

**BARRE SUPERVISORY UNION
BARRE, VERMONT**

**FINANCIAL STATEMENTS
JUNE 30, 2018
AND
INDEPENDENT AUDITOR'S REPORTS**

BARRE SUPERVISORY UNION

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

The Superintendent and Board of Education
Barre Supervisory Union

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Barre Supervisory Union (the 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Barre Supervisory Union as of June 30, 2018, and the respective changes in financial position thereof and

the respective budgetary comparison for the General Fund 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Supervisory Union's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates 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 accompanying Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2019, on our consideration of the Supervisory Union's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Supervisory Union's internal control over financial reporting and compliance.

Montpelier, Vermont
January 17, 2019

**BARRE SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Our discussion and analysis of Barre Supervisory Union's (the Supervisory Union) 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 Highlights

- The Supervisory Union's net position decreased by \$218,643, or 23.1% during fiscal year 2018 compared with an increase of \$230,853 during fiscal year 2017.
- The cost of all of the Supervisory Union's programs was \$19,525,457 for fiscal year 2018 compared to \$16,030,537 in the prior year.
- The General Fund reported a decrease in fund balance this year of \$56,624. In fiscal year 2017, the General Fund reported a decrease in fund balance of \$148,888.
- The total fund balance for the General Fund was \$76,229 as of June 30, 2018. The unassigned amount of the fund balance is a negative \$19,384, which is the amount of funds available for future budgets.
- The Grant Funds, which report the activities related to federal, state and other grants, had \$3,970,126 in revenues and \$4,096,639 in expenditures during fiscal year 2018.

Using This Annual Report

This annual report consists of a series of financial statements. The Government-wide Statement of Net Position and the Government-wide Statement of Activities provide information about the activities of the Supervisory Union as a whole and present a longer-term view of the Supervisory Union's finances. The governmental fund financial statements, the Balance Sheet - Governmental Funds, the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, and the Statement of Revenues and Expenditures - Budget and Actual - General Fund, provide information about the Supervisory Union's governmental funds. These statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Supervisory Union's operations in more detail than the government-wide statements by providing information about the Supervisory Union's most significant funds. The remaining statement, the Statement of Net Position - Fiduciary Funds, provides financial information about the activities for which the Supervisory Union acts solely as a trustee or agent for the benefit of those outside the Supervisory Union.

Reporting the Supervisory Union as a Whole

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

These two statements report the Supervisory Union's net position and change in net position. You can think of the Supervisory Union's net position, the difference between assets and liabilities and deferred inflows of resources, as one way to measure the Supervisory Union's financial health, or financial position. Over time, increases or decreases in the Supervisory Union's net position are one indicator of whether its financial health is

improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Supervisory Union's assessments and the condition of the Supervisory Union's capital assets, to assess the overall health of the Supervisory Union.

All of the Supervisory Union's basic services are governmental activities. They include the superintendent's office, operations and maintenance of facilities, the finance office, the technology office, improvement of curriculum as well as the activity related to federal, state and other grants that support Barre City Elementary and Middle School, Barre Town Middle and Elementary School, and Spaulding Union High School District #41 and Central Vermont Career Center. Assessments to the member school districts and state and federal grants finance most of these activities.

Reporting the Supervisory Union's Most Significant Funds

The financial statements of the Supervisory Union's major governmental funds are reflected in the fund financial statements. The fund financial statements provide detailed information about the most significant funds, not the Supervisory Union as a whole. Some funds are required to be established by state law and by bond covenants. However, the Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money [like grants received from the State of Vermont Agency of Education (AOE)].

Governmental Funds

All of the Supervisory Union's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Supervisory Union's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Supervisory Union's programs. We describe the relationship (or differences) between governmental activities (as reported in the Government-wide Statement of Net Position and the Government-wide Statement of Activities) and governmental funds (as reported in the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds) in reconciliations for each governmental fund financial statement.

The Supervisory Union as Agent

The Supervisory Union is the fiscal agent for various employee savings. All of the Supervisory Union's fiduciary activities are Agency Funds and are reported in a separate Statement of Net Position - Fiduciary Funds. This activity is excluded from the Supervisory Union's other financial statements because the Supervisory Union cannot use these assets to finance its operations. The Supervisory Union is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Supervisory Union as a Whole

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Supervisory Union's governmental activities.

Table 1
Net Position

	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
Current assets	\$1,558,494	\$3,453,492	\$ (1,894,998)
Capital assets	226,979	229,243	(2,264)
Total assets	<u>1,785,473</u>	<u>3,682,735</u>	<u>(1,897,262)</u>
Liabilities	<u>1,036,658</u>	<u>2,623,220</u>	<u>(1,586,562)</u>
Deferred inflows of resources	<u>22,860</u>	<u>114,917</u>	<u>(92,057)</u>
Net position:			
Net investment in capital assets	226,979	229,243	(2,264)
Restricted	456,708	592,126	(135,418)
Unrestricted	<u>42,268</u>	<u>123,229</u>	<u>(80,961)</u>
Total net position	<u>\$ 725,955</u>	<u>\$ 944,598</u>	<u>\$ (218,643)</u>

The Supervisory Union's net position decreased by \$218,643 or 23.1% from a year ago, decreasing from \$944,598 to \$725,955. 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 from \$123,229 at June 30, 2017 to \$42,268 at June 30, 2018.

Table 2
Change in Net Position

	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
REVENUES			
Program revenues:			
Grants and contributions	\$ 13,039,382	\$4,665,647	\$8,373,735
Charges for services	471,491	-	471,491
Other sources	68,954	54,717	14,237
General revenues:			
Assessments	5,725,234	11,539,723	(5,814,489)
Interest earned	<u>1,753</u>	<u>1,303</u>	<u>450</u>
Total revenues	<u>19,306,814</u>	<u>16,261,390</u>	<u>3,045,424</u>
PROGRAM EXPENSES			
Administration and support	15,442,259	12,413,882	3,028,377
State, federal and local programs	<u>4,083,198</u>	<u>3,616,655</u>	<u>466,543</u>
Total program expenses	<u>19,525,457</u>	<u>16,030,537</u>	<u>3,494,920</u>
Increase (decrease) in net position	<u>\$ (218,643)</u>	<u>\$ 230,853</u>	<u>\$ (449,496)</u>

Governmental Activities

Table 3 presents the cost of each of the Supervisory Union's main programs. The net cost shows the financial burden that was placed on the Supervisory Union's members by each of these functions.

Table 3

	2018		2017	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Administration and support	\$15,442,259	\$5,832,512	\$12,413,882	\$ 11,699,166
State, federal and local programs	<u>4,083,198</u>	<u>113,118</u>	<u>3,616,655</u>	<u>(388,993)</u>
Totals	<u>\$19,525,457</u>	<u>\$ 5,945,630</u>	<u>\$16,030,537</u>	<u>\$ 11,310,173</u>

The Supervisory Union's Funds

As the Supervisory Union completed the year, its governmental funds (as presented in the Balance Sheet - Governmental Funds) reported a combined fund balance of \$541,847, which is less than last year's total of \$724,979. Of this fund balance, \$104,523 is nonspendable, \$452,313 is restricted, and \$4,395 is committed for specific purposes. Total combined fund balance is comprised of \$76,229 in the General Fund, \$461,223 in the Grant Funds, and \$4,395 in the Capital Projects Fund.

The Grant Funds include activity related to federal, state and other grants. Revenue is recognized when the expenditure is incurred. Grant funds received but not spent are recorded as deferred grant revenue. Unearned grants (formerly deferred grant revenue) at June 30, 2018 was \$22,860 compared to \$114,917 as of June 30, 2017.

General Fund Budgetary Highlights

Monthly financial reports reviewed by the Board served as the vehicle for monitoring the budget for the fiscal year.

General Fund revenues were less than expenditures by \$56,624 for the year. Budget to actual variances in shared services wage reimbursements revenue and shared services wages expenditure are directly related to each other and offsetting. Other variances between budgeted and actual revenues and expenditures have been reviewed by management and are considered acceptable.

Capital Assets

At June 30, 2018, the Supervisory Union had \$226,979 invested in building improvements, computer and office equipment, vehicles, and software. (See Table 4 below) This amount represents a net decrease of \$2,264 compared to last year.

Table 4
Capital Assets at Year-End
(Net of accumulated depreciation)

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Building improvements	\$ 168,207	\$ 165,209	\$ 2,998
Computer and office equipment	48,296	43,082	5,214
Vehicles	<u>10,476</u>	<u>20,952</u>	<u>(10,476)</u>
Totals	<u>\$ 226,979</u>	<u>\$ 229,243</u>	<u>\$ (2,264)</u>

Budget Highlights and Looking Ahead

The Supervisory Union business office transitioned in an entirely new team in FY18 with the exception of the Business Manager. These experienced, ambitious, hardworking staff accountants, senior accountant, and Medicaid clerk settled in quickly.

The State of Vermont legislators, Governor, and Agency of Education continue to stress the need for property tax relief and have directed school boards to consider cost containment solutions. In addition Act 46 requirements and unsuccessful votes in Barre Town have presented challenges and unfavorable division in our school community. Mandates from the legislature and Agency of Education have impacted the current FY18 and FY19 budgets and the FY20 budget development process.

The recapture (H542), an outcome of the new health insurance plans, reduced the amount of education spending funds the school districts received in FY18 and FY19. Also, as a result of the new health insurance plans, the majority of Vermont school districts, including this Supervisory Union, entered into a contract with a Third Party Administrator (TPA) to administer FSAs, HRAs, and HSA plans. This company proved to be incompetent and unable to fulfill their contract, and abruptly terminated their contract with the Supervisory Union, and other member districts in April, 2018. This required the Supervisory Union, and other member districts to enter into a new contract mid-year with more confusion, erroneous claims, and reimbursement issues which have caused undue stress to employees as well as unexpected additional expenses to the Supervisory Union. On January 1, 2019 the Supervisory Union, and other member districts entered into a contract with a third TPA hopefully beginning the new year with a clean slate.

For many years the Vermont Association of School Business Officials (VASBO) has been working with the Vermont Agency of Education to develop a Uniform Chart of Accounts (UCOA). This ongoing work resulted in the legislature mandating all districts/supervisory unions be fully implementing the new UCOA by July 1, 2019. In addition, the Vermont Agency of Education has contracted with Powerschool, a financial management company, to require the use of eFinance software to be used in all districts/supervisory unions in the State of Vermont no later than July 1, 2020.

Contacting the Supervisory Union's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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 the Business Manager at the Barre Supervisory Union, 120 Ayers Street, Barre, VT 05641.

BARRE SUPERVISORY UNION
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>
ASSETS:	
Current assets -	
Cash and cash equivalents	\$ (89,224)
Accounts receivable	1,177,079
Inventory	8,910
Prepaid expenses	95,613
Due from member districts	<u>366,116</u>
Total current assets	<u>1,558,494</u>
Noncurrent assets -	
Capital assets	653,133
less - accumulated depreciation	<u>(426,154)</u>
Total noncurrent assets	<u>226,979</u>
Total assets	<u>1,785,473</u>
LIABILITIES:	
Current liabilities -	
Accounts payable	377,542
Accrued expenses	<u>616,245</u>
Total current liabilities	<u>993,787</u>
Noncurrent liabilities -	
Accrued compensated absences	<u>42,871</u>
Total liabilities	<u>1,036,658</u>
DEFERRED INFLOWS OF RESOURCES:	
Unearned grants	<u>22,860</u>
NET POSITION:	
Net investment in capital assets	226,979
Restricted	456,708
Unrestricted	<u>42,268</u>
Total net position	<u>\$ 725,955</u>

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

**BARRE SUPERVISORY UNION
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Expenses</u>	<u>Grants and Contributions</u>	<u>Program Revenues Charges for Services</u>	<u>Other</u>	<u>Net (Expense) Revenue and Change in Net Position</u>
FUNCTIONS/PROGRAMS:					
Governmental activities -					
Administration and support	\$ 15,442,259	\$ 9,541,121	\$ -	\$ 68,626	\$ (5,832,512)
State, federal and local programs	<u>4,083,198</u>	<u>3,498,261</u>	<u>471,491</u>	<u>328</u>	<u>(113,118)</u>
Total governmental activities	\$ <u>19,525,457</u>	\$ <u>13,039,382</u>	\$ <u>471,491</u>	\$ <u>68,954</u>	<u>(5,945,630)</u>
					5,725,234
					<u>1,753</u>
					<u>5,726,987</u>
					(218,643)
					<u>944,598</u>
					\$ <u>725,955</u>

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

BARRE SUPERVISORY UNION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018
(Page 1 of 2)

	General <u>Fund</u>	Grant <u>Funds</u>	Capital Projects <u>Fund</u>	Totals Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ (115,639)	\$ 26,415	\$ -	\$ (89,224)
Accounts receivable	1,160,178	16,901	-	1,177,079
Inventory	-	8,910	-	8,910
Prepaid expenditures	95,613	-	-	95,613
Due from other funds	-	1,069,243	4,395	1,073,638
Due from member districts	<u>876,574</u>	<u>-</u>	<u>-</u>	<u>876,574</u>
Total assets	\$ <u>2,016,726</u>	\$ <u>1,121,469</u>	\$ <u>4,395</u>	\$ <u>3,142,590</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY				
LIABILITIES:				
Accounts payable	\$ 250,614	\$ 126,928	\$ -	\$ 377,542
Accrued expenditures	616,245	-	-	616,245
Due to other funds	1,073,638	-	-	1,073,638
Due to member districts	<u>-</u>	<u>510,458</u>	<u>-</u>	<u>510,458</u>
Total liabilities	<u>1,940,497</u>	<u>637,386</u>	<u>-</u>	<u>2,577,883</u>
DEFERRED INFLOWS OF RESOURCES:				
Unearned grants	<u>-</u>	<u>22,860</u>	<u>-</u>	<u>22,860</u>
FUND EQUITY:				
Fund balances -				
Nonspendable	95,613	8,910	-	104,523
Restricted	-	452,313	-	452,313
Committed	-	-	4,395	4,395
Unassigned	<u>(19,384)</u>	<u>-</u>	<u>-</u>	<u>(19,384)</u>
Total fund balances	<u>76,229</u>	<u>461,223</u>	<u>4,395</u>	<u>541,847</u>
Total liabilities, deferred inflows of resources and fund equity	\$ <u>2,016,726</u>	\$ <u>1,121,469</u>	\$ <u>4,395</u>	\$ <u>3,142,590</u>

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

BARRE SUPERVISORY UNION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018
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**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION:**

Amount reported on Balance Sheet - Governmental Funds - total fund balances	\$ 541,847
Amounts reported for governmental activities in the Government-wide Statement of Net Position are different because -	
Capital assets used in governmental funds are not financial resources and are therefore not reported in the funds.	
Capital assets	653,133
Accumulated depreciation	(426,154)
Long-term liabilities not due and payable in the current period are not reported in the funds.	
Accrued compensated absences	<u>(42,871)</u>
Net position of governmental activities - Government-wide Statement of Net Position	\$ <u>725,955</u>

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

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

(Page 1 of 2)

	General <u>Fund</u>	Grant <u>Funds</u>	Capital Projects <u>Fund</u>	Totals Governmental <u>Funds</u>
REVENUES:				
Assessments	\$ 5,725,234	\$ -	\$ -	\$ 5,725,234
Food sales	-	471,491	-	471,491
Intergovernmental - State	9,541,121	255,653	-	9,796,774
- Federal	-	3,123,461	-	3,123,461
Local grants and contributions	-	119,147	-	119,147
Shared services wage reimbursements	42,577	-	-	42,577
Interest	1,702	46	5	1,753
Miscellaneous	26,049	328	-	26,377
Total revenues	<u>15,336,683</u>	<u>3,970,126</u>	<u>5</u>	<u>19,306,814</u>
EXPENDITURES:				
Curriculum	2,622,827	-	-	2,622,827
Technology	563,673	-	-	563,673
Board of Education	100,638	-	-	100,638
Board Act 46	153	-	-	153
Superintendent	304,300	-	-	304,300
Business office and human resources	548,250	-	-	548,250
Facilities, director and electrician	207,605	803	-	208,408
Transportation - regular education	1,144,271	-	-	1,144,271
Special education instruction	7,380,164	-	-	7,380,164
Essential early education	191,268	-	-	191,268
Special education support services	1,503,210	-	-	1,503,210
Special education administration	323,616	-	-	323,616
Early education administration	141,297	-	-	141,297
Special education transportation	296,922	-	-	296,922
Consolidated federal programs	-	1,205,134	-	1,205,134
IDEA B	-	782,677	-	782,677
Medicaid	-	311,887	-	311,887
Child Nutrition	-	1,469,261	-	1,469,261
Other grants	-	314,239	-	314,239
Shared services wages	42,577	-	-	42,577
Capital outlay	22,536	12,638	-	35,174
Total expenditures	<u>15,393,307</u>	<u>4,096,639</u>	<u>-</u>	<u>19,489,946</u>
EXCESS OF REVENUES				
OR (EXPENDITURES)/NET				
CHANGE IN FUND BALANCES				
	<u>(56,624)</u>	<u>(126,513)</u>	<u>5</u>	<u>(183,132)</u>
FUND BALANCES, July 1, 2017	132,853	587,736	4,390	724,979
FUND BALANCES, June 30, 2018	\$ <u>76,229</u>	\$ <u>461,223</u>	\$ <u>4,395</u>	\$ <u>541,847</u>

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

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

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

Net change in fund balances - total governmental funds	\$ (183,132)
Amounts reported for governmental activities in the Government-wide Statement of Activities are different because -	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Additions to capital assets, net of dispositions	35,174
Depreciation	(37,438)
Changes in accrued compensated absences accumulated by employees will increase or decrease the liability reported in the government-wide statements, but are only recorded as an expenditure when paid in the governmental funds.	
(Increase)/decrease in accrued compensated absences	<u>(33,247)</u>
Change in net position of governmental activities - Government-wide Statement of Activities	\$ <u>(218,643)</u>

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

BARRE SUPERVISORY UNION
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u> </u>	Variance Over (Under) <u> </u>
REVENUES:			
Assessments - member districts	\$ 13,751,119	\$ 5,725,234	\$ (8,025,885)
Assessments - other	27,117	-	(27,117)
Intergovernmental - State	-	7,087,802	7,087,802
Shared services wage reimbursements	-	42,577	42,577
Interest	-	1,702	1,702
Miscellaneous	<u>100,000</u>	<u>26,049</u>	<u>(73,951)</u>
Total revenues	<u>13,878,236</u>	<u>12,883,364</u>	<u>(994,872)</u>
EXPENDITURES:			
Curriculum	176,639	169,507	(7,132)
Technology	603,441	575,615	(27,826)
Board of Education	66,600	100,638	34,038
Board Act 46	-	153	153
Superintendent	303,060	304,300	1,240
Business office and human resources	574,939	548,250	(26,689)
Facilities, director, and electrician	214,584	218,200	3,616
Transportation - regular education	1,125,704	1,144,271	18,567
Special education instruction	7,916,557	7,380,164	(536,393)
Essential early education	260,133	191,268	(68,865)
Special education support services	1,865,390	1,503,210	(362,180)
Special education administration	491,049	323,616	(167,433)
Early education administration	141,651	141,297	(354)
Special education transportation	138,489	296,922	158,433
Shared services wages	<u>-</u>	<u>42,577</u>	<u>42,577</u>
Total expenditures	<u>13,878,236</u>	<u>12,939,988</u>	<u>(938,248)</u>
EXCESS OF REVENUES			
OR (EXPENDITURES)/NET			
CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>(56,624)</u>	\$ <u>56,624</u>

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

BARRE SUPERVISORY UNION
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	Agency <u>Funds</u>
ASSETS:	
Cash	\$ <u>52,535</u>
LIABILITIES:	
Due to employees	\$ <u>52,535</u>

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

BARRE SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. Summary of significant accounting policies:

The Barre Supervisory Union (the Supervisory Union) operates under a Board-Superintendent form of government and provides administrative services to Spaulding Union High School District #41 and Central Vermont Career Center, Barre City Elementary and Middle School, and Barre Town Middle and Elementary School.

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

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

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

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

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

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

BARRE SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. Summary of significant accounting policies (continued):

C. Basis of presentation (continued) -

The Supervisory Union reports the following major governmental funds:

General Fund - 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.

Grant Funds - The Grant Funds are used to account for the proceeds of specific revenue sources related to federal, state and local grants that are restricted to expenditures for specified services.

The Supervisory Union reports the following nonmajor governmental fund:

Capital Projects Fund - The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities.

The Supervisory Union also reports fiduciary funds which are used to account for assets held in a trustee capacity (trust funds) or as an agent (agency funds) for the benefit of parties outside of the District. The District's fiduciary funds are the Agency Funds.

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

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

- E. Budgets and budgetary accounting - The Supervisory Union adopts an annual budget for the General Fund. The budget is prepared by Supervisory Union administration with direction from the Board. The proposed budget is published in the Annual Report of each member district and the total appropriation for each district is approved by voters at their respective annual meetings. The accounting method used for the budget presentation varies from U.S. GAAP as described in note 6. Formal budgetary integration is employed as a management control during the year for the General Fund. The Supervisory Union does not legally adopt budgets for other governmental funds. All budgeted amounts lapse at year end.
- F. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

BARRE SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. Summary of significant accounting policies (continued):

- G. Risk management - The Supervisory Union is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and others; environmental liability and natural disasters. The Supervisory Union manages these risks through commercial insurance packages and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Supervisory Union. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.
- H. Cash and cash equivalents - The Supervisory Union considers all cash on hand and demand deposits to be cash and cash equivalents.
- I. Prepaid items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.
- J. Inventory - The inventory in the Grants Fund is valued at cost using the first in/first out method. Inventory is recorded as an expenditure when consumed rather than when purchased.
- K. Capital assets - Capital assets, which include land, buildings, equipment, vehicles and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the Supervisory Union as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Supervisory Union does not retroactively report infrastructure assets. There have been no infrastructure additions since the implementation of GASB Statement No. 34. Donated capital assets are recorded at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest costs are capitalized on projects during the construction period. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Capital assets are depreciated using the straight-line method over the useful lives shown below:

Building improvements	40 years
Computer and office equipment	3-5 years
Vehicles	5 years
Software	4 years

- L. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources are reported as separate sections in the applicable statement of net position or balance sheet. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period.
- M. Compensated absences and vacation benefits - The Supervisory Union allows employees to accrue sick leave benefits based on the terms of their employment contract. Teachers are eligible to receive \$15 per day of accrued sick leave up to 100 days at termination. Para-educators employed 15 years or more are eligible to receive \$20 per day for unused accumulated sick leave up to a maximum of 100 days. Accrued compensated absences of \$42,871 have been recorded as a noncurrent liability in the Government-wide Statement of Net Position but not in the fund financial statements.

BARRE SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. Summary of significant accounting policies (continued):

- N. Long-term obligations - Governmental activities report long-term debt and other long-term obligations as liabilities in the statement of net position. Governmental funds report the amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.
- O. Fund equity - In the fund financial statements, governmental funds may report five categories of fund balances: nonspendable, restricted, committed, assigned and unassigned.

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

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

Committed fund balance includes amounts that can be used only for specific purposes determined by the Supervisory Union's highest level of decision making authority, the Board, as a result of motions passed at Regular or Special Board Meetings.

Assigned fund balance includes amounts that are intended to be used by the Supervisory Union for specific purposes, as authorized by management. Currently, the Board has not granted any members of management the authority to make fund balance assignments.

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

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

- P. On-behalf payments - The State of Vermont makes payments on behalf of the Supervisory Union's teachers to the Vermont State Teachers' Retirement System (VSTRS). The Supervisory Union recognizes these net pension and other post-employment benefit on-behalf payments as intergovernmental grant revenues and education expenses/expenditures in the government-wide financial statements and in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. The amounts are not budgeted and have been excluded from the budget basis statement; see note 6 for reconciling details.

2. Deposits:

Custodial credit risk - deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Supervisory Union will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Supervisory Union does not have a policy for custodial credit risk. As of June 30, 2018, the Supervisory Union's depository accounts were fully insured or collateralized.

3. Capital assets:

Capital asset activity for the year ended June 30, 2018 has been detailed on the following page.

**BARRE SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

3. Capital assets (continued):

	Balance July 1, <u>2017</u>	<u>Increase</u>	<u>Decrease</u>	Balance June 30, <u>2018</u>
Capital assets, depreciated:				
Building improvements	\$ 249,257	\$ 10,595	\$ -	\$ 259,852
Computer and office equipment	128,774	24,579	-	153,353
Vehicles	114,028	-	-	114,028
Software	<u>125,900</u>	<u>-</u>	<u>-</u>	<u>125,900</u>
Total capital assets, depreciated	<u>617,959</u>	<u>35,174</u>	<u>-</u>	<u>653,133</u>
Less accumulated depreciation for:				
Building improvements	84,048	7,597	-	91,645
Computer and office equipment	85,692	19,365	-	105,057
Vehicles	93,076	10,476	-	103,552
Software	<u>125,900</u>	<u>-</u>	<u>-</u>	<u>125,900</u>
Total accumulated depreciation	<u>388,716</u>	<u>37,438</u>	<u>-</u>	<u>426,154</u>
Capital assets, net	\$ <u>229,243</u>	\$ <u>(2,264)</u>	\$ <u>-</u>	\$ <u>226,979</u>

Depreciation expense of \$37,438 was allocated to the administration and support function.

4. Interfund receivable and payable balances:

Interfund receivable and payable balances, due to the pooling of cash for cash receipts and disbursements, as of June 30, 2018 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 1,073,638
Grant Funds	1,069,243	-
Capital Projects Fund	<u>4,395</u>	<u>-</u>
	\$ <u>1,073,638</u>	\$ <u>1,073,638</u>

5. Related parties:

As described in note 1, the Supervisory Union is the oversight administrative district for various member districts. The member school districts are billed for their appropriate share of expenditures through annual assessments. The Supervisory Union received assessment revenue for the year ended June 30, 2018 as follows:

Spaulding Union High School District #41 and Central Vermont Career Center	\$ 1,955,706
Barre City Elementary and Middle School	2,010,213
Barre Town Middle and Elementary School	<u>1,759,315</u>
	\$ <u>5,725,234</u>

**BARRE SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

5. Related parties (continued):

The following are the amounts receivable and payable between districts at June 30, 2018:

	<u>Accounts Receivable</u>	<u>Accounts Payable</u>
Supervisory Union	\$ 3,069,988	\$ 2,703,872
Spaulding Union High School District #41 and Central Vermont Career Center	473,256	672,749
Barre City Elementary and Middle School	453,673	240,961
Barre Town Middle and Elementary School	<u>2,075,669</u>	<u>2,455,004</u>
	\$ <u>6,072,586</u>	\$ <u>6,072,586</u>

6. Budgetary basis of accounting:

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

	<u>Revenues</u>	<u>Expenditures</u>
U.S. GAAP basis	\$ 15,336,683	\$ 15,393,307
On-behalf payments -		
VSTRS net pension expenditure	(2,192,690)	(2,192,690)
VSTRS net OPEB expenditure	<u>(260,629)</u>	<u>(260,629)</u>
Budget basis	\$ <u>12,883,364</u>	\$ <u>12,939,988</u>

7. Pension plans:

Vermont State Teachers' Retirement System -

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

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

BARRE SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

7. Pension plans (continued):

Vermont State Teachers' Retirement System (continued) -

Contributions: Member teachers are required to contribute 5.5% (Group A); or 5.0% (Group C) of their annual covered salary and the state contributes the balance of an actuarially determined rate. The state is a non-employer contributor to the Plan and is required by statute to make all actuarially determined employer contributions on behalf of member employers. The Supervisory Union's teachers contributed \$203,949 and \$184,852 to the System in 2018 and 2017, respectively.

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

Supervisory Union's share of -	
VSTRS net pension liability	\$ 7,437,926
VSTRS net pension expense	\$ 2,192,690

403(b) Non-Teaching Employees Retirement Plan -

Plan description: All employees of the Supervisory Union who are at least 21 years old and are not covered under the Vermont State Teachers' Retirement System are eligible to be covered under a 403(b) pension plan administered through MassMutual. The Supervisory Union contributes at various rates for certain classes of employees. In addition, any employee of the Supervisory Union may voluntarily contribute to this Plan; however, the Supervisory Union will not match these contributions. All contributions are 100% vested to each employee. At June 30, 2018, there are 203 Plan members from the Supervisory Union.

Funding policy: The Supervisory Union pays all costs accrued each year for the Plan. Total contributions for the year ended June 30, 2018 were \$116,958 by employees and \$54,820 by the Supervisory Union.

8. Other postemployment benefits plan (OPEB):

Retired Teachers' Health and Medical Benefit Fund -

Accounting Change: Beginning in fiscal year 2018, the Supervisory Union implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of GASB Statement No. 75 introduces a new actuarial cost method and discount rate as well as new disclosures and methodologies for reporting plan liabilities and OPEB expenses.

Plan description: The Supervisory Union participates in the Retired Teachers' Health and Medical Benefit Fund of the Vermont State Teachers' Retirement System (VSTRS), which provides postemployment benefits to eligible retired employees through a cost-sharing, multiple-employer postemployment benefit plan (the Plan). The plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment.

**BARRE SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

8. Other postemployment benefits plan (OPEB) (continued):

Plan description (continued) -

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

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

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

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

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

Total OPEB liability: The State of Vermont is a nonemployer contributing entity and is presently the sole entity required to contribute to the Plan. The Supervisory Union does not contribute to the Plan; therefore, no net OPEB liability needs to be recorded by the Supervisory Union. However, the Supervisory Union is required to report the Supervisory Union's share of the Plan's net OPEB liability (\$4,741,360) and OPEB expense (\$260,629) as determined by an actuarial valuation. The liability was measured as of June 30, 2017 for the reporting period of June 30, 2018.

Sensitivity of the total OPEB liability: A change in assumptions can have a large effect of the estimated OPEB obligation. An increase of 1% in the current healthcare cost trend rate would increase the District share of OPEB liability to \$5,591,836 while a decrease of 1% would reduce the District share of OPEB liability to \$4,068,683. An increase of 1% in the 3.58% discount rate used to calculate future costs would reduce the District share of OPEB liability to \$4,157,601 while a decrease of 1% would increase the District share of OPEB liability to \$5,447,407.

Collective OPEB Plan liability and expense: The Plan consists of 266 participating employers. The Plan's collective net OPEB liability is \$932,290,475 and total OPEB expense for the year is \$51,247,326.

BARRE SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. Other postemployment benefits plan (OPEB) (continued):

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

Salary increase rate	Varies by age
Discount rate	3.58%
Inflation rate	2.75%
Healthcare cost trend rates	Non-Medicare - 7.5% graded to 4.50% over 12 years. Medicare - 7.75% graded to 4.50% over 11 years
Retiree Contributions	Equal to health trend
Mortality tables	Various RP-2014 tables using Scale SSA-2017
Actuarial cost method	Entry-age normal, level percentage of pay
Asset valuation method	Market value

9. Contingencies:

The Supervisory Union is involved in various claims and legal actions arising in the normal course of business. The ultimate disposition of these matters is indeterminable, but in the opinion of management, the amount of any ultimate liability, not covered by insurance, would not have a significant impact on the Supervisory Union's financial condition.

10. Consolidation:

In a final report and order on Act 46, the Vermont State Board of Education ordered that the Barre City School District, the Barre Town School District, the Spaulding Union High School District, and the Supervisory Union be designated as the Barre Unified Union School District (BUUSD) effective July 1, 2019. A draft BUUSD budget was presented to each district board in December 2018.

A third Act 46 vote in Barre Town failed on November 6, 2018. This prompted a reconsideration petition initiated by a group of Barre Town members. It was determined that this petition, and a subsequent vote scheduled for January 8, 2019, could have provided the Barre Town and Barre City community one last chance at incentives if there are at least 1,404 "Yes" votes and less than 1,404 "No" votes. These incentives would have included the use of Articles of Agreement drafted by the Barre Act 46 Merger Study Committee, election of a 9 member board, 4 year tax reduction for Barre City and Barre Town homestead property tax rates (8 cents year one, 6 cents year two, 4 cents year three, and 2 cents year four) which amounts to an estimated \$5 million in total savings. In addition, a favorable vote would also provide the BUUSD with a \$150,000 transitional grant.

A failed vote requires the BUUSD to use the default articles of agreement drafted by the Vermont State Board of Education, be governed by a 4 member board, and receive no tax incentives or transitional funds. An additional vote is scheduled to amend BUUSD articles of agreement on or before February 19, 2019.

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

The Superintendent and Board of Education
Barre Supervisory Union

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Barre Supervisory Union (the 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, and have issued our report thereon dated January 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Supervisory Union's internal control. Accordingly, we do not express an opinion on the effectiveness of the Supervisory Union's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Supervisory Union's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of

our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Montpelier, Vermont
January 17, 2019

Mudgett, J. J. &
Krohn-Nolan, P.C.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

The Superintendent and Board of Education
Barre Supervisory Union

Report on Compliance for Each Major Federal Program

We have audited Barre Supervisory Union's (the Supervisory Union) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplements* that could have a direct and material effect on each of the Supervisory Union's major federal programs for the year ended June 30, 2018. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Supervisory Union's major federal programs based on our audit of the types 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 the 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 of the Supervisory Union's compliance.

Opinion on Each Major Federal Program

In our opinion, the Barre Supervisory Union complied, in all material respects, with the types 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 the Supervisory Union is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Supervisory Union's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement 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.

Purpose of this Report

The 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.

Montpelier, Vermont
January 17, 2019

Mudgett, Bennett &
Adough-Nelson P.C.

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

(Page 1 of 2)

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-Through Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Education:				
Passed through Vermont Agency of Education -				
Title I Grants to Local Educational Agencies	84.010	CFPS0611801	\$ 684,269	\$ 925,985
Supporting Effective Instruction State Grants	84.367	4651-S061-1701	4,678	259,576
English Language Acquisition State Grants	84.365	CFPS0611801	8,634	18,839
School Improvement Grants	84.377	4257-S061-1801	-	58,400
Student Support and Academic Enrichment Program	84.424	CFPS0611801	-	1,099
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	IDEAS0611801	67,739	765,729
Special Education Preschool Grants	84.173	IDEAS0611801	-	29,585
Special Education Cluster (IDEA) Total			67,739	795,314
Total U.S. Department of Education			765,320	2,059,213
U.S. Department of Agriculture:				
Passed through Vermont Agency of Education -				
Child Nutrition Cluster:				
National School Lunch Program	10.555	4450-S061-1800	-	615,205
National School Lunch Program	10.555	4448-S061-1800	-	3,795
National School Lunch Program Total			-	619,000
School Breakfast Program	10.553	4452-S061-1800	-	215,016
Summer Food Service Program for Children	10.559	4455-S061-1700	-	42,975
Child Nutrition Cluster Total			-	876,991
Emergency Food Assistance Program (Food Commodities)				
	10.569	4456-S061-1800	-	91,877
Fresh Fruit and Vegetable Program	10.582	4449-S061-1800	-	47,612
Total U.S. Department of Agriculture			-	1,016,480

The accompanying notes are an integral part of this schedule.

BARRE SUPERVISORY UNION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018
(Page 2 of 2)

Federal Grantor/Pass-through Grantor <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services:				
Passed through Vermont Agency of Education - Cooperative Agreement to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance				
	93.079	4249-S061-1801	<u>234</u>	<u>8,521</u>
Passed through Vermont Department of Health - Block Grants for Prevention and Treatment of Substance Abuse				
	93.959	03420-A18036S	<u>-</u>	<u>39,247</u>
Total U.S. Department of Health and Human Services			<u>234</u>	<u>47,768</u>
Total federal award expenditures			\$ <u>765,554</u>	\$ <u>3,123,461</u>

The accompanying notes are an integral part of this schedule.

BARRE SUPERVISORY UNION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

1. Basis of presentation:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the 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 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 Supervisory Union, it is not intended to and does not present the financial position, or changes in financial position of the Supervisory Union.

2. Summary of significant accounting policies:

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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Supervisory Union has elected to not use the 10 percent de minimis indirect cost rate as allowed in the Uniform Guidance.

3. Subrecipients:

The Supervisory Union provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	Spaulding Union High School District #41 and Central Vermont Career Center	Barre City Elementary and Middle School	Barre Town Middle and Elementary School	Montpelier School District	<u>Totals</u>
84.010	\$ 204,032	\$ 480,237	\$ -	\$ -	\$ 684,269
84.367	1,216	1,403	2,059	-	4,678
84.365	-	1,301	-	7,333	8,634
84.027	17,024	50,715	-	-	67,739
93.079	234	-	-	-	234
	<u>\$ 222,506</u>	<u>\$ 533,656</u>	<u>\$ 2,059</u>	<u>\$ 7,333</u>	<u>\$ 765,554</u>

**BARRE SUPERVISORY UNION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

A. Summary of Auditor's Results:

Financial Statements -

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None reported*

Noncompliance material to financial statements noted? *No*

Federal Awards -

Internal control over major programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None reported*

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 2 CFR 200.516(a)? *No*

Identification of major programs:

- *U.S. Department of Education:*
CFDA 84,010 - Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? *Yes*

B. Audit Findings - Financial Statements:

There were no audit findings identified for the year ended June 30, 2018.

C. Audit Findings - Federal Awards:

There were no audit findings identified for the year ended June 30, 2018.

**STATUS OF PRIOR AUDIT FINDINGS
AS OF JUNE 30, 2018**

There are no prior audit findings applicable to this auditee.