

Federal Compliance Audit

Orleans Southwest Supervisory Union

June 30, 2018



Proven Expertise and Integrity

ORLEANS SOUTHWEST SUPERVISORY UNION

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JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Orleans Southwest Supervisory Union
Hardwick, Vermont

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Orleans Southwest Supervisory Union as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 11 and 61 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Orleans Southwest Supervisory Union's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget an Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2018 on our consideration of Orleans Southwest Supervisory Union's internal control over financial reporting 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 the 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 Orleans Southwest Supervisory Union's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
December 24, 2018

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

(UNAUDITED)

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

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net

position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have one separate column for the one type of Supervisory Union activities. The type of activity presented for the Supervisory Union is:

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

Fund Financial Statements

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

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

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

The Supervisory Union presents four columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Supervisory Union's three major funds are the general fund, the Medicaid Access fund and the Title I fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pensions, a Schedule of Proportionate Share of the Net OPEB Liability, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Supervisory Union's governmental activities. The Supervisory Union's total net position for governmental activities decreased by \$313,556 from \$88,586 to a deficit balance of \$224,970.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a deficit balance of \$313,539 at the end of this year (see Table 1).

Table 1
Orleans Southwest Supervisory Union
Net Position
June 30,

	Governmental Activities	
	2018	2017
Assets:		
Current Assets	\$ 917,664	\$ 799,813
Capital Assets	77,776	115,931
Total Assets	995,440	915,744
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	358,175	465,797
Total Deferred Outflows of Resources	358,175	465,797
Liabilities:		
Current Liabilities	799,579	547,043
Long-term Obligations Outstanding	762,343	742,594
Total Liabilities	1,561,922	1,289,637
Deferred Inflows of Resources:		
Deferred Revenues	1,861	3,318
Deferred Inflows Related to Pensions	14,802	-
Total Deferred Inflows of Resources	16,663	3,318
Net Position:		
Net Investment in Capital Assets	27,396	30,297
Restricted	61,173	28,800
Unrestricted	(313,539)	29,489
Total Net Position	\$ (224,970)	\$ 88,586

Revenues and Expenses

Revenues for the Supervisory Union's governmental activities decreased by 4.75%, while total expenses decreased by 2.66%. The decrease in revenues was due to decreases in charges for services, operating grants and contributions and grants and contributions not restricted to specific programs, offset by an increase in miscellaneous. The decrease in expenses was due to decreases in all categories except for student/instructor support, administration, State on-behalf payments and unallocated depreciation.

Table 2
Orleans Southwest Supervisory Union
Change in Net Position
For the Years Ended June 30,

	Governmental Activities	
	2018	2017
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 1,262,014	\$ 1,522,045
Operating grants and contributions	3,039,945	3,231,434
<i>General Revenues:</i>		
Grants and contributions not restricted to specific programs	7,255,810	7,405,411
Miscellaneous	37,522	14,679
Total Revenues	11,595,291	12,173,569
Expenses		
Instruction	4,892,059	5,500,667
Student/instructor support	940,772	834,688
Administration	1,619,001	1,345,623
Operations	1,155,245	1,164,280
Miscellaneous	21,769	162,711
State on-behalf payments	1,227,709	830,747
Program expenditures	1,978,483	2,322,115
Unallocated depreciation (Note 4)	73,809	73,807
Total Expenses	11,908,847	12,234,638
 Change in Net Position	 (313,556)	 (61,069)
 Net Position - July 1	 88,586	 149,655
 Net Position - June 30	 \$ (224,970)	 \$ 88,586

Financial Analysis of the Supervisory Union's Fund Statements

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

Table 3
Orleans Southwest Supervisory Union
Fund Balances - Governmental Funds
June 30,

	2018	2017
Major Funds:		
General Fund:		
Nonspendable	\$ 32,798	\$ 13,881
Unassigned	(74,619)	12,335
Medicaid Access:		
Committed	165,615	268,302
Title I:		
Unassigned	-	(843)
Total Major Funds	\$ 123,794	\$ 293,675
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 4,600	\$ -
Restricted	61,173	28,800
Committed	2,120	37,663
Unassigned	(6,214)	(3,613)
Total Nonmajor Funds	\$ 61,679	\$ 62,850

The general fund total fund balance decreased by \$68,037 from the prior fiscal year due to expenditures exceeding revenues. The Medicaid access fund total fund balance decreased by \$102,687 from the prior fiscal year due to expenditures exceeding revenues. The Title I fund total fund balance increased by \$843 from the prior fiscal year due to revenues exceeding expenditures. The nonmajor funds total fund balance decreased by \$1,171 from the prior fiscal year due to special revenue funds expenditures exceeding revenues.

Budgetary Highlights

There were no differences between the original and final budget for the general fund.

The general fund actual revenues were under budgeted amounts by \$536,605. This was primarily due to other intergovernmental revenues being received under budgeted amounts.

The general fund actual expenditures were under budgeted amounts by \$468,568. This was primarily due to all categories being expended under budgeted amounts with the exception of administration and transfers to other funds.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2018, the Supervisory Union capital assets decreased by \$38,155. This decrease was due to current year additions of \$35,654, less current year depreciation expense of \$73,809.

Table 4
Orleans Southwest Supervisory Union
Capital Assets (Net of Depreciation)
June 30,

	<u>2018</u>	<u>2017</u>
Machinery and equipment	\$ 45,991	\$ 81,549
Vehicles	25,757	32,196
Furniture and fixtures	6,028	2,186
Total	<u>\$ 77,776</u>	<u>\$ 115,931</u>

Debt

At June 30, 2018, the Supervisory Union had \$50,380 in capital leases payable versus \$85,634 in the prior fiscal year. Other obligations include accrued compensated absences and net pension liability. Refer to Note 5 of the Notes to Financial Statements for detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The 2018-2019 budget could be severely impacted by:

- Reduction of State funding.
- Declining availability of grant dollars.
- Act 179 - District funding of the Vermont State Teachers Retirement System.
- Act 46 - State mandated mergers, transition timeline, merger appeals & budgeting challenges.
- Act 153 - Centralization of services at the SU level.
- High staff turnover rate for the Business Office personnel.
- Volatility of student population.
- Increased homelessness in member districts..

Contacting the Supervisory Union's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Supervisory Union's finances and to show the Supervisory Union's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Smith Jr, CFO, Orleans Southwest Supervisory Union at P.O. Box 338, 156 Daniels Road, Hardwick, Vermont 05843 or by phone, 802-472-2902.

ORLEANS SOUTHWEST SUPERVISORY UNION

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 581,600
Accounts receivable (net of allowance for uncollectibles)	72,189
Due from other governments	226,477
Prepaid items	37,398
Total current assets	<u>917,664</u>
Noncurrent assets:	
Machinery and equipment, net of accumulated depreciation	45,991
Vehicles, net of accumulated depreciation	25,757
Furniture and fixtures, net of accumulated depreciation	6,028
Total noncurrent assets	<u>77,776</u>
TOTAL ASSETS	<u>995,440</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	358,175
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>358,175</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,353,615</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 111,648
Accrued expenses	486,368
Other liabilities	132,314
Current portion of long-term obligations	69,249
Total current liabilities	<u>799,579</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Capital leases payable	26,947
Accrued compensated absences	137,448
Net pension liability	597,948
Total noncurrent liabilities	<u>762,343</u>
TOTAL LIABILITIES	<u>1,561,922</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	1,861
Deferred inflows related to pensions	14,802
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>16,663</u>
NET POSITION	
Net investment in capital assets	27,396
Restricted: Special revenue funds	61,173
Unrestricted (deficit)	(313,539)
TOTAL NET POSITION	<u>(224,970)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,353,615</u>

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

ORLEANS SOUTHWEST SUPERVISORY UNION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities
Governmental activities:					
Instruction	\$ 4,892,059	\$ 1,210,718	\$ -	\$ -	\$ (3,681,341)
Student/instructor support	940,772	-	-	-	(940,772)
Administration	1,619,001	-	-	-	(1,619,001)
Operations	1,155,245	-	-	-	(1,155,245)
Miscellaneous	21,769	-	16,780	-	(4,989)
State on-behalf payments	1,227,709	-	1,227,709	-	-
Program expenditures	1,978,483	51,296	1,795,456	-	(131,731)
Unallocated depreciation (Note 4)*	73,809	-	-	-	(73,809)
Total governmental activities	<u>\$ 11,908,847</u>	<u>\$ 1,262,014</u>	<u>\$ 3,039,945</u>	<u>\$ -</u>	<u>(7,606,888)</u>

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

STATEMENT B (CONTINUED)
ORLEANS SOUTHWEST SUPERVISORY UNION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(7,606,888)</u>
General revenues:	
Grants and contributions not restricted to specific programs	7,255,810
Miscellaneous	<u>37,522</u>
Total general revenues	<u>7,293,332</u>
Change in net position	(313,556)
NET POSITION (DEFICIT) - JULY 1	<u>88,586</u>
NET POSITION (DEFICIT) - JUNE 30	<u><u>\$ (224,970)</u></u>

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

ORLEANS SOUTHWEST SUPERVISORY UNION

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Medicaid Access	Title I	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 581,600	\$ -	\$ -	\$ -	\$ 581,600
Accounts receivable (net of allowance for uncollectibles)	10	-	33,879	38,300	72,189
Due from other governments	226,477	-	-	-	226,477
Prepaid items	32,798	-	-	4,600	37,398
Due from other funds	72,934	165,667	-	74,458	313,059
TOTAL ASSETS	<u>\$ 913,819</u>	<u>\$ 165,667</u>	<u>\$ 33,879</u>	<u>\$ 117,358</u>	<u>\$ 1,230,723</u>
LIABILITIES					
Accounts payable	\$ 96,833	\$ 52	\$ -	\$ 14,763	\$ 111,648
Accrued expenses	486,368	-	-	-	486,368
Other liabilities	132,314	-	-	-	132,314
Due to other funds	240,125	-	33,879	39,055	313,059
TOTAL LIABILITIES	<u>955,640</u>	<u>52</u>	<u>33,879</u>	<u>53,818</u>	<u>1,043,389</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	-	-	-	1,861	1,861
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,861</u>	<u>1,861</u>
FUND BALANCES (DEFICITS)					
Nonspendable - prepaid items	32,798	-	-	4,600	37,398
Restricted	-	-	-	61,173	61,173
Committed	-	165,615	-	2,120	167,735
Assigned	-	-	-	-	-
Unassigned	(74,619)	-	-	(6,214)	(80,833)
TOTAL FUND BALANCES (DEFICITS)	<u>(41,821)</u>	<u>165,615</u>	<u>-</u>	<u>61,679</u>	<u>185,473</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	<u>\$ 913,819</u>	<u>\$ 165,667</u>	<u>\$ 33,879</u>	<u>\$ 117,358</u>	<u>\$ 1,230,723</u>

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

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	Total Governmental Funds
Total Fund Balances	\$ 185,473
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	77,776
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	358,175
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Capital leases payable	(50,380)
Accrued compensated absences	(183,264)
Net pension liability	(597,948)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(14,802)
Net position of governmental activities	\$ (224,970)

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

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	General Fund	Medicaid Access	Title I	Other Governmental Funds	Total Governmental Funds
REVENUES					
Intergovernmental revenues	\$ 7,255,810	\$ 159,395	\$ 547,944	\$ 1,088,117	\$ 9,051,266
Charges for services	1,210,718	-	-	51,296	1,262,014
Interest income	2,144	-	-	-	2,144
State on-behalf payments	267,749	-	-	-	267,749
Miscellaneous	16,780	-	-	35,378	52,158
TOTAL REVENUES	8,753,201	159,395	547,944	1,174,791	10,635,331
EXPENDITURES					
Current:					
Instruction	4,787,710	-	-	-	4,787,710
Student/instructor support	940,772	-	-	-	940,772
Administration	1,648,066	-	-	-	1,648,066
Operations	1,161,834	-	-	-	1,161,834
Miscellaneous	21,769	-	-	-	21,769
State on-behalf payments	267,749	-	-	-	267,749
Program expenditures	-	262,082	33,365	1,683,036	1,978,483
TOTAL EXPENDITURES	8,827,900	262,082	33,365	1,683,036	10,806,383
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(74,699)	(102,687)	514,579	(508,245)	(171,052)
OTHER FINANCING SOURCES (USES)					
Transfers in	6,662	-	-	605,979	612,641
Transfers (out)	-	-	(513,736)	(98,905)	(612,641)
TOTAL OTHER FINANCING SOURCES (USES)	6,662	-	(513,736)	507,074	-
NET CHANGE IN FUND BALANCES (DEFICITS)	(68,037)	(102,687)	843	(1,171)	(171,052)
FUND BALANCES (DEFICITS) - JULY 1	26,216	268,302	(843)	62,850	356,525
FUND BALANCES (DEFICITS) - JUNE 30	\$ (41,821)	\$ 165,615	\$ -	\$ 61,679	\$ 185,473

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

ORLEANS SOUTHWEST SUPERVISORY UNION

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

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (171,052)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	35,654
Depreciation expense	<u>(73,809)</u>
	<u>(38,155)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>(107,622)</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	<u>(52,975)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	<u>88,229</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	<u>(14,802)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(45,423)
Net pension liability	<u>28,244</u>
	<u>(17,179)</u>
Change in net position of governmental activities (Statement B)	<u>\$ (313,556)</u>

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Supervisory Union was incorporated under the laws of the State of Vermont. The Supervisory Union operates under a Board of Directors-superintendent form of government and provides the following services: instruction, student/instructor support, administration, operations, miscellaneous and program expenses.

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

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

Implementation of New Accounting Standards

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

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

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Government-Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize all primary activities as governmental.

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

position; and unrestricted net position. The Supervisory Union first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Supervisory Union's functions (instruction, student/instructor support, administration, operations, miscellaneous, and program expenditures, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (assessments, certain intergovernmental revenues and interest income, etc.).

The Supervisory Union does not allocate indirect costs. All costs are charged directly to the corresponding departments.

The government-wide focus is more on the sustainability of the Supervisory Union as an entity and the change in the Supervisory Union's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Supervisory Union are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Supervisory Union:

1. Governmental Funds:

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

- a. The General Fund is the general operating fund of the Supervisory Union. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Medicaid Access Fund is the special revenue fund used to account for special education expenditures incurred by the Supervisory Union that are subsequently reimbursed through grant funding administered by the State of Vermont.
- c. The Title I Fund is the special revenue fund used to account for funding provided to the Supervisory Union for the purpose of improving the academic achievement of disadvantaged students with the goal that all children meet state academic standards.

Nonmajor Funds

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

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

Basis of Accounting

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

1. Accrual

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

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

Budget

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

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

Revenues per budgetary basis	\$ 8,492,114
Add: On-behalf payments	<u>267,749</u>
Total GAAP basis	<u>\$ 8,759,863</u>
Expenditures per budgetary basis	\$ 8,560,151
Add: On-behalf basis	<u>267,749</u>
Total GAAP basis	<u>\$ 8,827,900</u>

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

1. The annual school budget is the planning management tool, which delineates the Supervisory Union's educational priorities and programs and forms the basis for voter review and approval of the budget according to applicable State of Vermont education finance laws.

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The Board budget process includes input from school district administration and staff, educational priorities for the next school year, along with public hearings, which include the School Board and general public.
3. The budget document itself is based upon the most current funding information available along with the projection of current revenues and expenditures for the next year. At the conclusion of the budget process, a final budget is approved by the School Board.

Deposits and Investments

The Supervisory Union's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Supervisory Union's policy to value investments at fair value. None of the Supervisory Union's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The Supervisory Union Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

The Orleans Southwest Supervisory Union has no formal investment policy but instead follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$298,666 for the year ended June 30, 2018. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2018.

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Certain insurance and other payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund Receivables and Payables

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

Transactions Between Funds

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

Capital Assets

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

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

Estimated useful lives are as follows:

Machinery and equipment	3 - 20 years
Vehicles	3 - 25 years
Furniture and fixtures	3 - 20 years

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

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

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

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

Pensions

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

OPEB

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

Compensated Absences

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2018, the School District's liability for compensated absences is \$597,948.

Net Position

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

Fund Balance

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

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

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Supervisory Union currently has one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

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

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

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

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Supervisory Union will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Supervisory Union does not have a policy covering custodial credit risk.

At June 30, 2018, the Supervisory Union's cash balance of \$581,600 was comprised of bank deposits of \$860,585. Of these bank deposits, \$858,300 were fully covered by federal depository insurance, and consequently were not exposed to

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

custodial credit risk. The remaining deposits of \$2,285 were uncollateralized and uninsured.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 252,285
ICS account	608,300
	<u>\$ 860,585</u>

Investments:

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

At June 30, 2018, the Supervisory Union did not have any investments.

Credit risk - Statutes for the State of Vermont authorize the Supervisory Union to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Supervisory Union does not have an investment policy on credit risk. Generally, the Supervisory Union invests excess funds in savings accounts and various insured certificates of deposit.

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

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

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 72,934	\$ 240,125
Medicaid Access	165,667	-
Title I	-	33,879
Nonmajor Special Revenue Funds	74,458	39,055
	<u>\$ 313,059</u>	<u>\$ 313,059</u>

NOTE 4 - CAPITAL ASSETS

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

	Balance 7/1/17	Additions	Disposals	Balance 6/30/18
<u>Governmental activities:</u>				
Depreciated assets:				
Machinery and equipment	\$ 525,566	\$ 29,626	\$ -	\$ 555,192
Vehicles	45,074	-	-	45,074
Furniture and fixtures	62,598	6,028	-	68,626
	<u>633,238</u>	<u>35,654</u>	<u>-</u>	<u>668,892</u>
Less: accumulated depreciation				
Machinery and equipment	(444,017)	(65,184)	-	(509,201)
Vehicles	(12,878)	(6,439)	-	(19,317)
Furniture and fixtures	(60,412)	(2,186)	-	(62,598)
	<u>(517,307)</u>	<u>(73,809)</u>	<u>-</u>	<u>(591,116)</u>
Net capital assets	<u>\$ 115,931</u>	<u>\$ (38,155)</u>	<u>\$ -</u>	<u>\$ 77,776</u>
 <u>Current year depreciation:</u>				
Union-wide				<u>\$ 73,809</u>

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT

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

	Balance 7/1/17	Additions	Deletions	Balance 6/30/18	Current Portion
<u>Governmental activities:</u>					
Capital leases payable	\$ 85,634	\$ 52,975	\$ (88,229)	\$ 50,380	\$ 23,433
Accrued compensated absences	137,841	45,423	-	183,264	45,816
Net pension liability	626,192	168,084	(196,328)	597,948	-
	<u>\$ 849,667</u>	<u>\$ 266,482</u>	<u>\$ (284,557)</u>	<u>\$ 831,592</u>	<u>\$ 69,249</u>

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

Capital lease payable to Twin State Ford Inc., interest at a rate of 0.90%, monthly payments of principal and interest are \$369 over 60 months. Maturity in November of 2019.	\$ 6,231
Capital lease payable to Twin State Ford Inc., interest at a rate of 0.90%, monthly payments of principal and interest are \$399 over 60 months. Maturity in November of 2019.	6,790
Capital lease payable to Municipal Leasing Consultants, interest at a rate of 4.49%, annual principal and interest payments of \$15,616. Maturity in August of 2019.	29,247
Capital lease payable to Carousel Industries, annual principal payments of \$4,052 over 24 months. Maturity in July of 2019.	<u>8,112</u>
Total Capital Leases Payable	<u>\$ 50,380</u>

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

Year Ending June 30:	
2019	\$ 28,882
2020	<u>23,570</u>
Total minimum lease payment	52,452
Less amount representing interest	<u>(2,072)</u>
Present value of future minimum lease payments	<u>\$ 50,380</u>

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - OPERATING LEASES

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

Operating Leases Payable:

Orleans Southwest Supervisory Union entered into a lease, effective July 1, 2015, payable to Duane Wells for first and second floor river side, second floor road side and 75% first floor road side located at 156 Daniels Road in Hardwick, VT. During the first year of the lease agreement monthly payments were \$4,415. After the first year rent increases by 5% for the first two years and 4% for the last two years, compounded annually. The lease term commenced on July 1, 2015 and terminates on June 30, 2019, subject to an option to extend for a term of five years commencing on July 1, 2019.	\$ 63,170
Orleans Southwest Supervisory Union entered into a lease, effective June 28, 2016, payable to Konica Minolta Premier Finance for two copiers. Monthly payments are \$555. The lease terminates in June of 2019.	<u>6,658</u>
Total Operating Leases Payable	<u><u>\$ 69,828</u></u>

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

Year Ending <u>June 30:</u>	
2019	\$ 69,828
Total minimum lease payment	<u><u>\$ 69,828</u></u>

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - NONSPENDABLE FUND BALANCE

At June 30, 2018, the Supervisory Union had the following nonspendable fund balance:

General fund:	
Prepaid items	\$ 32,798
Nonmajor special revenue funds (Schedule E)	<u>4,600</u>
	<u>\$ 37,398</u>

NOTE 8 - RESTRICTED FUND BALANCE

At June 30, 2018, the Supervisory Union had the following restricted fund balance:

Nonmajor special revenue funds (Schedule E)	<u>\$ 61,173</u>
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NOTE 9 - COMMITTED FUND BALANCES

At June 30, 2018, the Supervisory Union had the following committed fund balances:

Major fund:	
Medicaid access	\$ 165,615
Nonmajor special revenue funds (Schedule E)	<u>2,120</u>
	<u>\$ 167,735</u>

NOTE 10 - DEFICIT FUND BALANCES

At June 30, 2018, the Supervisory Union had the following deficit fund balances:

General Fund	\$ 41,821
Nonmajor special revenue funds (Schedule E):	
21st Century Learning REACH	<u>1,614</u>
	<u>\$ 43,435</u>

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

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

The plan was established effective July 1, 1947, and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the Secretary of Education (ex-officio); the State Treasurer (ex-officio), the Commissioner of Financial Regulation (ex-officio); two members and one alternate elected by active members of the System under rules adopted by the Board; and one retired member and one alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

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

Benefits Provided

The VSTRS provides retirement, and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. There

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pays full premium	Members pays full premium	Members pays full premium

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the Supervisory Union but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the Supervisory Union has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the Supervisory Union's employees included in the teacher's retirement plan which approximates \$267,749 or 13.58% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

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

Employee contributions totaled \$111,786 during the year and were paid by the Supervisory Union to the State of Vermont. The Supervisory Union has no other liability under the plan. The Supervisory Union's total payroll for all employees covered under this plan was \$1,971,639 for the year ended June 30, 2018.

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

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

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

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

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

Benefits Provided

The pension plan is divided into four membership groups:

- Group A – general employees whose legislative bodies have not elected to become a member of Group B or Group C

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

- Groups B & C – general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D – sworn police officers, firefighters and emergency medical personnel

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

VMERS	Group A	Group B	Group C	Group D
Normal service retirement eligibility	Age 65 with 5 years of service, or age 55 with 35 years of service	Age 62 with 5 years of service, or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Contributions

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

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

Employee contributions are withheld pre-income tax by the Supervisory Union and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2018 totaled \$49,654. The Supervisory Union contributed \$79,448 for the year ended June 30, 2018. The Supervisory Union's total payroll for the year ended June 30, 2018 for all employees covered under this plan was \$1,986,202.

Pension Liabilities

VSTRS Plan

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Supervisory Union's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Supervisory Union	<u>5,053,468</u>
Total	<u><u>\$ 5,053,468</u></u>

The State of Vermont's proportionate share of the net pension liability associated with the Supervisory Union is equal to the collective net pension liability, actuarially measured as of June 30, 2017, multiplied by the Supervisory Union's proportionate share percentage. The Supervisory Union's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2017, the Supervisory Union's proportion was 0.34090% which was an increase of 0.00620% from its proportion measured as of June 30, 2016.

VMERS Plan

At June 30, 2018, the Supervisory Union reported a liability of \$597,948 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Supervisory Union's proportion of the net pension liabilities were based on a projection of the Supervisory Union's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2017, the Supervisory Union's proportion was 0.49354% for VMERS, which was an increase of 0.00697% from its proportion measured as of June 30, 2016 for VMERS.

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

For the year ended June 30, 2018, the Supervisory Union recognized total pension expense of \$765,459 and revenue of \$765,459 for support provided by the State of Vermont for the VSTRS plan. In the same period, the Supervisory Union recognized pension expense of \$94,180 for the VMERS plan. At June 30, 2018, the Supervisory Union reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 8,699	\$ 14,802
Changes of assumptions	-	-	125,179	-
Net difference between projected and actual earnings on pension plan investments	-	-	99,592	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	45,257	-
Contributions subsequent to the measurement date	-	-	79,448	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,175</u>	<u>\$ 14,802</u>

\$79,448 reported as deferred outflows of resources related to pensions resulting from Supervisory Union contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS	VMERS
Plan Year ended June 30:		
2018	\$ -	\$ 101,258
2019	-	134,734
2020	-	31,733
2021	-	(3,802)
2022	-	-
Thereafter	-	-

Significant Actuarial Assumptions and Methods

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

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

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

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

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

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

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

Disabled Retiree - All Groups with a Disabled Mortality Table

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VSTRS Plan:

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

VMERS Plan:

Withdrawal

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

Disability

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Retirement Rates: For the VSTRS plan:

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

Service Retirement

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Retirement After 30 Years of Service

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

For the VMERS Plan:

Retirement Group A

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

Retirement Group B

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Retirement Group C

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

Retirement Group D

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

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

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

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

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

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

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

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

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Discount Rate

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

Sensitivity of the Supervisory Union's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.50%	7.50%	8.50%
Supervisory Union's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.50%	7.50%	8.50%
Supervisory Union's proportionate share of the net pension liability	\$ 1,067,597	\$ 597,948	\$ 208,450

Pension Plan Fiduciary Net Position

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

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

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

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

Vermont Statute Title 16 Chapter 55 assigns the authority to VSTRS to establish and amend the benefits provisions of the Plan and to establish maximum obligations of the Plan members to contribute to the Plan. Management of the Plan is vested in the

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

Benefits Provided

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

Contributions

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

OPEB Liabilities

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

recorded at June 30, 2018. The State's portion of the collective net OPEB liability that was associated with the Supervisory Union was as follows:

Supervisory Union's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the Supervisory Union		<u>3,538,353</u>
Total	\$	<u><u>3,538,353</u></u>

The State of Vermont's proportionate share of the net OPEB liability associated with the Supervisory Union is equal to the collective net OPEB liability, actuarially measured as of June 30, 2017, multiplied by the Supervisory Union's proportionate share percentage. The Supervisory Union's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2017, the Supervisory Union's proportion was 0.37953% which was an increase of 0.01624% from its proportion measured as of June 30, 2016.

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

For the year ended June 30, 2018, the Supervisory Union recognized total OPEB expense of \$194,501 and revenue of \$194,501 for support provided by the State of Vermont for the Plan. At June 30, 2018, the Supervisory Union reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

Discount Rate

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
VSTRS OPEB Plan: Discount rate	2.580%	3.580%	4.580%
Supervisory Union's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Healthcare Trend Rate

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

Actuarial Methods and Assumptions

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

Actuarial Cost Method

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

Amortization

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

Asset Valuation Method

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

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

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

Assumptions

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

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

Changes in Net OPEB Liability

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

Changes in Assumptions

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

changes in assumptions with the exception of the discount rate was increased from 2.85% to 3.58%.

OPEB Plan Fiduciary Net Position

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

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

NOTE 13 - CONTINGENCIES

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

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

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

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - RISK MANAGEMENT

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

Based on the coverage provided by the insurance purchased, the Supervisory Union is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2018. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

The Supervisory Union is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker compensation, multi-line intermunicipal school program, and unemployment compensation program, and the Vermont Education Health Initiative (VEHI) for medical benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont School Districts and is owned by the participating Supervisory Unions. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

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

To provide unemployment coverage, VSBIT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and to provide excess reinsurance protections. Contributions are based on payroll expense and the previous two-year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the program will be terminated with each member assessed their proportionate share of the deficit.

To provide worker's compensation coverage, VSBIT has established a separate trust of funds from member contributions to pay administrative costs and workers compensation coverage. Contributions are based upon formulas applied to payroll

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - RISK MANAGEMENT (CONTINUED)

expense. At the end of the coverage period, the members will be assessed or refunded any difference between estimated contributions and actual expenses.

Multi-Line Intermunicipal School Program provides coverage for property; inland marine and boiler and machinery; crime; commercial general liability; automobile/garagekeepers; and educators legal liability. Annual contributions are based upon appropriate rates applicable to each member; such rates are set based on recommendations of a qualified actuary, plus a proportionate share of all operational and administrative cost including excess reinsurance premiums incurred by the trust. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the program will be terminated with each member assessed their proportionate share of the deficit.

NOTE 15 - RELATED ORGANIZATIONS

Orleans Southwest Supervisory Union provides services to the following School Districts: Craftsbury School District, Greensboro School District, Hardwick School District, Hazen Union School District, Lakeview Union School District #43, Stannard School District, Wolcott School District, and Woodbury School District. Each School District has an ongoing financial responsibility to the Supervisory Union as defined in GASB 14, paragraph 71.

NOTE 16 - COMMITMENT

Orleans Southwest Supervisory Union entered into a transportation contract with Wildcat Busing Inc. for transportation services through June 30, 2019. Orleans Southwest Supervisory Union entered into this contract on behalf of the Craftsbury School District, Hardwick School District, Hazen Union School District, Lakeview Union School District #43, Wolcott School District, and Woodbury School District. Annually, Orleans Southwest Supervisory Union charges each School District an assessment for their share of the transportation expenditure. The total amount due for fiscal year 2019 is \$814,845.

Required Supplementary Information

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

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

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 26,216	\$ 26,216	\$ 26,216	\$ -
Resources (Inflows):				
Intergovernmental:				
Assessments	4,216,808	4,216,808	4,216,812	4
Other	3,525,687	3,525,687	3,038,998	(486,689)
Charges for services	1,270,474	1,270,474	1,210,718	(59,756)
Interest income	750	750	2,144	1,394
Miscellaneous	-	-	16,780	16,780
Transfers from other funds	15,000	15,000	6,662	(8,338)
Amounts Available for Appropriation	<u>9,054,935</u>	<u>9,054,935</u>	<u>8,518,330</u>	<u>(536,605)</u>
Charges to Appropriations (Outflows):				
Current:				
Instruction	5,228,980	5,180,680	4,787,710	392,970
Student/instructor support	934,457	982,757	940,772	41,985
Administration	1,596,011	1,622,508	1,648,066	(25,556)
Operations	1,179,241	1,179,241	1,161,834	17,407
Miscellaneous	90,030	63,533	21,769	41,764
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	<u>9,028,719</u>	<u>9,028,719</u>	<u>8,560,151</u>	<u>468,568</u>
Budgetary Fund Balance, June 30	<u>\$ 26,216</u>	<u>\$ 26,216</u>	<u>\$ (41,821)</u>	<u>\$ (68,037)</u>

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

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>					
Proportion of the net pension liability	0.34090%	0.33470%	0.33976%	0.29056%	0.29070%
Supervisory Union's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Supervisory Union	<u>5,053,468</u>	<u>4,382,947</u>	<u>4,031,291</u>	<u>\$ 2,784,874</u>	<u>\$ 2,939,468</u>
Total	<u>\$ 5,053,468</u>	<u>\$ 4,382,947</u>	<u>\$ 4,031,291</u>	<u>\$ 2,784,874</u>	<u>\$ 2,939,468</u>
Covered-employee payroll	\$ 2,252,664	\$ 2,168,165	\$ 1,894,880	\$ 1,647,082	\$ 1,638,715
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	53.98%	55.31%	58.22%	64.02%	60.59%
<u>VMERS:</u>					
Proportion of the net pension liability	0.49354%	0.48657%	0.42527%	0.24516%	0.22800%
Proportionate share of the net pension liability	\$ 597,948	\$ 626,192	\$ 327,869	\$ 22,375	\$ 83,027
Covered-employee payroll	\$ 2,005,877	\$ 1,848,775	\$ 1,486,175	\$ 684,350	\$ -
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	29.81%	33.87%	22.06%	3.27%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	83.64%	80.95%	87.42%	98.32%	92.71%

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

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

ORLEANS SOUTHWEST SUPERVISORY UNION

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	2018	2017	2016	2015	2014
<u>VSTRS:</u>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 1,971,639	\$ 2,252,664	\$ 2,168,165	\$ 1,894,880	\$ 1,647,082
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
<u>VMERS:</u>					
Contractually required contribution	\$ 79,448	\$ 80,599	\$ 73,951	\$ 59,447	\$ 27,374
Contributions in relation to the contractually required contribution	<u>(79,448)</u>	<u>(80,599)</u>	<u>(73,951)</u>	<u>(59,447)</u>	<u>(27,374)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 1,986,202	\$ 2,005,877	\$ 1,848,775	\$ 1,486,175	\$ 684,350
Contributions as a percentage of covered-employee payroll	4.00%	4.02%	4.00%	4.00%	4.00%

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

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

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	<u>2018</u>	<u>2017</u>
<u>VSTRS OPEB Plan:</u>		
Proportion of the net OPEB liability	0.38%	0.36%
Supervisory Union's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Supervisory Union	<u>3,538,353</u>	-
Total	<u>\$ 3,538,353</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,252,664	\$ 2,168,165
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%

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

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

ORLEANS SOUTHWEST SUPERVISORY UNION

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>
<u>VSTRS OPEB Plan:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,971,639	\$ 2,252,664
Contributions as a percentage of covered- employee payroll	0.00%	0.00%

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

ORLEANS SOUTHWEST SUPERVISORY UNION

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

Changes of Assumptions

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

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

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

Other Supplementary Information

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

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

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental Revenues:				
General Education Assessment	\$ 2,168,272	\$ 2,168,272	\$ 2,168,276	\$ 4
Special Education Assessment	2,048,536	2,048,536	2,048,536	-
Grants/Reimbursements	3,435,657	3,435,657	3,038,998	(396,659)
E-Rate	90,030	90,030	-	(90,030)
Charges for Services	1,270,474	1,270,474	1,210,718	(59,756)
Interest Income	750	750	2,144	1,394
Miscellaneous:				
Miscellaneous	-	-	15,139	15,139
Prior Year Revenues	-	-	1,641	1,641
Transfer From Other Funds	15,000	15,000	6,662	(8,338)
Amounts Available for Appropriation	<u>\$ 9,028,719</u>	<u>\$ 9,028,719</u>	<u>\$ 8,492,114</u>	<u>\$ (536,605)</u>

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

SCHEDULE B

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Instruction -				
General education	\$ 1,173,080	\$ 1,124,780	\$ 1,087,169	\$ 37,611
Special education	4,055,900	4,055,900	3,679,279	376,621
Co-curricular	-	-	17,701	(17,701)
Athletics instruction	-	-	3,561	(3,561)
	<u>5,228,980</u>	<u>5,180,680</u>	<u>4,787,710</u>	<u>392,970</u>
Student/instructor support -				
Guidance	219,483	219,483	196,279	23,204
Health services	-	-	3,129	(3,129)
Psychological services	261,944	261,944	210,363	51,581
Speech services	310,570	310,570	306,234	4,336
Occupational therapy services	52,553	52,553	53,133	(580)
Physical therapy/IEP services	-	-	494	(494)
Improvement of instruction	89,907	138,207	171,140	(32,933)
	<u>934,457</u>	<u>982,757</u>	<u>940,772</u>	<u>41,985</u>
Administration -				
School Board	81,716	81,716	137,721	(56,005)
Office of Superintendent	262,776	262,776	253,886	8,890
Office of Principal	-	-	13,636	(13,636)
Special education administration	125,760	125,760	124,310	1,450
Business office/human resources	624,051	624,051	617,706	6,345
Technology administration	501,708	528,205	500,807	27,398
	<u>1,596,011</u>	<u>1,622,508</u>	<u>1,648,066</u>	<u>(25,558)</u>
Operations -				
Operations and maintenance	116,331	116,331	147,500	(31,169)
Student transportation	1,062,910	1,062,910	1,007,500	55,410
Food service	-	-	6,834	(6,834)
	<u>1,179,241</u>	<u>1,179,241</u>	<u>1,161,834</u>	<u>17,407</u>
Miscellaneous -				
Other outlays and prior year adjustments	-	-	21,769	(21,769)
Subgrants	90,030	63,533	-	63,533
	<u>90,030</u>	<u>63,533</u>	<u>21,769</u>	<u>41,764</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 9,028,719</u>	<u>\$ 9,028,719</u>	<u>\$ 8,560,151</u>	<u>\$ 468,568</u>

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

ORLEANS SOUTHWEST SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Accounts receivable (net of allowance for uncollectibles)	\$ 38,300	\$ 38,300
Prepaid items	4,600	4,600
Due from other funds	74,458	74,458
TOTAL ASSETS	<u><u>\$ 117,358</u></u>	<u><u>\$ 117,358</u></u>
LIABILITIES		
Accounts payable	\$ 14,763	\$ 14,763
Due to other funds	39,055	39,055
TOTAL LIABILITIES	<u><u>53,818</u></u>	<u><u>53,818</u></u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue	1,861	1,861
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>1,861</u></u>	<u><u>1,861</u></u>
FUND BALANCES (DEFICITS)		
Nonspendable	4,600	4,600
Restricted	61,173	61,173
Committed	2,120	2,120
Assigned	-	-
Unassigned	(6,214)	(6,214)
TOTAL FUND BALANCES (DEFICITS)	<u><u>61,679</u></u>	<u><u>61,679</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	<u><u>\$ 117,358</u></u>	<u><u>\$ 117,358</u></u>

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

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>
REVENUES		
Intergovernmental	\$ 1,088,117	\$ 1,088,117
Charges for services	51,296	51,296
Other income	35,378	35,378
TOTAL REVENUES	<u>1,174,791</u>	<u>1,174,791</u>
EXPENDITURES		
Other	<u>1,683,036</u>	<u>1,683,036</u>
TOTAL EXPENDITURES	<u>1,683,036</u>	<u>1,683,036</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(508,245)</u>	<u>(508,245)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	605,979	605,979
Transfers (out)	<u>(98,905)</u>	<u>(98,905)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>507,074</u>	<u>507,074</u>
NET CHANGE IN FUND BALANCES	(1,171)	(1,171)
FUND BALANCES - JULY 1	<u>62,850</u>	<u>62,850</u>
FUND BALANCES - JUNE 30	<u>\$ 61,679</u>	<u>\$ 61,679</u>

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

Special Revenue Funds

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

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	Summer Lunch Program	Food Service Program	Title IV-A	Chinese Summer Program	REAP Grant
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ 1,679	\$ -	\$ -	\$ -	\$ 3,222
Prepaid items	-	-	-	-	-
Due from other funds	-	8,563	-	2,120	-
TOTAL ASSETS	\$ 1,679	\$ 8,563	\$ -	\$ 2,120	\$ 3,222
LIABILITIES					
Accounts payable	\$ 114	\$ -	\$ -	\$ -	\$ 1,334
Due to other funds	1,565	-	-	-	1,888
TOTAL LIABILITIES	1,679	-	-	-	3,222
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	8,563	-	-	-
Committed	-	-	-	2,120	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	-	8,563	-	2,120	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 1,679	\$ 8,563	\$ -	\$ 2,120	\$ 3,222

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	Standards Board (Licensing Grant)	BEST Grant	Act 230	Title I School Improvement	Fresh Fruit and Vegetable Grant
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ 5,893	\$ -
Prepaid items	-	-	-	-	-
Due from other funds	-	612	2,716	-	402
TOTAL ASSETS	\$ -	\$ 612	\$ 2,716	\$ 5,893	\$ 402
LIABILITIES					
Accounts payable	\$ -	\$ 612	\$ 2,716	\$ -	\$ -
Due to other funds	-	-	-	5,893	-
TOTAL LIABILITIES	-	612	2,716	5,893	-
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	402
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	-	-	-	-	402
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ -	\$ 612	\$ 2,716	\$ 5,893	\$ 402

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	IDEA B Flow Thru Grant	IDEA B Preschool Grant	IDEA B Proportionate Share	21st Century Learning REACH	EPSDT Health
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ 1,663	\$ -
Prepaid items	-	-	-	4,600	-
Due from other funds	2,059	6,372	-	-	33,789
TOTAL ASSETS	\$ 2,059	\$ 6,372	\$ -	\$ 6,263	\$ 33,789
LIABILITIES					
Accounts payable	\$ 1,797	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	6,016	-
TOTAL LIABILITIES	1,797	-	-	6,016	-
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	-	-	-	1,861	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	1,861	-
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	4,600	-
Restricted	262	6,372	-	-	33,789
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	(6,214)	-
TOTAL FUND BALANCES (DEFICITS)	262	6,372	-	(1,614)	33,789
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 2,059	\$ 6,372	\$ -	\$ 6,263	\$ 33,789

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	Food Based Learning Initiative	CFP Consolidated Administration	Title II	Schoolwide Program All Schools	Total
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ 25,843	\$ -	\$ 38,300
Prepaid items	-	-	-	-	4,600
Due from other funds	17,825	-	-	-	74,458
TOTAL ASSETS	\$ 17,825	\$ -	\$ 25,843	\$ -	\$ 117,358
LIABILITIES					
Accounts payable	\$ 6,040	\$ -	\$ 2,150	\$ -	\$ 14,763
Due to other funds	-	-	23,693	-	39,055
TOTAL LIABILITIES	6,040	-	25,843	-	53,818
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	-	-	-	-	1,861
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	1,861
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	4,600
Restricted	11,785	-	-	-	61,173
Committed	-	-	-	-	2,120
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(6,214)
TOTAL FUND BALANCES (DEFICITS)	11,785	-	-	-	61,679
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 17,825	\$ -	\$ 25,843	\$ -	\$ 117,358

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

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	Summer Lunch Program	Food Service Program	Title IV-A	Chinese Summer Program	REAP Grant
REVENUES					
Intergovernmental	\$ 18,679	\$ 368,450	\$ 10,438	\$ -	\$ 4,050
Charges for services	1,735	-	-	-	-
Other income	788	-	-	23,719	-
TOTAL REVENUES	<u>21,202</u>	<u>368,450</u>	<u>10,438</u>	<u>23,719</u>	<u>4,050</u>
EXPENDITURES					
Other	<u>21,102</u>	<u>366,148</u>	<u>10,438</u>	<u>22,629</u>	<u>4,050</u>
TOTAL EXPENDITURES	<u>21,102</u>	<u>366,148</u>	<u>10,438</u>	<u>22,629</u>	<u>4,050</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>100</u>	<u>2,302</u>	<u>-</u>	<u>1,090</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	100	2,302	-	1,090	-
FUND BALANCES (DEFICITS) - JULY 1	<u>(100)</u>	<u>6,261</u>	<u>-</u>	<u>1,030</u>	<u>-</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>	<u>\$ 8,563</u>	<u>\$ -</u>	<u>\$ 2,120</u>	<u>\$ -</u>

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	Standards Board (Licensing Grant)	BEST Grant	Act 230	Title I School Improvement	Fresh Fruit and Vegetable Grant
REVENUES					
Intergovernmental	\$ 535	\$ 3,502	\$ 6,184	\$ 5,893	\$ 34,465
Charges for services	-	-	-	-	-
Other income	-	-	-	-	-
TOTAL REVENUES	<u>535</u>	<u>3,502</u>	<u>6,184</u>	<u>5,893</u>	<u>34,465</u>
EXPENDITURES					
Other	535	3,502	6,184	5,893	34,092
TOTAL EXPENDITURES	<u>535</u>	<u>3,502</u>	<u>6,184</u>	<u>5,893</u>	<u>34,092</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>373</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	-	-	373
FUND BALANCES (DEFICITS) - JULY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402</u>

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	IDEA B Flow Thru Grant	IDEA B Preschool Grant	IDEA B Proportionate Share	21st Century Learning REACH	EPSDT Health
REVENUES					
Intergovernmental	\$ 322,161	\$ 7,484	\$ -	\$ 145,114	\$ 13,324
Charges for services	-	-	-	49,561	-
Other income	-	-	-	10,871	-
TOTAL REVENUES	<u>322,161</u>	<u>7,484</u>	<u>-</u>	<u>205,546</u>	<u>13,324</u>
EXPENDITURES					
Other	328,175	3,492	-	198,590	16,168
TOTAL EXPENDITURES	<u>328,175</u>	<u>3,492</u>	<u>-</u>	<u>198,590</u>	<u>16,168</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,014)</u>	<u>3,992</u>	<u>-</u>	<u>6,956</u>	<u>(2,844)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	285	-	-	-	-
Transfers (out)	-	-	(285)	(5,662)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>285</u>	<u>-</u>	<u>(285)</u>	<u>(5,662)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(5,729)	3,992	(285)	1,294	(2,844)
FUND BALANCES (DEFICITS) - JULY 1	<u>5,991</u>	<u>2,380</u>	<u>285</u>	<u>(2,908)</u>	<u>36,633</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 262</u>	<u>\$ 6,372</u>	<u>\$ -</u>	<u>\$ (1,614)</u>	<u>\$ 33,789</u>

ORLEANS SOUTHWEST SUPERVISORY UNION

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

	Food Based Learning Initiative	CFP Consolidated Administration	Title II	Schoolwide Program All Schools	Total
REVENUES					
Intergovernmental	\$ 8,200	\$ -	\$ 139,638	\$ -	\$ 1,088,117
Charges for services	-	-	-	-	51,296
Other income	-	-	-	-	35,378
TOTAL REVENUES	8,200	-	139,638	-	1,174,791
EXPENDITURES					
Other	10,162	20,921	47,787	583,168	1,683,036
TOTAL EXPENDITURES	10,162	20,921	47,787	583,168	1,683,036
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,962)	(20,921)	91,851	(583,168)	(508,245)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	21,921	-	583,773	605,979
Transfers (out)	-	(1,000)	(91,958)	-	(98,905)
TOTAL OTHER FINANCING SOURCES (USES)	-	20,921	(91,958)	583,773	507,074
NET CHANGE IN FUND BALANCES (DEFICITS)	(1,962)	-	(107)	605	(1,171)
FUND BALANCES (DEFICITS) - JULY 1	13,747	-	107	(605)	62,850
FUND BALANCES (DEFICITS) - JUNE 30	\$ 11,785	\$ -	\$ -	\$ -	\$ 61,679

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

ORLEANS SOUTHWEST SUPERVISORY UNION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass-through Grantor Program/Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture Passed through State of Vermont - Department of Education and Cultural Services:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	4452S0351800	\$ 109,978	\$ 109,978
National School Lunch Program	10.555	4448S0351800	6,085	-
National School Lunch Program	10.555	4450S0351800	237,596	237,596
Summer Food Service Program	10.559	4455S0351800	17,234	-
Subtotal Child Nutrition Cluster			<u>370,893</u>	<u>347,574</u>
Commodity Supplemental Food Program	10.565	4456S0351800	32,475	32,475
Fresh Fruit & Vegetable Program	10.582	4449S0351800	34,465	-
Total U.S. Department of Agriculture			<u>437,833</u>	<u>380,049</u>
U.S. Department of Education Passed through State of Vermont - Department of Education and Cultural Services:				
Title I-Grants to Local Education Agencies	84.010	4250S0351801	547,101	-
Title I-Grants to Local Education Agencies	84.010	4255S0351801	5,893	-
Improving Teacher Quality State Grants	84.367A	4651S0351801	139,745	-
Student Support and Academic Enrichment Program	84.424A	4570S0351801	10,438	-
Twenty-First Century Community Learning Centers	84.287C	4611S0351801	145,114	-
Special Education Cluster (IDEA):				
Special Education-Grants to States	84.027	4226S0351801	328,175	-
Special Education-Preschool Grants	84.173	4228S0351801	3,492	-
Subtotal Special Education Cluster (IDEA)			<u>331,667</u>	<u>-</u>
Rural Education	84.358	4575S0351801	4,050	-
Total U.S. Department of Education			<u>1,184,008</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,621,841</u>	<u>\$ 380,049</u>

ORLEANS SOUTHWEST SUPERVISORY UNION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Orleans Southwest Supervisory Union under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Orleans Southwest Supervisory Union, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Orleans Southwest Supervisory Union.

2. Summary of Significant Accounting Policies

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

3. Noncash Awards

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

4. Expenditures to Subrecipients

CFDA Number	Craftsbury School District	Hardwick School District	Hazen School District	Lakeview Union School District #43	Wolcott School District	Woodbury School District	Total
10.553	\$ 16,540	\$ 42,729	\$ 19,179	\$ 10,425	\$ 18,777	\$ 2,328	\$ 109,978
10.555	34,484	74,625	55,887	23,616	40,780	8,204	237,596
10.565	5,514	9,836	8,452	2,294	4,591	1,788	32,475
	<u>\$ 56,538</u>	<u>\$ 127,190</u>	<u>\$ 83,518</u>	<u>\$ 36,335</u>	<u>\$ 64,148</u>	<u>\$ 12,320</u>	<u>\$ 380,049</u>



Proven Expertise and Integrity

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

Board of School Directors
Orleans Southwest Supervisory Union
Hardwick, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Orleans Southwest Supervisory Union, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Orleans Southwest Supervisory Union's basic financial statements, and have issued our report thereon dated December 24, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Orleans Southwest Supervisory Union'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Orleans Southwest Supervisory Union's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 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 Orleans Southwest Supervisory Union's financial statements are free of 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 organization's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
December 24, 2018



Proven Expertise and Integrity

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

Board of School Directors
Orleans Southwest Supervisory Union
Waitsfield, Vermont

Report on Compliance for Each Major Federal Program

We have audited Orleans Southwest Supervisory Union's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Orleans Southwest Supervisory Union's major federal programs for the year ended June 30, 2018. Orleans Southwest Supervisory Union's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Orleans Southwest Supervisory Union's compliance.

Opinion on Each Major Federal Program

In our opinion, Orleans Southwest Supervisory Union, complied in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
December 24, 2018

ORLEANS SOUTHWEST SUPERVISORY UNION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

• *Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I-Grants to Local Education Agencies

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

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

None