

**CABOT TOWN SCHOOL DISTRICT  
CABOT, VERMONT**

**FINANCIAL STATEMENTS  
JUNE 30, 2022  
AND  
INDEPENDENT AUDITOR'S REPORTS**

**CABOT TOWN SCHOOL DISTRICT**

**JUNE 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

The Superintendent and Board of Education  
Cabot Town School District

### **Report on the Audit of 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 Cabot Town School District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Cabot Town School District as of June 30, 2022, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cabot Town School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules 1 and 2 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 April 12, 2023, on our consideration of the District's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on 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 District's internal control over financial reporting and compliance.

Montpelier, Vermont  
April 12, 2023

*Melgett Jernott* 9  
*Shosh-Nia, P.L.*

**CABOT TOWN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

This section of the Cabot Town School District (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. The intent of the Management's Discussion and Analysis is to look at the District's financial performance as a whole. With this in mind, please also refer to the District's financial statements, which immediately follow this analysis.

**Using This Annual Report**

The accompanying financial statements include two separate presentations: government-wide financial statements and fund financial statements.

The government-wide financial statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The assets include any capital assets and the liabilities include any long-term debt and other long-term liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Activities focuses on the programs of the District and presents information showing how the District's net position changed during the year.

The fund financial statements present financial position and activities by fund using the modified accrual basis of accounting. 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 funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds primarily focus on near-term inflows and outflows of spendable resources and their balance at the end of the fiscal year. The District's major governmental funds are the General Fund, the Capital Projects Fund, and the Grants Fund.

**Reporting the District as a Whole - Government-wide Financial Analysis**

The Statement of Net Position shows the total assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the District at June 30, 2022. A summary of the comparative information from the Statement of Net Position at June 30, 2021 and 2022 follows.

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2022</u>
Current Assets	\$ 44,376	\$ 113,049
Noncurrent Assets, net	<u>2,038,485</u>	<u>1,967,064</u>
Total Assets	<u>2,082,861</u>	<u>2,080,113</u>
Deferred Outflows of Resources	<u>24,385</u>	<u>14,089</u>
Current Liabilities	333,542	161,074
Noncurrent Liabilities	<u>138,153</u>	<u>282,997</u>
Total Liabilities	<u>471,695</u>	<u>444,071</u>

	<u>2021</u>	<u>2022</u>
Deferred Inflows of Resources	<u>24,079</u>	<u>35,833</u>
Investment in Capital Assets	1,968,485	1,622,064
Restricted	92,128	14,318
Unrestricted	<u>(449,141)</u>	<u>(22,084)</u>
Total Net Position	<u>\$ 1,611,472</u>	<u>\$ 1,614,298</u>

The Statement of Net Position shows total net position of the District as of June 30, 2022 of \$1,614,298 an increase of \$2,826 from last year's net position of \$1,611,472.

Of the June 30, 2022 total assets, \$113,049 or 5.4% are current assets (cash, accounts receivables and prepaid expenditures), as compared to the prior year when 2.1% or \$44,376 represented current assets.

Noncurrent assets consist of net capital assets (buildings and improvements, vehicles and equipment), and for the period ended June 30, 2022, these are \$1,967,064 or 94.6% as compared to June 30, 2021 when noncurrent assets represented 97.9% or \$2,038,485. Net capital assets decreased as a result of the disposal of buses and annual depreciation.

Deferred outflows of resources consist of deferred pension expense of \$14,089 at June 30, 2022 compared to \$24,385 at June 30 2021, and are related to the District's participation in the Vermont Municipal Employees' Retirement System (VMERS).

Total liabilities of the District are \$444,071, as compared to \$471,695, for the prior year. Of the June 30, 2022 total liabilities, 36.3% or \$161,074 are current liabilities (accounts payable, amounts due to other districts and the current portions of long-term debt). This compares to the same period last year of \$333,542 or 70.7%.

Noncurrent liabilities for the period ended June 30, 2022 are \$282,997 and represent accrued compensated absences, long-term debt, and net pension liability as compared to the prior reporting period of \$138,153. During the year, the District obtained a deficit retirement note in the amount of \$285,000.

Total deferred inflows of resources consist of deferred pension credits of \$35,833 at June 30, 2022 compared to \$24,079 at June 30, 2021, and are related to the District's participation in VMERS.

Net position of the District was \$1,614,298 as of June 30, 2022 and \$1,611,472 as of June 30, 2021. The amount of \$14,318 is restricted for purposes specified by the donors. The deficit amount is \$22,084 at June 30, 2022 compared to the deficit of \$449,141 reported at the end of the prior year. The decrease in the deficit amount was due to the deficit retirement note.

The comparison between June 30, 2021 and June 30, 2022 for the Statement of Activities is presented below.

	<u>Governmental Activities</u>			
	<u>2021</u>		<u>2022</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Expenses -				
Education	\$4,407,415	96.9%	\$3,813,312	93.4%
Grant programs	139,457	3.1%	260,272	6.4%
Interest	3,339	0.1%	11,494	0.3%
Total Expenses	<u>4,550,211</u>	<u>100.0%</u>	<u>4,085,078</u>	<u>100.0%</u>
Program Revenues -				
Grants and Contributions	1,346,736	95.6%	1,041,799	95.3%
Charges for Services	17,000	1.2%	21,579	2.0%
Other	45,160	3.2%	30,285	2.8%
Total Program Revenues	<u>1,408,896</u>	<u>100.0%</u>	<u>1,093,663</u>	<u>100.0%</u>
General Revenues -				
Education Spending Grant	2,991,655	99.6%	2,977,278	99.4%
Interest income	12,361	0.4%	8,919	0.3%
Gain on Sale of Assets	-	0.0%	8,044	0.3%
Total General Revenues	<u>3,004,016</u>	<u>100.0%</u>	<u>2,994,241</u>	<u>100.0%</u>
Total Revenues	<u>4,412,912</u>		<u>4,087,904</u>	
Change in Net Position	<u>\$ (137,299)</u>		<u>\$ 2,826</u>	

The Statement of Activities reports total expenses of \$4,085,078 for 2022 operations. These government-wide expenses include all governmental fund expenditures plus depreciation of capital assets, and excludes debt principal payments, capital asset purchases and net pension expense. Program revenues offset expenses as they relate to specific programs. Program revenues are derived from three sources: grants and contributions, charges for services and revenue from other sources.

For the year ended June 30, 2022, the net program costs of \$2,991,415 were less than general revenues of \$2,994,241 and resulted in an increase in net position of \$2,826, compared to the year ended June 30, 2021 when the net program costs of \$3,141,315 were more than general revenues of \$3,004,016 and resulted in a decrease in net position of \$137,299. General revenues received by the District consisted of the Education Spending Grant, investment income and a gain on the disposal of older buses. Revenues received relating to the Education Spending Grant were \$2,977,278 and \$2,991,655 for 2022 and 2021, respectively. Investment income was \$8,919 and \$12,361 for 2022 and 2021, respectively. The gain on the disposal of the buses was \$8,044.

### **The District's Funds**

The combined fund balance of the governmental funds was \$55,710 at June 30, 2022.

The General Fund, the primary operating fund of the District, reported revenues and other sources more than expenditures, which resulted in an increase in the fund balance of \$390,755. At June 30, 2022, the District's General Fund had a fund balance of \$8,076. At June 30, 2021, the District's General Fund had a deficit of \$382,679.

The Capital Projects Fund, which accounts for the resources used for the acquisition, construction or improvement of major capital facilities, and equipment, transferred \$40,000 to the General Fund during the



fiscal year to reimburse the General Fund for capital expenditures previously paid from the General Fund. The Capital Projects Fund had a fund balance of \$16,643 at June 30, 2022 which is committed for future capital expenditures.

The Grants Fund, used to account for grants restricted to certain program purposes and not available for general operations, reported revenues less than expenditures, which resulted in a decrease in fund balance of \$2,884. The Grants Fund reported a deficit of \$2,219 at June 30, 2022. The Grants Fund had a fund balance of \$665 at June 30, 2021.

Other Governmental Funds consist of the District's nonmajor funds, the Bus Sinking Fund, Endowment Fund, the Mentoring Fund, the Scholarship Fund and the Student Activities Fund. At June 30, 2022 the District's Other Governmental funds has a restricted balance of \$14,318 related to the Endowment Fund and the Scholarship Fund, a committed fund balance of \$3,962 related to the Mentoring Fund and the Bus Sinking Fund, and an assigned fund balance of \$14,930 related to the Student Activities Fund. At June 30, 2021 the District's Other Governmental Funds had a restricted fund balance of \$14,318 related to the Endowment Fund and the Scholarship Fund, a committed fund balance of \$20,502 related to the Bus Sinking Fund and the Mentoring Fund and an unassigned fund balance of \$11,385 related to the Student Activities Fund.

### **Capital Assets and Debt Administration**

As of June 30, 2022, the District had invested \$4,363,061 in a broad range of capital assets including buildings, building improvements, and vehicles and equipment. During the year fiscal year, the District added \$36,955 for partitions and disposed of two buses. Total depreciation was \$83,420 during 2022. The net value of capital assets as of June 30, 2022 was \$1,967,064 after deducting accumulated depreciation of \$2,395,997.

During the year ended June 30, 2022 the District borrowed and repaid a \$924,259 revenue anticipation note with interest at 1.00%. Interest related to this note was \$9,217.

As of June 30, 2022, the District had a total obligation to repay debt of \$345,000. The current portion was \$103,735 and the long-term portion was \$241,265. The District's indebtedness consists of a direct borrowing from the Vermont Municipal Bond Bank which matures in November 2027, and a deficit retirement note of \$285,000 which matures August 2024. The District paid \$10,000 in principal payments and \$2,277 in interest on its long-term debt during the year.

### **General Fund Budgetary Highlights**

The District's General Fund budget is prepared according to the requirements of Vermont law. The operating budget includes proposed expenditures and estimated revenues. On-behalf payments for licensed educators' retirement and other postemployment benefits, paid by the state, are not budgeted.

The voters passed a budget with expenditures of \$3,314,719 on June 22, 2021. The District submitted a budget with expenditures of \$3,264,887 to the State in error, on which the State based the calculation of the District's education spending grant. The State would not accept a corrected expenditures budget and recalculate the education spending grant. The District used the lower expenditures budget for its operations during the fiscal year, a decrease of \$49,832, to monitor its operations during the fiscal year.

Actual revenues in the General Fund were more than budgeted revenues by \$58,992, because of other revenues which were not budgeted. Other revenues included proceeds of \$33,000 on the disposal of buses.

Expenditures were budgeted at \$3,264,887 while actual expenditures were \$3,218,124 or \$46,763 less than budgeted. The significant savings in actual expenditures include \$45,923 in food service assessment to the Supervisory Union because of the universal meals program funding, \$49,402 in school administration, \$40,571 in plant and operations, and \$56,864 in debt service principal. Actual expenditures were significantly more than

budgeted expenditures in special education, student support and instruction support services. General Fund revenues were greater than expenditures by \$65,755. Other financing sources, including \$285,000 of long-term debt proceeds and a \$40,000 transfer from the Capital Projects fund, resulted in an increase in fund balance of \$390,755.

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

This financial report is designed to provide our 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. If you have questions about this report or need additional related audit financial information, contact the Director of Finance and Operations at the Caledonia Central Supervisory Union, P.O. Box 216, Danville, VT 05828.

**CABOT TOWN SCHOOL DISTRICT  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2022**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current assets -	
Cash	\$ 85,678
Accounts receivable	17,290
Prepaid expenses	<u>10,081</u>
Total current assets	<u>113,049</u>
Noncurrent assets -	
Capital assets	4,363,061
less - accumulated depreciation	<u>(2,395,997)</u>
Total noncurrent assets	<u>1,967,064</u>
Total assets	<u>2,080,113</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred pension expense	<u>14,089</u>
<b>LIABILITIES:</b>	
Current liabilities -	
Accounts payable	38,215
Due to other districts, net	19,124
Current portion of long-term debt	<u>103,735</u>
Total current liabilities	<u>161,074</u>
Noncurrent liabilities -	
Accrued compensated absences	2,127
Long-term debt	241,265
Net pension liability	<u>39,605</u>
Total noncurrent liabilities	<u>282,997</u>
Total liabilities	<u>444,071</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred pension credits	<u>35,833</u>
<b>NET POSITION:</b>	
Investment in capital assets	1,622,064
Restricted	14,318
Unrestricted	<u>(22,084)</u>
Total net position	<u>\$ 1,614,298</u>

The notes to financial statements are an integral part of this statement.

**CABOT TOWN SCHOOL DISTRICT  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense)
		<u>Grants and Contributions</u>	<u>Charges for Services</u>	<u>Other</u>	<u>Revenue and Change in Net Position</u>
<b>FUNCTIONS/PROGRAMS:</b>					
Governmental activities -					
Education	\$ 3,813,312	\$ 747,456	\$ 21,579	\$ 30,285	\$ (3,013,992)
Grant programs	260,272	294,343	-	-	34,071
Interest expense	<u>11,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,494)</u>
Total governmental activities	\$ <u>4,085,078</u>	\$ <u>1,041,799</u>	\$ <u>21,579</u>	\$ <u>30,285</u>	<u>(2,991,415)</u>
<b>GENERAL REVENUES</b>					
					2,977,278
					8,919
					<u>8,044</u>
					<u>2,994,241</u>
CHANGE IN NET POSITION					2,826
NET POSITION, July 1, 2021					<u>1,611,472</u>
NET POSITION, June 30, 2022					\$ <u>1,614,298</u>

The notes to financial statements are an integral part of this statement.

**CABOT TOWN SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**  
(Page 1 of 2)

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Grants</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>					
Cash	\$ 65,009	\$ -	\$ -	\$ 20,669	\$ 85,678
Accounts receivable	15,942	-	1,348	-	17,290
Prepaid expenditures	10,081	-	-	-	10,081
Due from other funds	255,417	16,643	-	12,541	284,601
Due from other districts	<u>-</u>	<u>-</u>	<u>281,034</u>	<u>-</u>	<u>281,034</u>
Total assets	\$ <u>346,449</u>	\$ <u>16,643</u>	\$ <u>282,382</u>	\$ <u>33,210</u>	\$ <u>678,684</u>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 38,215	\$ -	\$ -	\$ -	\$ 38,215
Due to other funds	-	-	284,601	-	284,601
Due to other districts	<u>300,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,158</u>
Total liabilities	<u>338,373</u>	<u>-</u>	<u>284,601</u>	<u>-</u>	<u>622,974</u>
<b>FUND EQUITY:</b>					
Fund balances -					
Nonspendable	10,081	-	-	-	10,081
Restricted	-	-	-	14,318	14,318
Committed	-	16,643	-	3,962	20,605
Assigned	-	-	-	14,930	14,930
Unassigned	<u>(2,005)</u>	<u>-</u>	<u>(2,219)</u>	<u>-</u>	<u>(4,224)</u>
Total fund balances (deficit)	<u>8,076</u>	<u>16,643</u>	<u>(2,219)</u>	<u>33,210</u>	<u>55,710</u>
Total liabilities and fund equity	\$ <u>346,449</u>	\$ <u>16,643</u>	\$ <u>282,382</u>	\$ <u>33,210</u>	\$ <u>678,684</u>

The notes to financial statements are an integral part of this statement.

**CABOT TOWN SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2022  
(Page 2 of 2)**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION:**

Amount reported on Balance Sheet - Governmental Funds - total fund balances	\$	55,710
Amounts reported for governmental activities in the Government-wide Statement of Net Position are different because -		
Capital assets used in governmental funds are not financial resources and are therefore not reported in the funds.		
Capital assets		4,363,061
Accumulated depreciation		(2,395,997)
Liabilities not due and payable in the current year are not reported in the governmental funds.		
Accrued compensated absences		(2,127)
Long-term debt		(345,000)
Balances related to net pension asset or liability and related deferred outflows/inflows of resources are not reported in the governmental funds.		
Deferred pension expense		14,089
Deferred pension credits		(35,833)
Net pension liability		<u>(39,605)</u>
Net position of governmental activities - Government-wide Statement of Net Position	\$	<u>1,614,298</u>

The notes to financial statements are an integral part of this statement.

**CABOT TOWN SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

(Page 1 of 3)

	General <u>Fund</u>	Capital Projects <u>Fund</u>	Grants <u>Fund</u>	Other Governmental <u>Funds</u>	Totals Governmental <u>Funds</u>
<b>REVENUES:</b>					
Education spending grant	\$ 2,977,278	\$ -	\$ -	\$ -	\$ 2,977,278
Intergovernmental -					
State	\$ 216,363	-	-	-	216,363
Federal	\$ -	-	281,034	-	281,034
VSTRS on-behalf payments	\$ 525,218	-	-	-	525,218
Grants and donations - local sources	\$ -	-	13,309	5,875	19,184
Charges for services	\$ 21,579	-	-	-	21,579
Interest income	\$ 8,919	-	-	-	8,919
Other income	\$ 59,740	-	-	3,545	63,285
Total revenues	<u>\$3,809,097</u>	<u>-</u>	<u>294,343</u>	<u>9,420</u>	<u>4,112,860</u>
<b>EXPENDITURES:</b>					
Regular education	\$1,219,064	-	226,950	-	1,446,014
Special education	\$ 533,960	-	-	-	533,960
Co-curricular	\$ 285	-	-	-	285
Support services -					
Students	\$ 216,357	-	-	22,415	238,772
Instruction	\$ 279,573	-	21,328	-	300,901
Food service	\$ 53,077	-	-	-	53,077
Central administration	\$ 78,046	-	-	-	78,046
School administration	\$ 303,267	-	-	-	303,267
Fiscal services	\$ 77,845	-	-	-	77,845
Plant and operations	\$ 349,108	-	11,994	-	361,102
Transportation	\$ 86,048	-	-	-	86,048

The notes to financial statements are an integral part of this statement.

**CABOT TOWN SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

(Page 2 of 3)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Grants Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<b>EXPENDITURES (CONTINUED):</b>					
VSTRS on-behalf payments	\$ 525,218	-	-	-	525,218
Debt service - Principal	\$ 10,000	-	-	-	10,000
- Interest	\$ 11,494	-	-	-	11,494
Capital outlay	<u>\$ -</u>	<u>-</u>	<u>36,955</u>	<u>-</u>	<u>36,955</u>
Total expenditures	<u>\$3,743,342</u>	<u>-</u>	<u>297,227</u>	<u>22,415</u>	<u>4,062,984</u>
EXCESS OF REVENUES OR (EXPENDITURES)	\$ 65,755	-	(2,884)	(12,995)	49,876
<b>OTHER FINANCING SOURCES (USES):</b>					
Loan proceeds	\$ 285,000	-	-	-	285,000
Interfund transfers in (out)	<u>\$ 40,000</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ 325,000</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>285,000</u>
EXCESS OF REVENUES OR (EXPENDITURES)/ NET CHANGE IN FUND BALANCES	\$ 390,755	(40,000)	(2,884)	(12,995)	334,876
FUND BALANCES (DEFICIT), July 1, 2021	<u>\$ (382,679)</u>	<u>56,643</u>	<u>665</u>	<u>46,205</u>	<u>(279,166)</u>
FUND BALANCES (DEFICIT), July 1, 2022	\$ <u><u>8,076</u></u>	\$ <u><u>16,643</u></u>	\$ <u><u>(2,219)</u></u>	\$ <u><u>33,210</u></u>	\$ <u><u>55,710</u></u>

The notes to financial statements are an integral part of this statement.



**CABOT TOWN SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022  
(Page 3 of 3)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES:**

Net change in fund balances - total governmental funds	\$ 334,876
Amounts reported for governmental activities in the Government-wide Statement of Activities are different because -	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives as depreciation expense.	
Additions to capital assets, net of dispositions	11,999
Depreciation	(83,420)
The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.	
Proceeds from long-term debt	(285,000)
Debt service - principal on long-term debt	10,000
Changes in net pension asset or liability and related deferred outflows/inflows of resources will increase or decrease the amounts reported in the government-wide statements, but are only recorded as an expenditure when paid in the governmental funds.	
Net (increase) decrease in net pension obligation	<u>14,371</u>
Change in net position of governmental activities - Government-wide Statement of Activities	\$ <u><u>2,826</u></u>

The notes to financial statements are an integral part of this statement.

**CABOT TOWN SCHOOL DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022**

	Original <u>Budget</u>	Final <u>Budget</u>	Actual (Budgetary Basis)	Variance Over (Under)
<b>REVENUES:</b>				
Education spending grant	\$ 3,027,110	\$ 2,977,278	\$ 2,977,278	\$ -
Intergovernmental - State	194,109	194,109	216,363	22,254
Grants and donations - private sources	20,000	20,000	-	(20,000)
Charges for services	18,000	18,000	21,579	3,579
Interest income	15,500	15,500	8,919	(6,581)
Other income	-	-	59,740	59,740
Total revenues	<u>3,274,719</u>	<u>3,224,887</u>	<u>3,283,879</u>	<u>58,992</u>
<b>EXPENDITURES:</b>				
Instruction	1,293,988	1,244,336	1,219,064	(25,272)
Special education	484,902	484,902	533,960	49,058
Co-curricular	13,992	13,992	285	(13,707)
Student support	178,643	178,463	216,357	37,894
Instruction support	206,768	206,768	279,573	72,805
Food service	99,000	99,000	53,077	(45,923)
Central administration	127,448	127,448	78,046	(49,402)
School administration	299,621	299,621	303,267	3,646
Fiscal services	82,609	82,609	77,845	(4,764)
Plant and operations	389,679	389,679	349,108	(40,571)
Transportation	63,100	63,100	86,048	22,948
Debt service - Principal	66,864	66,864	10,000	(56,864)
- Interest	8,105	8,105	11,494	3,389
Total expenditures	<u>3,314,719</u>	<u>3,264,887</u>	<u>3,218,124</u>	<u>(46,763)</u>
EXCESS OF REVENUES OR (EXPENDITURES)	(40,000)	(40,000)	65,755	105,755
<b>OTHER FINANCING SOURCES (USES):</b>				
Long-term debt proceeds	-	-	285,000	285,000
Interfund transfers in (out)	40,000	40,000	40,000	-
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>	<u>325,000</u>	<u>285,000</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>-</u>	\$ <u>390,755</u>	\$ <u>390,755</u>

The notes to financial statements are an integral part of this statement.

**CABOT TOWN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**1. Summary of significant accounting policies:**

The Cabot Town School District (the District or CTSD) is organized according to State law under the governance of the Board of Education (the Board) to provide public school education for the Town of Cabot, Vermont. The District provides elementary and secondary educational services. Functions of the Office of the Superintendent are provided to the District by the Caledonia Central Supervisory Union (CCSU), of which the District is a member. The other members of CCSU are Caledonia Cooperative School District (CCSD), Danville Town School District (DTSD), Peacham Town School District (PTSD), and Twinfield Union School District (TUSD).

- A. Reporting entity - The District is a primary unit of government under reporting criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include a separately elected governing body, separate legal standing, and fiscal independence from other state and local governmental entities. Based on these criteria, there are no other entities which are component units of the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing *Governmental Accounting and Financial Reporting Standards* which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

- B. Government-wide and fund financial statements - The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

In the government-wide Statement of Net Position, the financial position of the District is consolidated and incorporates capital assets as well as all long-term debt and obligations. The government-wide Statement of Activities reflects both the gross and net costs by category. Direct expenses that are clearly identifiable with the category are offset by program revenues of the category. Program revenues include charges for services provided by a particular function or program and grants that are restricted to meeting the operational or capital requirements of the particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds, if any, are summarized in a single column.

**CABOT TOWN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**1. Summary of significant accounting policies (continued):**

- C. Basis of presentation - The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund balances or net position, revenues, and expenditures or expenses, as appropriate.

The District reports the following major governmental funds:

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

Capital Projects Fund - The Capital Projects Fund accounts for resources used for the acquisition, construction or improvement of major capital facilities, infrastructure or equipment.

Grants Fund - The Grants Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified services.

- D. Measurement focus and basis of accounting - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become both measurable and available. “Measurable” means the amount of the transaction that can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when the fund liability is incurred, if measurable, as under accrual accounting. However, debt service expenditures are recorded only when payment is made.

- E. Budgets and budgetary accounting - The District adopts a budget for the General Fund at an Annual Meeting. The accounting method used for budget presentation varies from U.S. GAAP as described in note 12. Formal budgetary integration is employed as a management control during the year for the General Fund. The District does not legally adopt budgets for other governmental funds. All budgeted amounts lapse at year end.
- F. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.
- G. 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; injuries to employees and others; environmental liability; and natural disasters. The District manages these risks through commercial insurance packages

**CABOT TOWN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**1. Summary of significant accounting policies (continued):**

G. Risk management (continued):

and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.

H. Cash and cash equivalents - The District considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

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

J. Capital assets - Capital assets, which include land, buildings, equipment, vehicles and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The District does not retroactively report infrastructure assets. There have been no infrastructure additions since the implementation of GASB Statement No. 34. Donated capital assets are recorded at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest costs are capitalized on projects during the construction period. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Capital assets are depreciated using the straight-line method over the useful lives shown below:

Buildings	50 years
Building improvements	25 years
Vehicles and equipment	5 - 25 years

K. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources are reported as separate sections in the applicable statement of net position or balance sheet. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period.

L. Compensated absences - It is the District's policy to permit certain employees to accumulate earned but unused vacation pay benefits based upon their length of employment (subject to certain carryover limitations and time restrictions). Upon retirement, termination or death, employees are compensated for these accrued benefits at their current rates of pay. Compensated absences are reported in the government-wide financial statements. Governmental funds report compensated absences as an expenditure when the benefit is paid.

**CABOT TOWN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**1. Summary of significant accounting policies (continued):**

M. Long-term obligations - Governmental activities report long-term debt and other long-term obligations as liabilities in the statement of net position. Governmental funds report the amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.

N. Fund equity - In the fund financial statements, governmental funds may report five categories of fund balances: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes determined by the District's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Meetings.

Assigned fund balance includes amounts that are intended to be used by the District for specific purposes as authorized by the Board.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in another classification. Deficits are also classified as unassigned.

The District's policy is to apply expenditures to fund balance in the order of restricted, committed, assigned and unassigned unless the Board specifies otherwise.

O. On-behalf payments - The State of Vermont makes payments on behalf of the District's teachers to the Vermont State Teachers' Retirement System (VSTRS) for pension and other postemployment benefits (OPEB). The District recognizes these on-behalf payments as intergovernmental grant revenue and education expenses or expenditures, as appropriate, in the government-wide financial statements and in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. The amounts are not budgeted and have been excluded from the budget basis statement; see note 12 for reconciling details.

**2. Deposits:**

Custodial credit risk - deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. As of June 30, 2022, the District's depository accounts were fully insured or collateralized.

**3. Receivables:**

Accounts receivable from the State of Vermont and various other payers are \$17,290. No amounts are reserved for uncollectible accounts receivable.

**CABOT TOWN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**4. Capital assets:**

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2022</u>
Capital assets, depreciated:				
Buildings	\$ 3,287,261	\$ -	\$ -	\$ 3,287,261
Building improvements	887,169	-	-	887,169
Vehicles and equipment	<u>392,115</u>	<u>36,955</u>	<u>240,439</u>	<u>188,631</u>
Total capital assets, depreciated	<u>4,566,545</u>	<u>36,955</u>	<u>240,439</u>	<u>4,363,061</u>
Less accumulated depreciation:				
Buildings	1,597,988	57,145	-	1,655,133
Building improvements	572,224	22,918	-	595,142
Vehicles and equipment	<u>357,848</u>	<u>3,357</u>	<u>215,483</u>	<u>145,722</u>
Total accumulated depreciation	<u>2,528,060</u>	<u>83,420</u>	<u>215,483</u>	<u>2,395,997</u>
Capital assets, net	\$ <u>2,038,485</u>	\$ <u>(46,465)</u>	\$ <u>24,956</u>	\$ <u>1,967,064</u>

The District added \$36,955 for partitions this fiscal year. The District disposed of two older buses valued at \$240,439, and the related accumulated depreciation of \$215,483. Cash proceeds for the buses were more than their book value of \$24,956 resulting in a gain on disposal of \$8,044.

Depreciation expense of \$83,420 in the governmental activities was fully allocated to the education function.

**5. Interfund receivable and payable balances:**

Interfund receivable and payable balances, due to the pooling of cash for cash receipts and disbursements, as of June 30, 2022 are as follows:

	<u>Interfund</u> <u>Receivables</u>	<u>Interfund</u> <u>Payables</u>
Governmental funds -		
General Fund	\$ 255,417	\$ -
Capital Projects Fund	16,643	-
Grants Fund	-	284,601
Other Governmental Funds	<u>12,541</u>	<u>-</u>
	\$ <u>284,601</u>	\$ <u>284,601</u>

**6. Interfund transfers:**

Interfund transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. The Capital Projects Fund transferred \$40,000 to the General Fund during the fiscal year to reimburse the General Fund for capital expenditures previously paid from the General Fund.

**CABOT TOWN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**7. Related parties:**

The District paid assessments and reimbursements of \$1,014,154 to the Supervisory Union (CCSU); \$995,279 was assessments and \$18,875 was reimbursement of excess special education costs. The District has \$281,034 receivable from the Supervisory Union and \$300,158 in accounts payable to the Supervisory Union and to other districts at June 30, 2022.

Amounts receivable and payable between districts as of June 30, 2022 are as follows:

	<u>Accounts Receivable</u>	<u>Accounts Payable</u>
CCSU	\$ 435,318	\$ 2,007,103
CTSD	281,034	300,158
CCSD	702,926	-
DTSD	518,318	60
PTSD	82,053	34,996
TUSD	<u>322,944</u>	<u>276</u>
	<u>\$ 2,342,593</u>	<u>\$ 2,342,593</u>

**8. Long-term obligations:**

Long-term obligations activity for the year ended June 30, 2022 was as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
<b>Governmental activities -</b>					
Compensated absences	\$ 2,127	\$ -	\$ -	\$ 2,127	\$ -
Net pension liability	76,026	-	36,421	39,605	-
Long-term debt	<u>70,000</u>	<u>285,000</u>	<u>10,000</u>	<u>345,000</u>	<u>103,735</u>
	<u>\$ 148,153</u>	<u>\$ 285,000</u>	<u>\$ 46,421</u>	<u>\$ 386,732</u>	<u>\$ 103,735</u>

**9. Debt:**

Short-term - During the year, the District borrowed and repaid \$924,259 on a revenue anticipation note with interest at 1.00% which matured June 30, 2022. Interest related to this note was \$9,217.

Subsequent to year end, the District obtained a revenue anticipation note in the amount of \$873,909, with an interest rate of 1.15%, which matures June 30, 2023. The note must be borrowed in full and may not be repaid before the maturity date of June 30, 2023. As of the date of this report, the District has borrowed this note in full.



**CABOT TOWN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**9. Debt (continued):**

Long-term - During the year, the District obtained a deficit retirement note in the amount of \$285,000 with interest at 1.32% which matures July 1, 2024. This note may be repaid at any time in whole or in part without penalty.

Long-term - Outstanding long-term debt as of June 30, 2022 is as follows:

**Governmental activities -**

Notes from direct borrowings:

Vermont Municipal Bond Bank (VMBB) - 2007 Series 1, refunded by 2015 series 1, various interest rates. Annual principal payments of \$10,000. Matures November 2027.	\$ 60,000
Deficit retirement note at 1.32%. Annual principal payments of \$94,055. Matures August, 2024. The note may be prepaid without penalty.	<u>285,000</u>
Total governmental activities	\$ <u>345,000</u>

Long-term debt activity for the year ended June 30, 2022 was as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities -</b>					
Notes from direct borrowings:					
VMBB 2007 Series 1	\$ 70,000	\$ -	\$ 10,000	\$ 60,000	\$ 10,000
Deficit retirement note	<u>-</u>	<u>285,000</u>	<u>-</u>	<u>285,000</u>	<u>93,735</u>
Total governmental activities	\$ <u>70,000</u>	\$ <u>285,000</u>	\$ <u>10,000</u>	\$ <u>345,000</u>	\$ <u>103,735</u>

Debt service requirements to maturity are as follows:

**Governmental activities -**

Year ending June 30,	<u>Notes from Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 103,735	\$ 5,433
2024	104,832	3,899
2025	106,433	2,202
2026	10,000	499
2027	10,000	241
2028	<u>10,000</u>	<u>2</u>
	\$ <u>345,000</u>	\$ <u>12,276</u>

**CABOT TOWN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**9. Debt (continued):**

Long-term (continued) - In prior years the Vermont Municipal Bond Bank (VMBB) refunded the 2007 Series 1 direct borrowing resulting in interest savings to the District of \$4,203. This savings allocation, to be received between fiscal years 2022 and 2028, has been reflected as a reduction of interest in the debt service requirements table.

In the event that the District is in default on their payment obligations issued from the Vermont Municipal Bond Bank (VMBB), the State Treasurer has the ability to intercept State funding until the default is cured.

**10. Fund balances:**

As of June 30, 2022, the General Fund has a fund balance of \$8,076, \$10,081 is a nonspendable fund balance related to prepaid expenses, and \$2,005 is an unassigned deficit.

The Capital Projects Fund reported a committed fund balance of \$16,643 for future capital projects. The Other Governmental Funds reported a restricted fund balance of \$14,318 in the Scholarship Fund and the Endowment Fund for purposes specified by the donors, a committed fund balance of \$3,962 in the Mentoring Fund and the Bus Sinking Fund, and an assigned balance of \$14,930 in the Student Activities Fund.

**11. Deficit fund balance:**

As of June 30, 2022, the Grants Fund reported a deficit of \$2,219 related to miscellaneous local grants. Management intends to recover this deficit through future operations.

**12. Budgetary basis of accounting:**

These financial statements include totals for General Fund revenues and expenditures on the District's budgetary accounting basis, which vary from the totals of revenues and expenditures recognized on the basis of accounting prescribed by U.S. GAAP, as follows:

	<u>Revenues</u>	<u>Expenditures</u>
U.S. GAAP basis	\$ 3,809,097	\$ 3,743,342
On-behalf payments -		
VSTRS pension	(364,358)	(364,358)
VSTRS OPEB	<u>(160,860)</u>	<u>(160,860)</u>
Budget basis	\$ <u>3,283,879</u>	\$ <u>3,218,124</u>

**CABOT TOWN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**13. Pension plans:**

Vermont State Teachers' Retirement System -

Plan description: The District participates in the Vermont State Teachers' Retirement System (VSTRS or the Plan), a cost-sharing multiple-employer defined benefit public employee retirement system with a special funding situation in which the State of Vermont contributes to the Plan on behalf of the participating employers. The Plan was created in 1947, and is governed by Title 16, V.S.A. Chapter 55. It covers nearly all teachers and school administrators in schools supported by the state. The general administration and responsibility for the proper operation of VSTRS is vested in a Board of Trustees consisting of eight members. VSTRS issues annual financial information which is available and may be reviewed at the VSTRS' office, 109 State Street, Montpelier, Vermont, 05609-6200, by calling (802) 828-2305 or online at <http://www.vermonttreasurer.gov>.

Benefits provided: The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on the number of years of creditable service and are determined as a percentage of average final compensation in the three highest consecutive years of service. Eligibility for benefits requires five years of service.

Contributions: Member teachers are required to contribute 5.5% (Group A) or 5.0% (Group C if member has five or more years of service at July 1, 2014), otherwise 6.0% (Group C) of their annual covered salary and the state contributes the balance of an actuarially determined rate. The state is a nonemployer contributor to the Plan and is required by statute to make all actuarially determined employer contributions on behalf of member employers. The District's teachers contributed \$70,860, \$74,678, and \$77,784, to the system in 2022, 2021, and 2020, respectively.

Pension liabilities and pension expense: The District does not contribute directly to the Plan; therefore, no net pension liability needs to be recorded by the District. However, the District is required to report the District's portion of the following items as calculated by the State of Vermont.

District's share of -	
VSTRS net pension liability	\$ 3,109,468
VSTRS net pension expense	\$ 364,358

Vermont Municipal Employees' Retirement System -

Plan description: The District contributes to the Vermont Municipal Employees' Retirement System (VMERS or the Plan) a cost-sharing multiple-employer public employee retirement system with defined benefit and defined contribution plans, administered by the State of Vermont. The state statutory provisions, found in Title 24, Chapter 125, of the V.S.A., govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the proper operation of VMERS is vested in the Board of Trustees consisting of five members. VMERS issues annual financial information which is available and may be reviewed at the VMERS' office, 109 State Street, Montpelier, Vermont, 05609-6200, by calling (802) 828-2305 or online at <http://www.vermonttreasurer.gov>.

**CABOT TOWN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**13. Pension plans (continued):**

Vermont Municipal Employees' Retirement System (continued) -

Benefits provided: VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits do vary between the groups included in the Plan, but are determined for the members of each group as a percentage of average compensation in a certain number of the highest consecutive years of service. Eligibility for benefits requires five years of service.

Contributions: Defined Benefit Plan members are required to contribute 3.25% (Group A), 5.625% (Group B), 10.75% (Group C) or 12.1% (Group D) of their annual covered salary, and the District is required to contribute 4.75% (Group A), 6.25% (Group B), 8% (Group C) or 10.6% (Group D) of the employees' compensation. Defined contribution plan members are required to contribute 5.0% of their annual covered salary and the District is required to contribute an equal dollar amount. The contribution requirements of plan members and the District are established and may be amended by the Board of Trustees. The District's contributions to VMERS for the years ended June 30, 2022, 2021, and 2020, were \$6,414, \$6,111, and \$6,229, respectively. The amounts contributed were equal to the required contributions for each year.

Pension liabilities, deferred outflows of resources, deferred inflows of resources: These financial statements include the District's proportionate share of the VMERS net pension liability, deferred outflows of resources for pension expense, deferred inflows of resources from investment earnings and contributions, and the related effects on government-wide net position and activities. The State of Vermont has provided the following information to all employers participating in VMERS, which is based on its calculation of the District's 0.0269% proportionate share of the VMERS defined benefit plan.

Districts's share of VMERS net pension liability	\$ 39,605
Deferred outflows of resources - Deferred pension expense	\$ 14,089
Deferred inflows of resources - Deferred pension credits	\$ 35,833

Additional information: VMERS obtains an annual actuarial valuation for the pension plan. Detailed information is provided in that report for actuarial assumptions of inflation rates, salary increases, investment rates of return, mortality rates, discount rates, and the calculations used to develop annual contributions and the VMERS net position.

The District adopted GASB Statement No. 68 in fiscal year 2015 and is developing the ten years of required supplementary information in schedules 1 and 2. This historical pension information includes the District's Proportionate Share of Net Pension Liability of VMERS and District's Contributions to VMERS.

**14. Other postemployment benefit (OPEB) plan:**

Retired Teachers' Health and Medical Benefit Fund -

Plan description: The District participates in the Retired Teachers' Health and Medical Benefit Fund of the Vermont State Teachers' Retirement System (VSTRS), which provides postemployment benefits to eligible

**CABOT TOWN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**14. Other postemployment benefit (OPEB) plan (continued):**

Retired Teachers' Health and Medical Benefit Fund (continued) -

retired employees through a cost-sharing, multiple-employer postemployment benefit 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.

Vermont Statute Title 16 Chapter 55 assigns the authority to VSTRS to establish and amend the benefit 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, consisting of eight members. The Plan issues annual financial information which is available and may be reviewed at the State Treasurer's office, 109 State Street, Montpelier, Vermont, 05609-6200, by calling (802) 828-2305 or online at <http://www.vermonttreasurer.gov>.

Benefits provided and eligibility: The plan provides medical and prescription drug benefits for plan members and their spouses; retirees pay the full cost of dental benefits. Benefits are based on the number of years of creditable service. Eligibility requirements are summarized below:

Group A - Public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A qualify for retirement at the attainment of 30 years of service or age 55.

Group C - Public school teachers employed within the State of Vermont on or after July 1, 1990. Teachers hired before July 1, 1990 and were Group B members in service on July 1, 1990 are now Group C members, and qualify for benefits at the age of 65, or age plus creditable service equal to 90, or age 55 with 5 years of creditable service. Grandfathered participants are Group C members who were within five years of normal retirement eligibility as defined prior to July 1, 2010, and qualify for benefits at the attainment of age 62, or 30 years of service, or age 55 with 5 years of service.

Vesting and Disability - Five years of creditable service. Participants who terminate with 5 years of service under the age of 55 may elect coverage upon receiving pension benefits.

Total OPEB liability: The State of Vermont is a nonemployer contributing entity and is presently the sole entity required to contribute to the Plan. The District does not contribute to the Plan; therefore, no net OPEB liability needs to be recorded by the District. However, the District is required to report the District's share of the Plan's net OPEB liability (\$2,745,904) and OPEB expense (\$160,860) as determined by an actuarial valuation. The liability was measured as of June 30, 2021 for the reporting period of June 30, 2022.

Sensitivity of the total OPEB liability: A change in assumptions can have a large effect of the estimated OPEB obligation. A decrease of 1% in the 2.20% discount rate used to calculate future costs would increase the District's share of OPEB liability to \$3,249,108, while an increase of 1% would reduce the District's share of OPEB liability to \$2,344,764. A decrease of 1% in the current healthcare cost trend rate would reduce the District's share of OPEB liability to \$2,274,866, while an increase of 1% would increase the District's share of OPEB liability to \$3,369,272.

Collective OPEB Plan liability and expense: The Plan's collective net OPEB liability is \$1,275,587,042 and total OPEB expense for the year is \$75,721,839.

**CABOT TOWN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**14. Other postemployment benefits (OPEB) plan (continued):**

Retired Teachers' Health and Medical Benefit Fund (continued) -

Actuarial assumptions and other inputs: The total OPEB liability used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increase rate	Varies by age
Discount rate	2.20%
Inflation rate	2.00%
Healthcare cost trend rates	6.7% Non-Medicare 6.0% Medicare
Retiree Contributions	Equal to health trend
Mortality tables	Various PubT-2010, and PubNS-2010 tables using Scale MP-2019
Actuarial cost method	Projected Unit Credit
Asset valuation method	Market value

**15. Commitments:**

Subsequent to fiscal year end, the District committed to the lease of a Kubota tractor with 48 payments of \$457 per month until September, 2025. The District also conditionally committed to the purchase and financing of a 2022 Ford Escape in the amount of \$37,273, at an interest rate of 8.49% with two annual payments of \$19,395 until September 2023. This commitment is dependent on the receipt of federal ARP ESSER funds to cover the expenditure.

**16. Subsequent events:**

The District has evaluated subsequent events through April 12, 2023, the date on which the financial statements were available to be issued.

**CABOT TOWN SCHOOL DISTRICT  
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF  
NET PENSION LIABILITY  
VMERS  
JUNE 30, 2022**

Schedule 1

	June 30, <u>2022</u>	June 30, <u>2021</u>	June 30, <u>2020</u>	June 30, <u>2019</u>	June 30, <u>2018</u>	June 30, <u>2017</u>	June 30, <u>2016</u>	June 30, <u>2015</u>
District's proportion of the net pension liability	0.0269%	0.0301%	0.0299%	0.0310%	0.0810%	0.1424%	0.1522%	0.1380%
District's proportionate share of the net pension liability	\$ 39,605	\$ 76,026	\$ 51,829	\$ 43,658	\$ 98,097	\$ 183,232	\$ 117,360	\$ 12,592
District's covered payroll	\$ 102,631	\$ 99,709	\$ 108,323	\$ 96,547	\$ 98,836	\$ 240,413	\$ 393,434	\$ 395,888
District's proportionate share of the net pension liability as a percentage of its covered payroll	38.590%	76.248%	47.847%	45.219%	99.252%	76.216%	29.830%	3.181%
VMERS net position as a percentage of the total pension liability	86.29%	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
VMERS  
JUNE 30, 2022**

Schedule 2

	June 30, <u>2022</u>	June 30, <u>2021</u>	June 30, <u>2020</u>	June 30, <u>2019</u>	June 30, <u>2018</u>	June 30, <u>2017</u>	June 30, <u>2016</u>	June 30, <u>2015</u>
Contractually required contribution	\$ 6,414	\$ 6,111	\$ 6,229	\$ 5,297	\$ 5,436	\$ 13,223	\$ 21,639	\$ 21,279
Contributions in relation to the contractually required contribution	<u>6,414</u>	<u>6,111</u>	<u>6,229</u>	<u>5,297</u>	<u>5,436</u>	<u>13,223</u>	<u>21,639</u>	<u>21,279</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered payroll	\$ 102,631	\$ 99,709	\$ 108,323	\$ 96,547	\$ 98,836	\$ 240,413	\$ 393,434	\$ 395,888
Contributions as a percentage of covered payroll	6.250%	6.129%	5.750%	5.486%	5.500%	5.500%	5.500%	5.375%

**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***

The Superintendent and Board of Education  
Cabot Town School District

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 Cabot Town School District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 12, 2023.

**Report on Internal Control Over Financial Reporting**

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 District'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 District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Montpelier, Vermont  
April 12, 2023

*Melgett Jennett* 9  
*Shosh N. N. N., P.L.*

April 12, 2023

The Board of Education  
Cabot Town School District

In connection with audit engagements, we are required by auditing standards generally accepted in the United States of America to communicate certain matters with those charged with governance. The term “those charged with governance” means the persons with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, for example the Board of Education (the Board) or a designated Board officer or committee. This communication is provided in connection with our audit of financial statements of the Cabot Town School District (the District) as of and for the year ended June 30, 2022.

These standards require us to communicate with you any matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. They also set the expectation that our communication will be two way, and that the Board or their designee will communicate with us matters you consider relevant to the audit. Such matters might include strategic decisions that may significantly affect the nature, timing, and extent of audit procedures.

This letter summarizes those matters which we are required by professional standards to communicate to you in your oversight responsibility for the District’s financial reporting process.

### **Auditor’s Responsibility under Professional Standards**

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States were described in our arrangement letter dated June 22, 2022. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### **An Overview of the Planned Scope and Timing of the Audit**

The scope of the audit was also described in our arrangement letter dated June 22, 2022. The audit was conducted in October and November, 2022; our exit conference with management was held on November 10, 2022; drafts of the financial statements and reports were provided to management on March 20, 2023.

### **Accounting Policies and Practices**

- **Preferability of Accounting Policies and Practices**

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

- **Adoption of, or Change in, Accounting Policies**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The Governmental Accounting Standards Board (GASB) has implemented GASB Statement No. 87, *Leases*, which did not impact the District's financial statement this fiscal year, but is expected to impact the presentation of new leases for vehicles in the next fiscal year.

- **Significant or Unusual Transactions**

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

- **Management's Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. The significant accounting estimates reflected in the District's 2022 financial statements are depreciation expense; the State of Vermont's estimates of the District's pension expense, pension deferrals, and net pension liability for the Vermont Municipal Employees' Retirement System; and the State of Vermont's estimates for the District's share of pension and OPEB (other postemployment benefit) expenses for teachers in the Vermont State Teachers' Retirement System.

### **Audit Adjustments**

During the audit we proposed six adjustments to the original trial balance provided for audit. Management also provided two adjustments to adjust additional items that were identified by management during the audit.

Management accepted the proposed audit adjustments and those changes are reflected in the 2022 financial statements. The significant effects of these adjustments were to (1) record the State Teachers' Retirement System on-behalf payments for pension and OPEB; (2) record the District's share of pension expense, pension deferrals and net pension liability for the Vermont Municipal Employees' Retirement System; (3) correct recording of the activity in the Student Activities Fund account to actual; (4) record debt principal payments and balances in the long term debt account group for the government-wide statements; and (5) record capital asset activity and depreciation for the government-wide statements.

### **Uncorrected Misstatements**

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

### **Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, the significant disclosures to be included in the financial statements.

### **Consultations with Other Accountants**

We are not aware of any consultations that management may have had with other accountants about accounting or auditing matters.

### **Significant Issues Discussed with Management**

We discussed accounting matters relating to capital assets and depreciation, and pension reporting related to the Vermont Municipal Employees' Retirement System and the Vermont State Teachers' Retirement System. We also discussed accounting matters relating to the District's accounting estimates and audit adjustments.

We recommended to management that the Board specifically vote to approve the Tax Anticipation Note (TAN) because a TAN is a contract to provide more than \$900,000 in funds to the District for the year, in exchange for the interest on the TAN. It was not clear in the minutes we reviewed that a vote had occurred on the FY22 TAN contract. Management accepted this recommendation and will have the Board vote on the TAN contract and record it in the minutes going forward

### **Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in working with management during the audit.

### **Material Weaknesses**

We identified no material weaknesses in the District's system of internal control over financial reporting during our audit of the financial statements.

### **Certain Written Communications between Management and Our Firm**

Management provided written representations in connection with the audit in a letter to our firm dated March 20, 2023. A copy of the letter is available upon your request.

This report is intended solely for the information and use of the Board of Education and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this letter. We appreciate the opportunity to be of service to the District.

Very truly yours,  
Mudgett, Jennett & Krogh-Wisner, P.C.

*Mudgett, Jennett &  
Krogh-Wisner, P.C.*