6,834	\$ 4,845	\$ 10,133	\$ 7,335	\$ 53	\$ 32,879
<b>TOTAL NET POSITION</b>	<u>\$ 3,679</u>	<u>\$ 6,834</u>	<u>\$ 4,845</u>	<u>\$ 10,133</u>	<u>\$ 7,335</u>	<u>\$ 53</u>	<u>\$ 32,879</u>

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

## CRAFTSBURY SCHOOL DISTRICT

COMBINING SCHEDULE OF CHANGES IN NET POSITION - FIDUCIARY FUNDS - PRIVATE-PURPOSE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Marshall Brown Scholarship	Stephanie Dunbar Scholarship	Bradley Harris Memorial Fund	Helen Paterson Dustan Fund	Bunny Sweat Fund	VESA Memorial Fund	Total
<b>ADDITIONS</b>							
Contributions	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000
Net increase (decrease) in the fair value of investments	3	-	11	45	10	10	79
Total additions	<u>3</u>	<u>1,000</u>	<u>11</u>	<u>45</u>	<u>10</u>	<u>10</u>	<u>1,079</u>
<b>DEDUCTIONS</b>							
Distributions	-	50	-	400	125	-	\$ 575
Miscellaneous	-	9	3	-	-	-	12
Total deductions	<u>-</u>	<u>59</u>	<u>3</u>	<u>400</u>	<u>125</u>	<u>-</u>	<u>587</u>
CHANGE IN NET POSITION	3	941	8	(355)	(115)	10	492
NET POSITION - JULY 1	<u>3,676</u>	<u>5,893</u>	<u>4,837</u>	<u>10,488</u>	<u>7,450</u>	<u>43</u>	<u>32,387</u>
NET POSITION - JUNE 30	<u>\$ 3,679</u>	<u>\$ 6,834</u>	<u>\$ 4,845</u>	<u>\$ 10,133</u>	<u>\$ 7,335</u>	<u>\$ 53</u>	<u>\$ 32,879</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  
Craftsbury School District  
Craftsbury, 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 Craftsbury School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Craftsbury School District's basic financial statements, and have issued our report thereon dated December 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Craftsbury 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 Craftsbury School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Craftsbury 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 Craftsbury 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  
December 30, 2018