

Cambridge Town School District  
BASIC FINANCIAL STATEMENTS  
June 30, 2017

Cambridge Town School District  
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June 30, 2017

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**Kittell Branagan & Sargent**

*Certified Public Accountants*

Vermont License #167

## INDEPENDENT AUDITOR'S REPORT

To the School Board  
Cambridge, 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 Cambridge Town School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambridge Town School District, as of June 30, 2017, and the respective changes in financial position 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, the budgetary comparison information on pages 26-27, and the schedule of proportionate changes of net pension liability on page 28 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated, on our consideration of the Cambridge Town School District's internal control over financial reporting October 6, 2017 and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 Cambridge Town School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "K. Brannen" followed by a flourish and the word "Sargent".

St. Albans, Vermont  
October 6, 2017

Cambridge Town School District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Cambridge School District financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements.

### **Brief Discussion of the Basic Financial Statements:**

#### **Using This Annual Report**

This annual Report consists of a series of financial statements. The Statement of Net Position and the Balance Sheet—Governmental Funds provide information about the activities of the District as a whole, and present a longer-term view of the District's finances. Fund financial statements such as the Statement of Activities follow under the Notes section of the Report. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The Statement of Net Position - Fiduciary Funds provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

The District Administration is responsible for establishing an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual and human resource assets of the District are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Additionally, management strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are attained. The concept of reasonable assurance recognizes that: (1) the cost of any control should not exceed the benefit likely to be derived; (2) the valuation of cost and benefits requires judgments by management.

#### **Reporting the District as a Whole**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position reports the District's net position and changes in them. You can think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's student enrollment and the condition of the District's infrastructure, to assess the overall health of the District.

In the Statement of Net Position and the Statement of Activities, the District's activities are classified solely as governmental activities:

Cambridge Town School District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

- Governmental activities – The District's basic services are reported here, including: instruction-regular education and special education; supporting education services; operation and maintenance; transportation; administration; and debt service. These activities are further broken down between General Fund and Special Revenue.
  - General Fund Activities – These are the basic core activities of the District – student education. These activities are also supported primarily by property taxes.
  - Special Revenue Activities: These are special purpose activities that are supported by grant funds. These activities may support the core mission of the District, but the activities are being provided because other funds are available to pay for them. In most cases, special revenue activities would not be provided if grants were not available.

**Analysis of Overall Financial Information:**

The Chart below provides a snapshot of the financial picture of the district for FY17

<b>ASSETS</b>				
		FY16	FY17	% Change
Current Assets	\$	704,911	\$ 736,752	4.52%
Capital Assets	\$	7,129,715	\$ 6,973,486	-2.19%
TOTAL ASSETS	\$	7,834,626	\$ 7,710,238	-1.59%

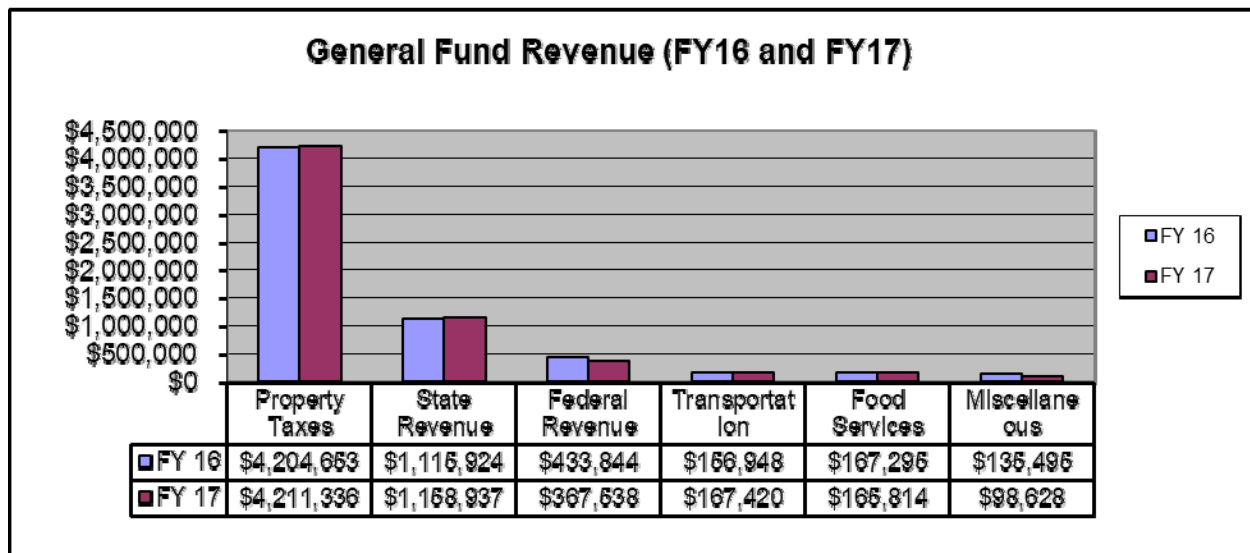
<b>LIABILITIES</b>				
		FY16	FY17	% Change
Current Liabilities	\$	607,688	\$ 542,097	-10.79%
Long-Term Liabilities	\$	2,966,416	\$ 2,680,124	-9.65%
TOTAL LIABILITIES	\$	3,574,104	\$ 3,222,221	-9.85%

<b>NET ASSETS</b>				
		FY16	FY17	% Change
Net Investment in Capital Assets	\$	3,886,279	\$ 4,014,376	3.30%
Unrestricted	\$	374,243	\$ 473,641	26.56%
TOTAL NET ASSETS	\$	4,260,522	\$ 4,488,017	5.34%

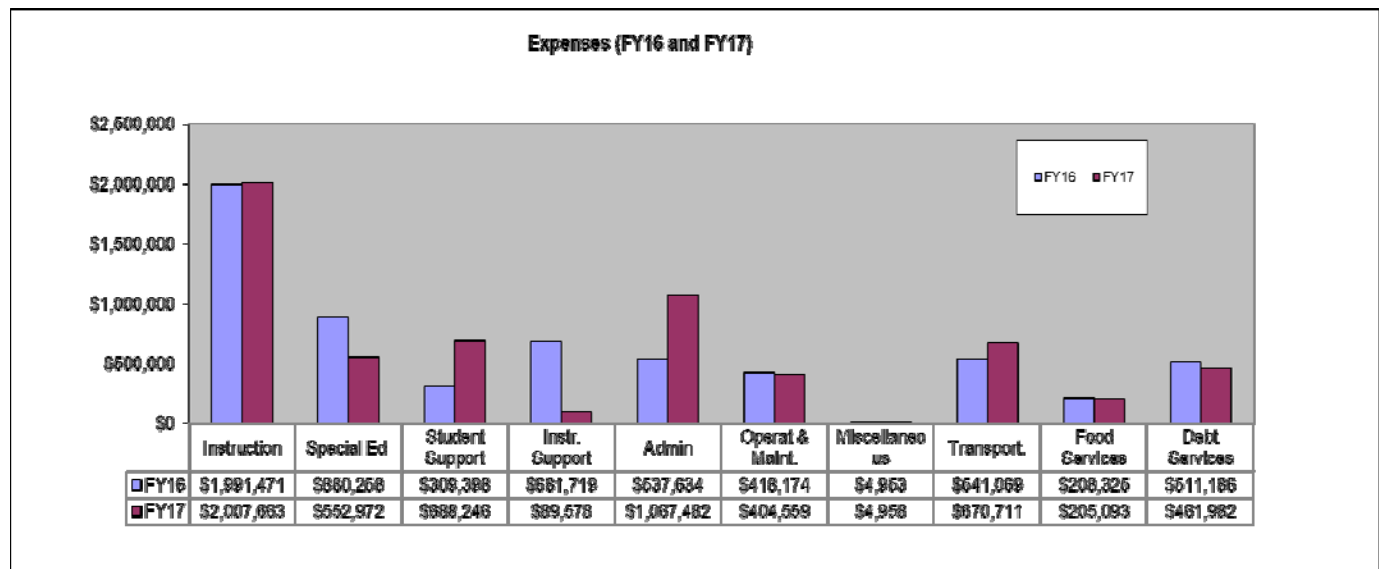
Cambridge Town School District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

### FY 17 Revenues



The chart above shows overall revenues of \$6,169,673, a decrease of \$44,486 from FY 16 due to a decrease in Federal Grant revenue.

### FY17 Expenditures



The Schools' expenditures of \$6,153,244 were \$69,057 higher than last year, but \$133,585 under budget. While special education decreased because these services were centralized under LNSU, administration costs increased due to an increased assessment related to the shifting of these costs.

### **Change in General Fund Balance:**

Under Governmental Accounting Standards Board #54, the District is reporting fund balances classified under definitions: Restricted, Committed, Assigned, Non-spendable or Unassigned.

Cambridge Town School District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

<b>Fund Balance 7/1/16</b>	<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>Fund Balance 6/30/17</b>
\$472,838	\$98,796	\$571,634

The total accumulated fund balance reflected above consists of the following:

\$6,980 Non-spendable  
 \$50,063 Committed For Sweet Property  
 \$35,877 Committed for FY 18 Expenses  
 \$169,173 Committed for Future Capital Reserve Expenses  
 \$22,673 Committed for Bus Reserve  
 \$26,853 Committed for Capital Projects  
 \$33,425 Assigned for future Gym Floor Repairs  
 \$226,590 Unassigned

### Capital Assets:

As required under Governmental Accounting Standards Board #34, the District is reporting its capital assets as part of the financial statements. The District has researched and documented the historical costs of the various assets owned by the District and applied appropriate charges against the cost to record depreciation. Note 3 of the Report details the status of the District's net capital assets.

<b>Description</b>	<b>Beginning Balance 7/1/16</b>	<b>Increase/Decrease</b>	<b>Fund Balance 6/30/17</b>
Land	\$466	\$-	\$466
Construction In Progress	\$0	\$7,633	\$7,633
Depreciable Assets	\$11,148,642	\$191,098	\$11,339,740
Accumulated Depreciation	-\$4,019,393	-\$354,960	-\$4,374,353
Net Assets	\$7,129,715	-\$156,229	\$6,973,486

### Long-Term Debt & Obligations:

The District has three categories of long-term debt, defined as Bond Payables, Lease Purchase Payables and Termination Benefits Payable.

- At year end, there remained \$2,745,000 in outstanding bond for the construction of the Cambridge Elementary School. Bond principal and interest are being paid from the General Fund.

<b>Bond Type</b>	<b>Original Amount</b>	<b>7/1/16 Balance</b>	<b>FY '17 Principal Payment</b>	<b>6/30/17 Balance</b>	<b>Final Pay. Date</b>
Construction	\$6,110,000	\$3,050,000	\$305,000	\$2,745,000	12/01/2025

- At June 30, 2017 the District had \$214,110 in outstanding notes payable which were for the purchase of school buses. Principal and interest are being paid from the Bus Reserve Fund.



Cambridge Town School District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

Lease Purchase	Original Amount	6/30/16 Balance	FY '17 Payments	6/30/17 Balance	Final Pay. Date
1 School Bus	\$64,514	\$17,019	\$17,019	\$0	12/06/17
1 School Bus	\$88,060	\$52,491	\$17,582	\$34,909	5/13/19
1 School Bus	\$86,406	\$34,926	\$16,925	\$18,001	1/9/2018
1 School Bus	\$89,000	\$89,000	\$17,800	\$71,200	6/1/21
1 School Bus	\$90,000	\$0	\$0	\$90,000	Feb 2022

3. At June 30, 2017 the district had \$97,993 in termination benefits payable. This is per the contract with the Support Staff and Teachers regarding retirement benefits. Note 7.
4. At June 30, 2017 contributions for Support Staff Retirement plan were \$7,789.

**Current Issues:**

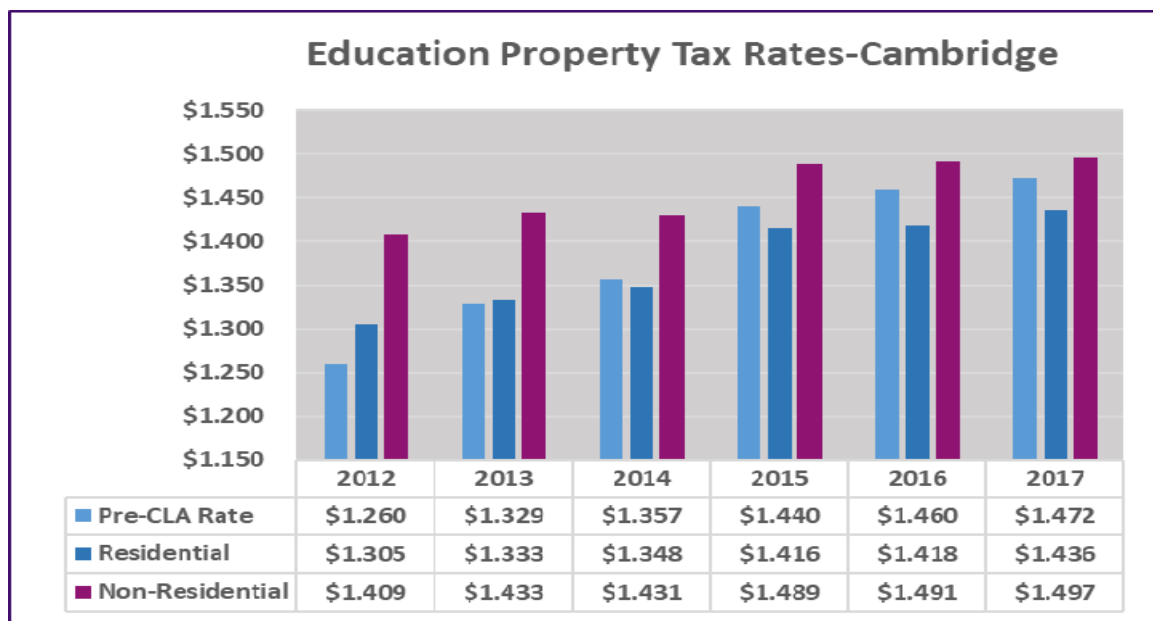
- Collective Bargaining Agreements: All Collective Bargaining Agreements expired on 06/30/2017. New 2 year agreements have been ratified as of December 2017, set to expire June of 2019.
- Consolidation Efforts: Act 153 & Act 156 are provisions in laws that consolidate some functions to the Supervisory Union and offers incentives for districts to consolidate. Some of the consolidation implementations, such as those in special education and transportation took place July 1, 2016. Since Vermont law prohibits supervisory unions from borrowing or owning real estate, some of the more practical approaches to transferring areas of responsibility to the LNSU have been challenging. Subsequently, the legislature passed Act 46 in May, 2015 that provides incentives for consolidation that reduce the tax impact on districts if they voluntarily consolidate as a single district. LNSU established a committee to look at the possibility and impact of consolidating. A vote of its' citizenry was held on April 12, 2016. The Towns of Belvidere, Eden, Johnson and Hyde Park voted to consolidate into one school district. In a subsequent vote on April 25, 2017, Waterville voted to join the consolidated district. In a subsequent vote held on March 7, 2017, Cambridge reaffirmed the vote to not participate in the consolidation. Non-merging districts have until November 2017 to present an alternative structure that meets the requirements of more sustainable, preferred model of governance under Act 46, to the State Board of Education for approval. On or before June 1, 2018 the Secretary of Education, per Act 46, shall develop and present to the State Board of Education a proposed plan to move all remaining [non-merged] districts into the more sustainable, preferred model of governance set forth in Sec. 5(b) of Act 46.
- Enrollment: Since 2009, Cambridge has experienced an upturn in enrollment. Unlike many of Vermont's schools, the Cambridge Town School District is not projected to experience a decline in student enrollment in the near future. New housing starts, including low income Section-8 housing, have resulted in increases in birth rates and will correspond to an increased number of students.

To accommodate this enrollment growth, desired changes in the delivery of educational services, and to make building code improvements, the School Board proposed a school building project to Cambridge voters on November 2, 2004. The voters approved the \$8,258,100 Project, funded through Vermont State Construction Aid (\$2,143,687) and a 20-Year Bond (\$6,114,413).

Cambridge Town School District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

- **Taxes:** Property taxes in Vermont are set by calculation of total budgeted cost per equalized pupil in each locale and then adjusted by the local common level of appraisal (CLA). A CLA of over 100% has the effect of lowering the tax rate and a CLA under 100% has the effect of increasing the tax rate. As property value increases, the CLA goes down and this has the effect of increasing the tax rate.

The effect of the Common Level of Appraisal (Vermont's adjustment factor to bring a town's appraised values to fair market values) on Cambridge's final tax rate has affected Cambridge taxes, but less so than other Lamoille locales as Cambridge's real estate market tends to hold their value. In 2017, a reappraisal of property adjusted the C.L.A. slightly for subsequent fiscal years, as reflected below:



Common Level of Appraisal C.L.A FY12:	96.54%
Common Level of Appraisal C.L.A FY13:	99.79%
Common Level of Appraisal C.L.A FY14:	100.65%
Common Level of Appraisal C.L.A FY15:	101.73%
Common Level of Appraisal C.L.A FY16:	102.92%
Common Level of Appraisal C.L.A FY17:	102.56%
Common Level of Appraisal C.L.A FY18:	101.85%

- The Cambridge School District is a member of the Lamoille Union School District #18 (LUSD #18). Cambridge sends all of its secondary students to LUSD #18. LUSD #18 includes the Green Mountain Technology & Career Center.

### Contact for Further Information:

This financial Report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this Report or additional financial information needs should be directed to Catherine Gallagher, Superintendent of Schools, 96 Cricket Hill Road, Hyde Park, VT 05655, at 802-851-1178 or [cgallagher@insu.org](mailto:cgallagher@insu.org).

Cambridge Town School District  
DISTRICT-WIDE FINANCIAL STATEMENT  
STATEMENT OF NET POSITION  
June 30, 2017

ASSETS

	<u>Governmental Activities</u>
CURRENT ASSETS	
Cash	\$ 698,202
Other receivables	31,570
Prepaid expenses	6,980
TOTAL CURRENT ASSETS	<u>736,752</u>
CAPITAL ASSETS, net	<u>6,973,486</u>
TOTAL ASSETS	<u>\$ 7,710,238</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	\$ 96,748
Due to LNSU	34,196
Accrued salaries and taxes	15,555
Current portion bonds payable	305,000
Current portion notes payable	71,979
Unearned revenue	18,619
TOTAL CURRENT LIABILITIES	<u>542,097</u>
LONG-TERM LIABILITIES, net of current portion	
Bonds payable	2,440,000
Notes payable	142,131
Termination benefits payable	97,993
TOTAL LONG-TERM LIABILITIES, net of current portion	<u>2,680,124</u>
TOTAL LIABILITIES	<u>3,222,221</u>
NET POSITION	
Net investment in capital assets	4,014,376
Unrestricted	473,641
TOTAL NET POSITION	<u>4,488,017</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 7,710,238</u>

See Accompanying Notes to Basic Financial Statements.

Cambridge Town School District  
DISTRICT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF CHANGES IN NET POSITION  
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Revenues	Capital Grants and Revenues	
Governmental Activities:					
Instruction Services	\$ 2,125,726	\$ -	\$ 4,915,985	\$ -	\$ 2,790,259
Special Education	1,078,464	-	636,520	-	(441,944)
Preschool Program	123,044	-	-	-	(123,044)
Guidance Services	177,358	-	-	-	(177,358)
Health Services	59,744	-	-	-	(59,744)
Speech and Psychological Services	18,884	-	8,391	-	(10,493)
Improvement of Instruction	89,579	-	-	-	(89,579)
Educational Media Service	109,642	-	-	-	(109,642)
Board/Fiscal/Audit	13,347	-	-	-	(13,347)
Superintendent's Office	262,297	-	-	-	(262,297)
Principal's Office	245,351	-	-	-	(245,351)
Fiscal Services - Treasurer	1,643	-	-	-	(1,643)
Maintenance of Plant	404,559	-	-	-	(404,559)
Pupil Transportation	410,287	167,420	135,322	-	(107,545)
Technical Services	100,262	-	-	-	(100,262)
Food Service	205,093	63,473	102,340	-	(39,280)
Interest on Short Term Loans	47,511	-	-	-	(47,511)
Interest Expense	109,471	-	-	-	(109,471)
Miscellaneous Expense	4,957	-	-	41,591	36,634
Depreciation - unallocated	354,960	-	-	-	(354,960)
Total Governmental Activities	<u>\$ 5,942,179</u>	<u>\$ 230,893</u>	<u>\$ 5,798,558</u>	<u>\$ 41,591</u>	<u>128,863</u>
General revenues:					
Unrestricted Investment Earnings					56,172
Miscellaneous					<u>42,460</u>
Total General Revenues					<u>98,632</u>
Change in Net Position					227,495
Net Position, beginning					<u>4,260,522</u>
Net Position, ending					<u>\$ 4,488,017</u>

See Accompanying Notes to Basic Financial Statements.

Cambridge Town School District  
FUND FINANCIAL STATEMENTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2017

	Governmental Fund Types		
	General Fund	Capital Projects Fund	Total
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 698,202	\$ -	\$ 698,202
Due from Other Funds	-	60,278	60,278
Other Receivables	31,570	-	31,570
Prepaid Expenses	6,980	-	6,980
TOTAL CURRENT ASSETS	<u>\$ 736,752</u>	<u>\$ 60,278</u>	<u>\$ 797,030</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 96,748	\$ -	\$ 96,748
Due to LNSU	34,196	-	34,196
Accrued Salaries and Taxes	15,555	-	15,555
Due to Other Funds	60,278	-	60,278
Unearned Revenue	18,619	-	18,619
TOTAL CURRENT LIABILITIES	<u>225,396</u>	<u>-</u>	<u>225,396</u>
FUND BALANCES			
Nonspendable	6,980	-	6,980
Committed	277,786	26,853	304,639
Assigned	-	33,425	33,425
Unassigned	226,590	-	226,590
TOTAL FUND BALANCE	<u>511,356</u>	<u>60,278</u>	<u>571,634</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 736,752</u>	<u>\$ 60,278</u>	<u>\$ 797,030</u>

See Accompanying Notes to Basic Financial Statements.

Cambridge Town School District  
FUND FINANCIAL STATEMENTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2017

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

<b>Total fund balances - governmental funds</b>	<b>\$ 571,634</b>
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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 as assets in governmental funds.

Capital Assets	11,347,839
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Accumulated Depreciation	(4,374,353)
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Long-term liabilities, including bonds payable, are not due and payable  
in the current period and therefore are not reported as liabilities  
in the funds. Long-term liabilities at year-end consist of:

Notes Payable	(214,110)
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Bonds Payable	(2,745,000)
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Termination Benefits Payable	<u>(97,993)</u>
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<b>Total net postion - governmental activities</b>	<b><u>\$ 4,488,017</u></b>
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See Accompanying Notes to Basic Financial Statements.

Cambridge Town School District  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017

	Governmental Fund Types		
	General Fund	Capital Projects Fund	Total
REVENUES			
State Revenue	\$ 5,370,273	\$ -	\$ 5,370,273
Federal Revenue	342,077	-	342,077
Medicaid Reimbursement	25,461	-	25,461
Transportation Service	167,420	-	167,420
Food Service	165,814	-	165,814
Interest Income	56,172	-	56,172
Miscellaneous	42,456	-	42,456
TOTAL REVENUES	<u>6,169,673</u>	<u>-</u>	<u>6,169,673</u>
EXPENDITURES			
Instruction Services	1,683,702	-	1,683,702
Art	44,914	-	44,914
Physical Education	77,923	-	77,923
Music/Band Services	78,080	-	78,080
Special Education	524,905	-	524,905
Preschool Program	123,044	-	123,044
Guidance Services	177,358	-	177,358
Health Services	59,744	-	59,744
Speech and Psychological Services	18,884	-	18,884
OT & PT Services	145	-	145
Other Support Services	3,808	-	3,808
Improvement of Instruction	89,579	-	89,579
Educational Media Service	76,675	-	76,675
Board/Fiscal/Audit	13,347	-	13,347
Superintendent's Office	807,141	-	807,141
Principal's Office	245,351	-	245,351
Fiscal Services - Treasurer	1,643	-	1,643
Maintenance of Plant	404,559	7,633	412,192
Pupil Transportation	670,711	-	670,711
Technical Services	133,229	-	133,229
Food Service	205,093	-	205,093
Interest on short term loans	47,511	-	47,511
Debt Service	414,471	-	414,471
Educational Support Systems	241,240	-	241,240
EEE Expenditure	5,230	-	5,230
Miscellaneous Expense	4,957	-	4,957
TOTAL EXPENDITURES	<u>6,153,244</u>	<u>7,633</u>	<u>6,160,877</u>

See Accompanying Notes to Basic Financial Statements.

Cambridge Town School District  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017

	Governmental Fund Types		
	General Fund	Capital Projects Fund	Total
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>16,429</u>	<u>(7,633)</u>	<u>8,796</u>
OTHER FINANCING SOURCES			
Proceeds from long-term debt	90,000	-	90,000
Transfer (to)/from Capital Projects	<u>(33,425)</u>	<u>33,425</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>56,575</u>	<u>33,425</u>	<u>90,000</u>
NET CHANGE IN FUND BALANCE	73,004	25,792	98,796
FUND BALANCE, Beginning of Year	<u>438,352</u>	<u>34,486</u>	<u>472,838</u>
FUND BALANCE, End of Year	<u>\$ 511,356</u>	<u>\$ 60,278</u>	<u>\$ 571,634</u>

See Accompanying Notes to Basic Financial Statements.



Cambridge Town School District  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT  
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF CHANGES IN NET POSITION

<b>Total net change in fund balances - governmental funds</b>	<b>\$ 98,796</b>
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Amounts reported for governmental activities in the statement of activities  
are different because:

Capital outlays are reported in governmental funds as expenditures. However,  
in the statement of activities, the cost of those assets is allocated over  
their estimated useful lives as depreciation expense:

Depreciation Expense	(354,960)
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Capital Outlays	198,731
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The proceeds from the issuance of long-term debt is a revenue  
source in the governmental funds, while the issuance  
increase long-term debt in the Statement of Net Position.

Proceeds from the issuance of long-term debt	(90,000)
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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:

Retirement Benefits Reduction	31,653
-------------------------------	--------

Retirement Benefits Accrued	(31,051)
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Repayment of long-term debt is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the statement of net position:

Note Payments	69,326
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Bond Payments	<u>305,000</u>
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<b>Change in net position of governmental activities</b>	<b><u>\$ 227,495</u></b>
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See Accompanying Notes to Basic Financial Statements.

Cambridge Town School District  
FUND FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION- FIDUCIARY FUNDS  
June 30, 2017

	<u>Fiduciary Fund Type</u> Agency Fund
<u>ASSETS</u>	
ASSETS	
Cash	\$ <u>27,935</u>
<u>LIABILITIES AND NET POSITION</u>	
LIABILITIES	
Accounts Payable	\$ 47
Deferred Revenue	<u>27,888</u>
TOTAL LIABILITIES	<u>27,935</u>
NET POSITION	
Unassigned	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 27,935</u>

See Accompanying Notes to Basic Financial Statements.

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

All operations of the School District are controlled by a five member Board of Trustees, elected in Town-wide elections, and responsible for all of the School District's activities. The financial statements include all of the School District's operations controlled by the Board of Trustees. Based on criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments), the School District is considered to be an independent reporting entity and has no component units.

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes (state education and local share) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the School District receives cash.

The School District reports the following major governmental funds:

- \* The special revenue fund accounts for various state and federal grants
- \* The general fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.
- \* The capital projects fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the School District.

Private-sector standards of accounting, and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes (state education and local share).

Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted on a School District level for the financial funds or the student activities agency fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- \* During January of each year, the School District Superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1<sup>st</sup>. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30<sup>th</sup>.
- \* Copies of the proposed budget are made available for public inspection and review by the patrons of the School District. During March of each year a public hearing is held prior to Town Meeting day to discuss the budget.
- \* The budget is voted on by taxpayers at Town Meeting in the month of March.

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- \* Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the Superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Vermont State law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- \* Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenues variances will be negative and overall fund expenditures variances will be positive.

Cash and Cash Equivalents

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.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current portion of inter-fund loans) or "advances from/to other funds" (i.e., the non-current portion of inter-fund loans). Cambridge Town School District generally maintains one cash account in the General Fund to pay expenditures and receive payments for efficiency. All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) repayments between funds are made.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital Assets

Capital assets are property owned by the School District and include computers, computer equipment, and peripherals: equipment such as vehicles, machinery, copiers, and office equipment; buildings and land: and infrastructure such as roads, bridges, tunnels, rights of way, and culverts.

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General capital assets should be capitalized and recorded when all of the following criteria are met:

- (1) The asset is tangible and complete.
- (2) The asset is used in the operation of the School District's activities.
- (3) The asset has a value equal to or greater than \$5,000 and a useful life of more than one year, at the date of acquisition

All general capital assets must be recorded at either historical cost or estimated historical cost. Assets acquired through donation will be recorded at their estimated fair market value on the date of donation. In addition to purchase price or construction cost, costs of capitalization may include incidental costs, such as bond interest and issuance cost, insurance during transit, freight, duties, title search, title registration, installation, and breaking-in costs.

The straight line depreciation method will be used with lives as recommended by the Association of School Business Officials (ASBO).

Long-term Obligations

In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets.

Property Taxes

Property taxes are due and payable on or before November 15 and become delinquent on November 16. The Town prepares the bills and collects all taxes and then remits them to the School District.

Government Wide Net Position

Government-wide Net Position is divided into the following components:

Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position – consist of net assets that are restricted by the District's creditors, by enabling legislation, by grantors (both federal and state), and / or by contributors.

Unrestricted – all other net position reported in this category

Governmental Fund Balance

Effective July 1, 2010, the District adopted the provisions of GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts that can be spent only for specific purposes because of laws, regulations, or externally imposed conditions by grantors or creditors.

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed – Amounts that can be used only for specific purposes determined by a formal action by the School Board.

Assigned – Amounts that are designated by management for a particular purpose.

Unassigned – All amounts not included in other classifications.

Nonspendable – Amounts that cannot be spent because they are not spendable in form or are legally or contractually required to be maintained intact

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed. For unrestricted amounts of fund balance, it is the Cambridge Town School District's policy to use the fund balance in the following order, (1) Committed, (2) Assigned, (3) Unassigned.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 CASH

The cash deposits in the School District accounts as of June 30, 2017 consisted of the following:

	Book Balance	Bank Balance
Insured (FDIC)	\$ 494,364	\$ 572,519
Right to Offset by Debt	18,001	214,110
Uninsured	<u>213,772</u>	<u>1,771,475</u>
 TOTAL	 <u>\$ 726,137</u>	 <u>\$ 2,558,104</u>

The difference between the book balance and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 466	\$ -	\$ -	\$ 466
Construction in progress	-	7,633	-	7,633
Total capital assets, not being depreciated	<u>466</u>	<u>7,633</u>	<u>-</u>	<u>8,099</u>
Capital assets, being depreciated				
Land improvements	39,490	-	-	39,490
Buildings and improvements	9,803,797	-	-	9,803,797
Furniture and equipment	465,000	-	-	465,000
Buses	<u>840,355</u>	<u>191,098</u>	<u>-</u>	<u>1,031,453</u>
Total capital assets, being depreciated	<u>11,148,642</u>	<u>191,098</u>	<u>-</u>	<u>11,339,740</u>
Accumulated depreciation for				
Land improvements	(24,513)	(1,649)	-	(26,162)
Buildings and improvements	(3,092,355)	(244,609)	-	(3,336,964)
Furniture and equipment	(375,396)	(38,027)	-	(413,423)
Buses	<u>(527,129)</u>	<u>(70,675)</u>	<u>-</u>	<u>(597,804)</u>
Total accumulated depreciation	<u>(4,019,393)</u>	<u>(354,960)</u>	<u>-</u>	<u>(4,374,353)</u>
Total capital assets, being depreciated, net	<u>7,129,249</u>	<u>(163,862)</u>	<u>-</u>	<u>6,965,387</u>
Governmental activities capital assets, net	<u>\$7,129,715</u>	<u>\$ (156,229)</u>	<u>\$ -</u>	<u>\$ 6,973,486</u>

NOTE 4 SHORT-TERM DEBT

Short-term debt consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Tax Anticipation Note at 2.8%	<u>\$ -</u>	<u>\$ 1,701,485</u>	<u>\$ (1,701,485)</u>	<u>\$ -</u>



Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 5      BONDS PAYABLE

The District had the following bonds payable at June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Vermont Municipal Bond Bank, 20 yr. bond, dated July 2005, variable interest due semi- annually, principal payable annually in declining amounts through December 2025.	<u>\$3,050,000</u>	<u>\$ -</u>	<u>\$ (305,000)</u>	<u>\$ 2,745,000</u>	<u>\$ 305,000</u>

Maturities of bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Savings Allocation</u>	<u>Total</u>
2018	\$ 305,000	\$ 114,604	\$ (19,721)	\$ 399,883
2019	305,000	101,626	(18,824)	387,802
2020	305,000	88,496	(17,928)	375,568
2021	305,000	75,213	(20,617)	359,596
2022	305,000	61,793	(17,928)	348,865
2023-2026	<u>1,220,000</u>	<u>110,700</u>	<u>(63,644)</u>	<u>1,267,056</u>
TOTAL	<u>\$2,745,000</u>	<u>\$ 552,432</u>	<u>\$ (158,662)</u>	<u>\$3,138,770</u>

NOTE 6      NOTES PAYABLE

The District had the following notes payable at June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Note Payable Community National Bank, dated January 2013, 2.10% interest and principal payments due annually of \$18,386 beginning January 2014, due January 2018.	\$ 34,926	\$ -	\$ 16,925	\$ 18,001	\$ 18,001
Note Payable Union Bank, 1.12% interest, due May 2019. The District plans to renew this note annually until paid.	52,491	-	17,582	34,909	18,178

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 6      NOTES PAYABLE (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Note Payable Union Bank, 0.90% interest, due June 2021. The District plans to renew this note annually until paid in full	89,000	-	17,800	71,200	17,800
Note Payable Union Bank, 1.35% interest rate, due February, 2022 The district plans to renew this note annually until paid in full	-	90,000	-	90,000	18,000
Note Payable Community National Bank, dated June 2012, 2.25% interest and principal payments due annually of \$17,046 beginning June, 2013, due June 2017.	17,019	-	17,019	-	-
Total Notes Payable	<u>\$ 193,436</u>	<u>\$ 90,000</u>	<u>\$ 69,326</u>	<u>\$ 214,110</u>	<u>\$ 71,979</u>

Maturities of notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 71,979	\$ 2,631	\$ 74,610
2019	52,531	1,640	54,171
2020	35,800	1,049	36,849
2021	35,800	646	36,446
2022	18,000	243	18,243
TOTAL	<u>\$ 214,110</u>	<u>\$ 6,209</u>	<u>\$ 220,319</u>

NOTE 7      TERMINATION BENEFITS

Teachers

Upon leaving the District, a teacher who has served the Cambridge Town School District for fifteen (15) years or more and has reached age 55, shall be entitled to severance pay at a rate of fifty dollars per day, maxing out at 185 days.

Support Staff

Full-time support staff employees with a minimum of fifteen years consecutive service to the District and have reached age 55 shall be granted a severance payment of \$2,000. Part-time support staff employees will be granted a pro-rata share of the severance payment based on the average of their 15 years plus service.

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 7 TERMINATION BENEFITS (continued)

The amount of these termination benefits accumulated as of June 30, 2017 is \$97,993.

	June 30, 2016 <u>Balance</u>	<u>Additions</u>	Principal <u>Reduction</u>	June 30, 2017 <u>Balance</u>
Termination Benefits	\$ 98,595	\$ 31,051	\$ (31,653)	\$ 97,993

NOTE 8 DEFINED CONTRIBUTION PLAN

The Cambridge Town School District participates in the Lamoille North Supervisory Retirement Plan, which is a defined contribution plan. Employees not participating in the Vermont State Teachers' Retirement System Plan, who are at least 21 years of age and have completed one year of service (defined as 1,000 hours of service in a plan year) are eligible to participate in the plan. Employer contributions to the plan are discretionary and allocated among participants as a uniform percent of pay.

Lamoille North Supervisory Union began a retirement plan on July 1, 2008. Under this new plan employees hired prior to July 1, 2008 will receive an employer match of up to 4% of eligible wages. Employees hired after July 1 will receive an employer match of up to 3% of eligible employee wages. Covered wages under the plan were \$288,131. Contributions by the District were \$7,789 fiscal year 2017.

NOTE 9 TEACHERS RETIREMENT

Information Required Under GASB Statement No. 68

Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions requires employers participating in a cost-sharing, multiple-employer defined benefit pension plan to recognize their proportional share of total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The schedules below have been prepared to the Cambridge Town School District's proportional share of the overall amounts of the Vermont State Teachers' Retirement System (VSTRS) plan. Cambridge Town School District's portion has been allocated based on Cambridge Town School District's proportional share of employer contributions to the total contributions to VSTRS during the fiscal year.

Reporting Date, Measurement Date, and Valuation Date

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the Cambridge Town School District's reporting date (June 30, 2017) and for the Cambridge Town School District's reporting period (the year ended June 30, 2017). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2017, the State has chosen to use the end of the prior fiscal year (June 30, 2016) as the measurement date, and the year ended June 30, 2016 as the measurement period.

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 9 TEACHERS RETIREMENT (continued)

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2015, to the measurement date of June 30, 2016.

**Schedule A – Employers' Allocation as of June 30, 2015**

Fiscal Year Ended June 30, 2015				
Allocated Contribution	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 235,606	0.3232%	\$ 9,176,280	\$ 5,342,071	\$ 3,834,209

Fiscal Year Ended June 30, 2015			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Increase (8.95% Disc Rate)
\$ 354,900	\$ (7,739)	\$ 4,868,754	\$ 2,966,318

**Schedule B – Employers' Allocation as of June 30, 2016**

Fiscal Year Ended June 30, 2016				
Portion of State Contribution	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 231,895	0.31669%	\$ 9,280,289	\$ 5,133,190	\$ 4,147,100

Fiscal Year Ended June 30, 2016			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Increase (8.95% Disc Rate)
\$ 544,353	\$ (74,880)	\$ 5,189,396	\$ 3,272,340

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 9      TEACHERS RETIREMENT (continued)

**Schedule C – Employers' Allocation of Pension Amounts as of June 30, 2016**

Deferred Outflows of Resources							
Employer Proportion	Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
0.31669%	\$4,147,100	\$ 40,254	\$ 91,030	\$ -	\$ 400,870	\$ 12,200	\$544,353

Deferred Inflows of Resources					
Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows
\$ -	\$ (17,158)	\$ -	\$ -	\$ (57,722)	\$ (74,880)

Pension Expense Recognized		
Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total
\$ 430,373	\$ (7,901)	\$ 422,472

**Schedule D – Employer's Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2016**

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 9 TEACHERS RETIREMENT (continued)

Fiscal Year Ending June 30,					
2017	2018	2019	2020	2021	Thereafter
\$ 136,376	\$ 124,176	\$ 139,559	\$ 69,364	\$ -	\$ -

**Schedule E – Covered Payroll**

FY 2016	FY 2015	FY 2014
\$ 2,051,496	\$ 1,802,243	\$ 1,837,366

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the VSTRS or its 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)

**Plan Description**

The Vermont State Teachers' Retirement System is a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2016, the retirement system consisted of 288 participating employers.

The plan was created in 1947, and is governed by Title 16, V.S.A. Chapter 555.

Management of the plan is vested in the VSTRS Board of Trustees, which consists of the Secretary of Education (ex-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the system under rules adopted by the Board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

The Pension Plan is divided into the following membership groups:

- Group A - for public school teachers employed within the State of Vermont prior to July 1, 1981 and who elected to remain in Group A
- Group C - for public school teachers employed within the State of Vermont on or after July 1, 1990, or hired before July 1, 1990 and were a member of Group B at that time

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 9      TEACHERS RETIREMENT (continued)

VSTRS	GROUP A	GROUP C - GROUP #1*	Group C - Group #2++
Normal service retirement eligibility (no reduction)	Age 60 or 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula - normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC, 2.0% after attaining 20 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%, minimum of 1% after 12 months of normal retirement or age 65
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction
Disability Benefits	Unreduced, accrued benefit minimum of 25% of AFC	Unreduced, accrued benefit minimum of 25% of AFC	Unreduced, accrued benefit minimum of 25% of AFC
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently

\* Group #1 are members who were within 5 years of normal retirement (age 62 or 30 years of service) on June 30, 2010

++ Group #2 are members who were less than 57 years of age or had less than 25 years of service on June 30, 2010

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

Significant Actuarial Assumptions and Methods

The total pension liability as of June 30, 2016 was determined by rolling forward the total pension liability as of June 30, 2015 to June 30, 2016 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five year period ending June 30, 2014. The recommended assumption changes based on this experience study were adopted by the Board at its October 29, 2015 Board meeting, and were effective for the actuarial valuation made as of June 30, 2015. The 7.95% expected rate of return on assets was adopted by the Board at a meeting on July 27, 2015.

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 9      TEACHERS RETIREMENT (continued)

Interest Rate: 7.95% per annum.

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

Age	Annual Rate of Salary Increase
25	8.15%
30	6.84%
35	5.97%
40	5.29%
45	4.80%
50	4.46%
55	4.22%
60	4.12%
64	4.12%

Deaths After Retirement: The 1995 Buck Mortality Tables set back three years for males and one year for females, for retirees, terminated vested members and beneficiaries; the RP-2000 Disabled Life Table with projection to 2016 using Scale AA for disabled retirees. The tables used contain a margin to reflect anticipated mortality improvement after the valuation date.

Inflation: the separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

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

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 3% per annum for Group A members and 1.5% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement).

Inactive Members: A liability equal to 350% of accumulated contributions of inactive members is included in the valuation liabilities. Solely for the June 30, 2016 valuation, this percentage was reduced to 332.5% in recognition of the impact of the school district consolidation program on the demographics of the inactive population.

Actuarial Cost Method: The individual entry age normal actuarial cost method was used. For actuarial valuations prior to June 30, 2006, the entry age normal method with frozen initial liability was used.



Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 9      TEACHERS RETIREMENT (continued)

Asset Valuation Method: The amount of the assets for valuation purposes 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.

Member Data: 315 members terminated on June 30, 2016 and retired on July 1, 2016 were included with a valuation status as members receiving benefits. 536 members who were active on June 30, 2016 and terminated on July 1, 2016, were included with a valuation status as inactive. For those terminated members with at least five years of service, the system will automatically vest them six years after their termination if they do not withdraw.

Health and Medical Benefits for Retirees: Not included in this valuation.

Long-term expected rate of return

The long-term expected rate of return on System investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Equity	35.00%	8.54%
Fixed Income	32.00%	2.36%
Alternatives	16.00%	8.35%
Multi-strategy	17.00%	4.90%

Discount rate

The discount rate used to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

During the year ended June 30, 2017 the state of Vermont contributed \$193,426 on behalf of Cambridge Town School District.

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 10      ASSESSMENTS

Supervisory Union Assessment

The District also pays for its proportionate share of expense relating to the Lamoille North Supervisory Union. The District paid \$808,555 of such expenses during the year ended June 30, 2017.

NOTE 11      RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries to employees. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

In addition, Cambridge Town School District is a member of the Vermont School Boards' Association Insurance Trust, Inc. (VSBIT) Medical Benefits Program and Unemployment Compensation Program. VSBIT is a nonprofit corporation formed in 1978 to provide insurance and risk management programs for Vermont school districts and is owned by the participating districts.

To provide unemployment coverage, VSBIT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims and provide excess reinsurance protection. 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 proportioned share of the deficit.

NOTE 12      CONTINGENCY

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the School District's Independent Auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District Administration believes such disallowance, if any, would be immaterial.

NOTE 13      NON-CASH TRANSACTIONS

The Cambridge Town School District received Federal Commodities for use in food service in the amount of \$12,106 for the cost of shipping. The value of the commodities received is not included in the food service budget and is not part of food service revenue or expenditures.

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 14      OPERATING LEASE

The School District leases equipment under an operating lease which expires in July 2019. Minimum future rental payments under non-cancelable operating lease having remaining terms in excess of one year as of June 30, 2017 for the next years as follow:

Year Ending June 30,	
2018	\$    24,078
2019	14,045

Total rent expense for the year ended June 30, 2017 was \$26,181.

NOTE 15      COMMITTED FUND BALANCES

General Fund:	
Prepaid Expenses	<u>\$    6,980</u>

Assigned Fund Balance at June 30, 2017 is as follows:

Capital Projects Fund:	
Assigned for Gym Floor Repairs	<u>\$    33,425</u>

Committed Fund Balance at June 30, 2017 are as follows:

General Fund:	
Committed for Sweet Property	\$    50,063
Committed for FY18 Expenditures	35,877
Committed for Bus Reserve	22,673
Committed for Future Capital Expenditures	<u>169,173</u>
 Total General Fund	 <u>\$ 277,786</u>

Capital Projects Fund:	
Committed for Capital Expenditures	<u>\$    26,853</u>

Cambridge Town School District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 16      COLLECTIVE BARGAINING AGREEMENTS

The District has entered into three collective bargaining agreements with the Lamoille North Education Association. The support staff and the para-educator collective bargaining agreements, along with the teacher collective bargaining agreement all expire on June 30, 2017.

NOTE 17      SUBSEQUENT EVENTS

On July 3, 2017, the School District obtained a tax anticipation note with Community National Bank in the amount of \$1,850,517. The note is due June 30, 2018 with 2.85% interest.

In accordance with professional accounting standards, the School District has evaluated subsequent events through October 6, 2017 which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2017, have been incorporated into these basic financial statements herein.

## REQUIRED SUPPLEMENTARY INFORMATION

Cambridge Town School District  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
State Grants:				
Education Spending Grant	\$ 4,674,013	\$ 4,674,013	\$ 4,674,013	\$ -
Education Spending Grant - Transportation	-	135,322	135,322	-
Education Spending Grant - Special Education	576,672	576,672	523,644	(53,028)
Essential Early Education	52,358	52,358	36,989	(15,369)
Best Grant	-	3,581	305	(3,276)
Federal Grants:				
IDEA B Grant	37,714	58,818	58,818	-
Consolidated Federal Program	189,904	202,811	202,811	-
Other Federal Grants	29,585	86,966	80,448	(6,518)
Medicaid/EPSTDT Reimbursement	42,000	47,055	25,461	(21,594)
Food Service	-	171,414	165,814	(5,600)
Transportation Service	168,917	168,917	167,420	(1,497)
Interest Income	42,000	42,000	56,172	14,172
Miscellaneous	17,611	31,025	42,456	11,431
TOTAL REVENUES	5,830,774	6,250,952	6,169,673	(81,279)
EXPENDITURES				
Instruction Services	1,710,847	1,743,084	1,683,702	59,382
Art	44,020	44,020	44,914	(894)
Physical Education	65,182	66,582	77,923	(11,341)
Music/Band Services	73,395	73,395	78,080	(4,685)
Special Education	630,446	640,842	524,905	115,937
Preschool Program	131,288	131,288	123,044	8,244
Guidance Services	174,808	174,808	177,358	(2,550)
Health Services	77,145	80,800	59,744	21,056
Speech and Psychological Services	96,524	98,016	18,884	79,132
OT & PT Services	-	-	145	(145)
Other Support Services	-	-	3,808	(3,808)
Improvement of Instruction	43,690	97,992	89,579	8,413
Educational Media Service	87,049	87,049	76,675	10,374
Board/Fiscal/Audit	21,899	21,899	13,347	8,552
Superintendent's Office	818,603	818,603	807,141	11,462
Principal's Office	253,362	253,362	245,351	8,011
Fiscal Services - Treasurer	9,914	9,914	1,643	8,271
Maintenance of Plant	436,371	436,371	404,559	31,812
Pupil Transportation	247,810	386,132	670,711	(284,579)

See Accompanying Notes to Basic Financial Statements.

Cambridge Town School District  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (continued)				
Technical Service	150,773	150,773	133,229	17,544
Food Service	52,029	224,303	205,093	19,210
Interest on short term loans	31,000	31,000	47,511	(16,511)
Debt Service	432,399	432,399	414,471	17,928
Educational Support Systems	245,817	245,817	241,240	4,577
EEE Expenditure	32,280	38,380	5,230	33,150
Miscellaneous Expense	-	-	4,957	(4,957)
TOTAL EXPENDITURES	<u>5,866,651</u>	<u>6,286,829</u>	<u>6,153,244</u>	<u>133,585</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(35,877)</u>	<u>(35,877)</u>	<u>16,429</u>	<u>52,306</u>
OTHER FINANCING SOURCES				
Proceeds from Long Term Debt	-	-	90,000	90,000
Transfers to Capital Projects	-	-	(33,425)	(33,425)
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>56,575</u>	<u>56,575</u>
NET CHANGE IN FUND BALANCE	<u>\$ (35,877)</u>	<u>\$ (35,877)</u>	<u>\$ 73,004</u>	<u>\$ 108,881</u>

See Accompanying Notes to Basic Financial Statements.

Cambridge Town School District  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
For the Year Ended June 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.31669%	0.32315%	0.3241%	0.3193%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>4,147,100</u>	<u>3,834,209</u>	<u>3,106,605</u>	<u>3,228,189</u>
Total	<u>\$ 4,147,100</u>	<u>\$ 3,834,209</u>	<u>\$ 3,106,605</u>	<u>\$ 3,228,189</u>
District's covered-employee payroll	<u>\$ 1,668,906</u>	<u>\$ 1,802,243</u>	<u>\$ 1,837,366</u>	<u>\$ 1,799,673</u>
District's proportionate share of the net pension liability (asset) 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	55.31%	58.22%	64.02%	60.59%

*Significant Actuarial Assumptions and methods are described in Note 9 to the financial statements. There were no changes in methods or assumptions during the year ended June 30, 2017.*

See Accompanying Notes to Basic Financial Statements.



## ADDITIONAL REPORT



**Kittell Branagan & Sargent**

*Certified Public Accountants*

Vermont License #167

INDEPENDENT AUDITOR'S 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

To the School Board  
Cambridge, 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 Cambridge Town School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Cambridge Town School District's basic financial statements, and have issued our report thereon dated October 6, 2017.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cambridge Town School Districts 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.

*Kittell Branagan & Sargent*

St. Albans, Vermont  
October 6, 2017