

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
BARRE, VERMONT**

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER**

**JUNE 30, 2018**

**TABLE OF CONTENTS**

	<u>Page(s)</u>
Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 9
 Basic Financial Statements:	
Government-wide Financial Statements -	
Government-wide Statement of Net Position .....	10
Government-wide Statement of Activities.....	11
Fund Financial Statements -	
Balance Sheet - Governmental Funds.....	12 - 13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	14 - 16
Statement of Revenues and Expenditures - Budget and Actual - General Fund.....	17
Statement of Revenues and Expenditures - Budget and Actual - Central Vermont Career Center Fund.....	18
Statement of Revenues and Expenditures - Budget and Actual - Grants Fund.....	19
Statement of Net Position - Proprietary Funds .....	20
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds .....	21
Statement of Cash Flows - Proprietary Funds .....	22
Statement of Net Position - Fiduciary Funds .....	23
Notes to Financial Statements.....	24 - 35
 Compliance:	
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 <i>Government Auditing Standards</i> .....	36 - 37

## INDEPENDENT AUDITOR'S REPORT

The Superintendent and Board of Education  
Spaulding Union High School District #41 and  
Central Vermont Career Center

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Spaulding Union High School District #41 and Central Vermont Career Center (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Spaulding Union High School

District #41 and Central Vermont Career Center as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund, Central Vermont Career Center Fund, and Grants 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2019, on our consideration of the District's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Montpelier, Vermont  
January 3, 2019

*Mudgett, Bennett &  
Hughes-Winn, P.C.*

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

Our discussion and analysis of Spaulding Union High School District #41 and Central Vermont Career Center's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements.

**Financial Highlights**

- The District's net position decreased by \$122,693, or approximately 2.4%, as a result of this year's operations compared to a decrease of \$614,656 in the prior year.
- The total cost of all of the District's programs was \$15,765,141 in 2018 compared to \$19,837,063 in 2017.
- The General Fund reported a decrease in fund balance this year of \$284,358 compared to a decrease of \$654,282 last year.
- The total combined fund balance for the General Fund and Central Vermont Career Center Fund was a deficit of \$308,857 as of June 30, 2018. This total fund balance is comprised of a deficit of \$535,620 in the General Fund and a surplus of \$226,763 in the Central Vermont Career Center Fund.
- The Grant Funds reported a decrease of \$3,086 for the 2018 fiscal year, decreasing fund balance from \$19,985 to \$16,899.
- The Food Service Fund reported a decrease of \$112,874 for the 2018 fiscal year, decreasing the fund balance from \$122,857 to \$9,983.
- The Capital Reserve Fund reported an increase of \$3,705, increasing the fund balance from \$100,467 to \$104,172.
- The Tax Stabilization Fund reported an increase of \$18,466, increasing the fund balance from \$527,626 to \$546,092.

**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 District as a whole and present a longer-term view of the District'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 Statements of Revenues and Expenditures - Budget and Actual, provide information about the District'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 District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The Statement of Net Position - Proprietary Funds, the Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds and the Statement of Cash Flows - Proprietary Funds report the District's operations in more detail than the government-wide statements by providing information about the District's two proprietary funds. The remaining statements, the Statement of Net Position - Fiduciary Funds and the Statement of Change in Net Position - Fiduciary Funds, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the government.

*Reporting the District as a Whole*

The financial statements of the District 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 District's finances is, "Is the District 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 District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and change in net position. You can think of the District's net position, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax base and the condition of the District's capital assets, to assess the overall health of the District.

The District's primary services are reported in the governmental activities. They include regular and special education for Spaulding High School and Central Vermont Career Center, support services, administrative services, buildings and grounds, transportation, food services, interest on long-term debt and other activities. The education spending grant, charges for services and grants finance most of these activities.

The District has identified the Spaulding High School Foundation, LTD. (SHS Foundation) as a discretely presented component unit in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. Component units are legally separate entities that are included in the District's financial statements due to fiscal dependency or common management. In the case of the SHS Foundation, it is a legally separate nonprofit entity. The relationship between the SHS Foundation and the District includes a financial benefit, as the intent of the SHS Foundation is to support the District. The SHS Foundation is reported in a separate column in the District's government-wide financial statements.

#### *Reporting the District's Most Significant Funds*

The financial statements of the District'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 District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School 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 District'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 the 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 District'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 District'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.

#### *Proprietary Funds*

Proprietary funds are used to account for business-type activities in the government-wide financial statements. The District's proprietary funds are the Adult Education Fund and the Building Trades Fund.

### *The District as Agent*

The District is responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is also the fiscal agent for funds held for various District related activities. All of the District's fiduciary activities are reported in separate statements, the Statement of Net Position - Fiduciary Funds and the Statement of Change in Net Position - Fiduciary Funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **The District as a Whole**

The District's net position decreased by \$122,693 from a year ago, decreasing from \$5,062,796 to \$4,940,103.

Our analysis below focuses on the change in the components of net position (Table 1) and changes in net position (Table 2) of the District's activities.

Table 1  
Net Position

	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
Current assets	\$ 1,269,859	\$ 1,557,041	\$ (287,182)
Capital assets	<u>7,224,534</u>	<u>7,211,494</u>	<u>13,040</u>
Total assets	<u>8,494,393</u>	<u>8,768,535</u>	<u>(274,142)</u>
Long-term debt outstanding	2,510,175	2,729,825	(219,650)
Other liabilities	<u>1,044,115</u>	<u>975,914</u>	<u>68,201</u>
Total liabilities	<u>3,554,290</u>	<u>3,705,739</u>	<u>(151,449)</u>
Net position:			
Net investment in capital assets	4,714,359	4,449,353	265,006
Restricted	902,609	959,584	(56,975)
Unrestricted	<u>(676,865)</u>	<u>(346,141)</u>	<u>(330,724)</u>
Total net position	<u>\$ 4,940,103</u>	<u>\$ 5,062,796</u>	<u>\$ (122,693)</u>

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from a deficit \$346,141 at June 30, 2017 to a deficit of \$676,865, an increase of \$330,724.

Table 2  
Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
<b>REVENUES</b>			
Program revenues:			
Grants and contributions	\$3,468,693	\$6,844,126	\$ (3,375,433)
Charges for services	1,185,916	1,459,412	(273,496)
Other sources	204,123	59,748	144,375
General revenues:			
Education Spending Grant	10,742,829	10,814,620	(71,791)
Interest earned	<u>40,887</u>	<u>44,501</u>	<u>(3,614)</u>
Total revenues	<u>15,642,448</u>	<u>19,222,407</u>	<u>(3,579,959)</u>
<b>PROGRAM EXPENSES</b>			
Education	15,003,304	18,045,675	(3,042,371)
State, federal and local programs	468,677	394,186	74,491
Child Nutrition	112,874	1,175,899	(1,063,025)
Adult education	42,985	59,393	(16,408)
Building trades program	38,084	57,182	(19,098)
Interest on long-term debt	<u>99,217</u>	<u>104,728</u>	<u>(5,511)</u>
Total program expenses	<u>15,765,141</u>	<u>19,837,063</u>	<u>(4,071,922)</u>
Increase (decrease) in net position	<u>\$ (122,693)</u>	<u>\$ (614,656)</u>	<u>\$ 491,963</u>

The major change in revenues from 2017 to 2018 was a decrease in grants and contributions of \$3,375,433, which was offset by a decrease in the Education program expense of \$3,042,371.

**Government-wide Activities**

Table 3 presents the cost of each of the District's programs as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the state's taxpayers by each of these functions.

Table 3

	<u>2018</u>		<u>2017</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Education	\$ 15,003,304	\$ 10,772,200	\$ 18,045,675	\$ 11,429,850
State, federal and local programs	468,677	(55,078)	394,186	(27,668)
Child Nutrition	112,874	112,874	1,175,899	(16,302)
Adult education	42,985	(15,138)	59,393	(14,205)
Building trades program	38,084	(7,666)	57,182	(2,626)
Interest on long-term debt	<u>99,217</u>	<u>99,217</u>	<u>104,728</u>	<u>104,728</u>
Totals	<u>\$ 15,765,141</u>	<u>\$ 10,906,409</u>	<u>\$ 19,837,063</u>	<u>\$ 11,473,777</u>



**The District's Funds**

As the District completed the year, its governmental funds (as presented in the Balance Sheet - Governmental Funds) reported a combined fund balance of \$368,289, which is a decrease of \$359,134 from last year's total balance of \$727,423. Total fund balance is comprised of a deficit \$535,620 in the District's General Fund, surplus \$226,763 in the Central Vermont Career Center Fund, surplus \$16,899 in the Grant Funds, surplus \$9,983 in the Food Service Fund, surplus \$104,172 in the Capital Reserve Fund, and surplus \$546,092 in the Tax Stabilization Fund.

Over the course of the year, the District's administrators monitor actual results compared to budget. Monthly financial reports reviewed by the School Board served as the vehicle for monitoring the budget for the fiscal year.

*General Fund Budgetary Highlights*

Please see the Statement of Revenues and Expenditures - Budget and Actual - General Fund which shows where variances arose during the year. General Fund revenues were less than expenditures by \$284,358 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. In addition, paraeducators were budgeted in the Barre Supervisory Union but charged to the District. Other variances between budgeted and actual revenues and expenditures have been reviewed by management and are considered acceptable.

*Central Vermont Career Center Fund Budgetary Highlights*

Please see the Statement of Revenues and Expenditures - Budget and Actual - Central Vermont Career Center Fund which shows where variances arose during the year. Central Vermont Career Center Fund revenues were more than expenditures by \$19,013 for the year. Variances between budgeted and actual revenues and expenditures have been reviewed by management and are considered acceptable.

**Capital Assets and Debt Administration**

*Capital Assets*

At June 30, 2018, the District had \$7,164,189 invested in a broad range of governmental activities capital assets that include land, school buildings and improvements, and equipment and vehicles, net of accumulated depreciation (see Table 4 below). This amount represents a net decrease of \$14,531 from last year.

Table 4  
Capital Assets at Year-End  
(Net of Accumulated Depreciation)

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Land	\$ 16,122	\$ 16,122	\$ -
Buildings and improvements	6,688,705	6,775,697	(86,992)
Equipment and vehicles	<u>459,362</u>	<u>386,901</u>	<u>72,461</u>
Totals	<u>\$7,164,189</u>	<u>\$7,178,720</u>	<u>\$ (14,531)</u>

Current year additions consisted of the following:

Buildings and improvements	\$ 358,387
Equipment and vehicles	<u>222,500</u>
Totals	<u>\$ 580,887</u>

At year end the District also had \$60,345 invested in business-type activities capital assets, consisting of the in process FY18 house construction.

*Debt*

At year-end, the District had \$2,510,175 in governmental activities long-term debt outstanding versus \$2,729,825 last year, a net decrease of \$219,650, as shown in Table 5.

Table 5  
Outstanding Debt at Year-End

	<u>2018</u>	<u>2017</u>	Increase (Decrease)
Vermont Municipal Bond Bank -			
2002 Series 1 (December 2019)	\$ 10,000	\$ 15,000	\$ (5,000)
2001 Series 1 (December 2021)	80,000	105,000	(25,000)
Capital improvement note	<u>2,420,175</u>	<u>2,609,825</u>	<u>(189,650)</u>
	<u>\$2,510,175</u>	<u>\$2,729,825</u>	<u>\$ (219,650)</u>

**Budget Highlights and Looking Ahead**

The Barre 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 District, 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 Barre Supervisory Union, this District, and other member districts in April, 2018. This required the Barre Supervisory Union, this District, 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 districts. On January 1, 2019 the Barre Supervisory Union, this District, 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 District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District'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 at 120 Ayers Street, Barre, VT 05641.

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	Spaulding High School Foundation, LTD.
<b>ASSETS:</b>				
Current assets -				
Cash and cash equivalents	\$ 1,232,889	\$ -	\$ 1,232,889	\$ 13,482
Accounts receivable	32,007	-	32,007	-
Prepaid expenses	4,963	-	4,963	-
Due from (to) other activities	30,316	(30,316)	-	-
Total current assets	1,300,175	(30,316)	1,269,859	13,482
Noncurrent assets -				
Capital assets	17,212,276	60,345	17,272,621	-
less - accumulated depreciation	(10,048,087)	-	(10,048,087)	-
Total noncurrent assets	7,164,189	60,345	7,224,534	-
Total assets	8,464,364	30,029	8,494,393	13,482
<b>LIABILITIES:</b>				
Current liabilities -				
Accounts payable	76,687	140	76,827	-
Accrued expenses	655,706	-	655,706	-
Due to other districts	199,493	-	199,493	-
Current portion of long-term debt	219,401	-	219,401	-
Accrued interest	54,258	-	54,258	-
Total current liabilities	1,205,545	140	1,205,685	-
Noncurrent liabilities -				
Accrued compensated absences	57,831	-	57,831	-
Long-term debt	2,290,774	-	2,290,774	-
Total noncurrent liabilities	2,348,605	-	2,348,605	-
Total liabilities	3,554,150	140	3,554,290	-
<b>NET POSITION:</b>				
Net investment in capital assets	4,654,014	60,345	4,714,359	-
Restricted	902,609	-	902,609	13,482
Unrestricted	(646,409)	(30,456)	(676,865)	-
Total net position	\$ 4,910,214	\$ 29,889	\$ 4,940,103	\$ 13,482

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	<u>Expenses</u>	Primary Government			Component Unit			
		<u>Contributions</u>	<u>Charges for Services</u>	<u>Other</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	<u>Spaulding High School Foundation, LTD.</u>
<b>FUNCTIONS/PROGRAMS:</b>								
Governmental activities -								
Education - High School	\$ 12,398,594	\$ 2,244,782	\$ 232,144	\$ 171,685	\$ (9,749,983)	\$ -	\$ (9,749,983)	\$ -
Education - Career Center	2,604,710	680,941	869,114	32,438	(1,022,217)	-	(1,022,217)	-
State, federal and local programs	468,677	523,755	-	-	55,078	-	55,078	-
Child Nutrition	112,874	-	-	-	(112,874)	-	(112,874)	-
Interest expense	99,217	-	-	-	(99,217)	-	(99,217)	-
Total governmental activities	<u>15,684,072</u>	<u>3,449,478</u>	<u>1,101,258</u>	<u>204,123</u>	<u>(10,929,213)</u>	<u>-</u>	<u>(10,929,213)</u>	<u>-</u>
Business-type activities -								
Adult education	42,985	19,215	38,908	-	-	15,138	15,138	-
Building trades	38,084	-	45,750	-	-	7,666	7,666	-
Total business-type activities	<u>81,069</u>	<u>19,215</u>	<u>84,658</u>	<u>-</u>	<u>-</u>	<u>22,804</u>	<u>22,804</u>	<u>-</u>
Total primary government	<u>15,765,141</u>	<u>3,468,693</u>	<u>1,185,916</u>	<u>204,123</u>	<u>(10,929,213)</u>	<u>22,804</u>	<u>(10,906,409)</u>	<u>-</u>
Component unit	\$ -	\$ 1,065	\$ -	\$ -	-	-	-	1,065
<b>GENERAL REVENUES - EDUCATION SPENDING GRANT</b>					10,742,829	-	10,742,829	-
<b>- INVESTMENT INCOME</b>					<u>40,887</u>	-	<u>40,887</u>	-
					<u>10,783,716</u>	-	<u>10,783,716</u>	-
<b>CHANGE IN NET POSITION</b>					(145,497)	22,804	(122,693)	1,065
<b>NET POSITION, July 1, 2017</b>					<u>5,055,711</u>	<u>7,085</u>	<u>5,062,796</u>	<u>12,417</u>
<b>NET POSITION, June 30, 2018</b>					\$ <u>4,910,214</u>	\$ <u>29,889</u>	\$ <u>4,940,103</u>	\$ <u>13,482</u>

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018  
(Page 1 of 2)**

	<u>General Fund</u>	<u>Central Vermont Career Center Fund</u>	<u>Grant Funds</u>	<u>Food Service Fund</u>	<u>Capital Reserve Fund</u>	<u>Tax Stabilization Fund</u>	<u>Totals Governmental Funds</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,232,889	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,232,889
Accounts receivable	31,207	800	-	-	-	-	32,007
Prepaid expenditures	3,663	1,300	-	-	-	-	4,963
Due from other funds	-	235,312	30,882	-	104,172	546,092	916,458
Due from other districts	-	-	<u>39,929</u>	<u>252,649</u>	-	-	<u>292,578</u>
Total assets	<u>\$ 1,267,759</u>	<u>\$ 237,412</u>	<u>\$ 70,811</u>	<u>\$ 252,649</u>	<u>\$ 104,172</u>	<u>\$ 546,092</u>	<u>\$ 2,478,895</u>
<b>LIABILITIES AND FUND EQUITY</b>							
<b>LIABILITIES:</b>							
Accounts payable	\$ 20,743	\$ 2,032	\$ 53,912	\$ -	\$ -	\$ -	\$ 76,687
Accrued expenditures	647,089	8,617	-	-	-	-	655,706
Due to other funds	643,476	-	-	242,666	-	-	886,142
Due to other districts	<u>492,071</u>	-	-	-	-	-	<u>492,071</u>
Total liabilities	<u>1,803,379</u>	<u>10,649</u>	<u>53,912</u>	<u>242,666</u>	<u>-</u>	<u>-</u>	<u>2,110,606</u>
<b>FUND EQUITY:</b>							
Fund balances -							
Nonspendable	3,663	1,300	-	-	-	-	4,963
Restricted	-	225,463	16,899	-	-	-	242,362
Committed	-	-	-	9,983	104,172	546,092	660,247
Unassigned	<u>(539,283)</u>	-	-	-	-	-	<u>(539,283)</u>
Total fund balances (deficit)	<u>(535,620)</u>	<u>226,763</u>	<u>16,899</u>	<u>9,983</u>	<u>104,172</u>	<u>546,092</u>	<u>368,289</u>
Total liabilities and fund equity	<u>\$ 1,267,759</u>	<u>\$ 237,412</u>	<u>\$ 70,811</u>	<u>\$ 252,649</u>	<u>\$ 104,172</u>	<u>\$ 546,092</u>	<u>\$ 2,478,895</u>

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018  
(Page 2 of 2)**

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

Amount reported on Balance Sheet - Governmental Funds - total fund balances	\$	368,289
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		17,212,276
Accumulated depreciation		(10,048,087)
Long-term liabilities not due and payable in the current period are not reported in the funds.		
Accrued compensated absences		(57,831)
Long-term debt		(2,510,175)
Accrued interest on long-term debt		<u>(54,258)</u>
Net position of governmental activities - Government-wide Statement of Net Position	\$	<u>4,910,214</u>

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

(Page 1 of 3)

	General <u>Fund</u>	Central Vermont Career Center <u>Fund</u>	Grant <u>Funds</u>	Food Service <u>Fund</u>	Capital Reserve <u>Fund</u>	Tax Stabilization <u>Fund</u>	Totals Governmental <u>Funds</u>
<b>REVENUES:</b>							
Education spending grant	\$ 9,400,814	\$ 1,342,015	\$ -	\$ -	\$ -	\$ -	\$ 10,742,829
Intergovernmental - State	2,167,726	680,941	27,647	-	-	-	2,876,314
- Federal	77,056	-	493,164	-	-	-	570,220
Tuition	232,144	836,522	-	-	-	-	1,068,666
Facility rental	19,195	-	-	-	-	-	19,195
Local grants and contributions	-	-	2,944	-	-	-	2,944
Cosmetology	-	4,856	-	-	-	-	4,856
Culinary	-	10,266	-	-	-	-	10,266
Automotive	-	17,470	-	-	-	-	17,470
Interest	18,716	-	-	-	3,705	18,466	40,887
Solar energy rebate	109,801	24,103	-	-	-	-	133,904
Miscellaneous	42,689	8,335	-	-	-	-	51,024
Total revenues	<u>12,068,141</u>	<u>2,924,508</u>	<u>523,755</u>	<u>-</u>	<u>3,705</u>	<u>18,466</u>	<u>15,538,575</u>
<b>EXPENDITURES:</b>							
High School instruction	6,249,449	-	-	-	-	-	6,249,449
Vocational instruction	-	1,530,255	-	-	-	-	1,530,255
Special education	1,684,314	71,540	-	-	-	-	1,755,854
Co-curricular activities	62,606	25,835	-	-	-	-	88,441
Drama	1,898	-	-	-	-	-	1,898
Athletics	532,426	-	-	-	-	-	532,426
Guidance	515,194	58,973	-	-	-	-	574,167
Health services	103,896	22,629	-	-	-	-	126,525
Junior ROTC	180,195	-	-	-	-	-	180,195
Staff support	16,023	380	-	-	-	-	16,403

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



**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

(Page 2 of 3)

	General Fund	Central Vermont Career Center Fund	Grant Funds	Food Service Fund	Capital Reserve Fund	Tax Stabilization Fund	Totals Governmental Funds
<b>EXPENDITURES (CONTINUED):</b>							
Library services	117,394	26,938	-	-	-	-	144,332
Technology	129,783	58,568	-	-	-	-	188,351
Board of Education	25,487	5,393	-	-	-	-	30,880
Office of the Superintendent	490,367	107,641	-	-	-	-	598,008
Office of the Principal	601,375	-	-	-	-	-	601,375
Office of the Director	-	462,290	-	-	-	-	462,290
School police officer	46,235	-	-	-	-	-	46,235
Operation and maintenance	1,055,052	234,268	-	-	-	-	1,289,320
Consolidated federal programs	-	-	209,768	-	-	-	209,768
IDEA B	-	-	17,024	-	-	-	17,024
Medicaid	-	-	41,440	-	-	-	41,440
Other grants	-	-	234	990	-	-	1,224
Perkins basic grant	-	-	200,211	-	-	-	200,211
Child Nutrition	-	-	-	111,884	-	-	111,884
Capital outlay	279,334	243,389	58,164	-	-	-	580,887
Debt service - Principal	180,113	39,537	-	-	-	-	219,650
- Interest	81,358	17,859	-	-	-	-	99,217
Total expenditures	<u>12,352,499</u>	<u>2,905,495</u>	<u>526,841</u>	<u>112,874</u>	<u>-</u>	<u>-</u>	<u>15,897,709</u>
EXCESS OF REVENUES OR (EXPENDITURES)/ NET CHANGE IN FUND BALANCES	(284,358)	19,013	(3,086)	(112,874)	3,705	18,466	(359,134)
FUND BALANCES, July 1, 2017 (DEFICIT)	<u>(251,262)</u>	<u>207,750</u>	<u>19,985</u>	<u>122,857</u>	<u>100,467</u>	<u>527,626</u>	<u>727,423</u>
FUND BALANCES, June 30, 2018 (DEFICIT)	\$ <u>(535,620)</u>	\$ <u>226,763</u>	\$ <u>16,899</u>	\$ <u>9,983</u>	\$ <u>104,172</u>	\$ <u>546,092</u>	\$ <u>368,289</u>

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

(Page 3 of 3)

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

Net change in fund balances - total governmental funds	\$ (359,134)
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	580,887
Depreciation	(595,418)
The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.	
Debt service - principal paid on long-term debt	219,650
Decrease in accrued interest on long-term debt	4,345
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.	
Decrease in accrued compensated absences	<u>4,173</u>
Change in net position of governmental activities - Government-wide Statement of Activities	\$ <u>(145,497)</u>

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
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>
<b>REVENUES:</b>			
Education spending grant	\$ 10,166,376	\$ 9,400,814	\$ (765,562)
Intergovernmental - State	2,279,595	801,708	(1,477,887)
- Federal	-	77,056	77,056
Tuition	185,000	165,876	(19,124)
Facility rental	10,000	19,195	9,195
Interest	25,000	18,716	(6,284)
Solar energy rebate	-	109,801	109,801
Miscellaneous	57,000	108,957	51,957
Total revenues	<u>12,722,971</u>	<u>10,702,123</u>	<u>(2,020,848)</u>
<b>EXPENDITURES:</b>			
Instruction	5,122,712	4,883,431	(239,281)
Special education	3,579,857	1,684,314	(1,895,543)
Co-curricular activities	56,075	62,606	6,531
Drama	-	1,898	1,898
Athletics	502,967	532,426	29,459
Guidance	554,526	515,194	(39,332)
Health services	108,289	103,896	(4,393)
Junior ROTC	120,027	180,195	60,168
Staff support	35,450	16,023	(19,427)
Library services	141,055	117,394	(23,661)
Technology	205,774	191,762	(14,012)
Board of Education	29,290	25,487	(3,803)
Office of the Superintendent	490,367	490,367	-
Office of the Principal	620,251	601,375	(18,876)
School police officer	43,050	46,235	3,185
Operation and maintenance	1,217,381	1,272,407	55,026
Debt service - Principal	204,800	174,777	(30,023)
- Interest	91,100	86,694	(4,406)
Total expenditures	<u>13,122,971</u>	<u>10,986,481</u>	<u>(2,136,490)</u>
EXCESS OF REVENUES OR (EXPENDITURES)	(400,000)	(284,358)	(115,642)
<b>OTHER FINANCING SOURCES (USES):</b>			
Interfund transfers in (out), net	400,000	-	(400,000)
NET CHANGE IN FUND BALANCE	\$ <u>        -</u>	\$ <u>(284,358)</u>	\$ <u>284,358</u>

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL - CENTRAL VERMONT CAREER CENTER FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u>Basis</u>	Variance Over (Under)
<b>REVENUES:</b>			
Education spending grant	\$ 1,420,092	\$ 1,342,015	\$ (78,077)
Intergovernmental - State	693,405	680,941	(12,464)
Tuition	766,994	836,522	69,528
Solar energy rebate	-	24,103	24,103
Cosmetology	8,453	4,856	(3,597)
Culinary	17,000	10,266	(6,734)
Automotive	-	17,470	17,470
Miscellaneous	<u>20,000</u>	<u>8,335</u>	<u>(11,665)</u>
Total revenues	<u>2,925,944</u>	<u>2,924,508</u>	<u>(1,436)</u>
<b>EXPENDITURES:</b>			
Instruction	1,648,098	1,610,244	(37,854)
Special education	72,641	71,540	(1,101)
Co-curricular activities	18,655	25,835	7,180
Guidance	62,087	58,973	(3,114)
Health services	23,390	22,629	(761)
Staff support	4,639	380	(4,259)
Library services	31,363	26,938	(4,425)
Technology	118,512	80,936	(37,576)
Board of Education	17,836	5,393	(12,443)
Office of the Superintendent	107,641	107,641	-
Office of the Director	450,291	462,290	11,999
Operation and maintenance	287,531	375,300	87,769
Debt service - Principal	62,220	38,366	(23,854)
- Interest	<u>21,040</u>	<u>19,030</u>	<u>(2,010)</u>
Total expenditures	<u>2,925,944</u>	<u>2,905,495</u>	<u>(20,449)</u>
<b>EXCESS OF REVENUES OR (EXPENDITURES)/NET CHANGE IN FUND BALANCE</b>	<b>\$ <u>          -</u></b>	<b>\$ <u>    19,013</u></b>	<b>\$ <u>    19,013</u></b>

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL - GRANTS FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u>        </u>	Variance Over (Under)
<b>REVENUES:</b>			
Intergovernmental - State	\$ -	\$ 27,647	\$ 27,647
- Federal	250,000	493,164	243,164
Local grants and contributions	<u>-</u>	<u>2,944</u>	<u>2,944</u>
Total revenues	<u>250,000</u>	<u>523,755</u>	<u>273,755</u>
<b>EXPENDITURES:</b>			
Instruction	250,000	382,764	132,764
Special education	-	17,024	17,024
Guidance	-	43,783	43,783
Curriculum services	<u>-</u>	<u>83,270</u>	<u>83,270</u>
Total expenditures	<u>250,000</u>	<u>526,841</u>	<u>276,841</u>
EXCESS OF REVENUES OR (EXPENDITURES)/NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>(3,086)</u>	\$ <u>3,086</u>

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2018**

	Adult Education <u>Fund</u>	Building Trades <u>Fund</u>	Totals Proprietary <u>Funds</u>
<b>ASSETS:</b>			
Due from other funds	\$ <u>26,174</u>	\$ <u>-</u>	\$ <u>26,174</u>
Noncurrent assets:			
Capital assets, net	<u>-</u>	<u>60,345</u>	<u>60,345</u>
Total assets	<u>26,174</u>	<u>60,345</u>	<u>86,519</u>
<b>LIABILITIES:</b>			
Accounts payable	140	-	140
Due to other funds	<u>-</u>	<u>56,490</u>	<u>56,490</u>
Total liabilities	<u>140</u>	<u>56,490</u>	<u>56,630</u>
<b>NET POSITION:</b>			
Net investment in capital assets	-	60,345	60,345
Unrestricted	<u>26,034</u>	<u>(56,490)</u>	<u>(30,456)</u>
Total net position	\$ <u>26,034</u>	\$ <u>3,855</u>	\$ <u>29,889</u>

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Adult Education <u>Fund</u>	Building Trades <u>Fund</u>	Totals Proprietary <u>Funds</u>
<b>OPERATING REVENUES:</b>			
Intergovernmental - State	\$ 19,215	\$ -	\$ 19,215
Tuition	38,908	-	38,908
Building Trades house sales	<u>-</u>	<u>45,750</u>	<u>45,750</u>
Total operating revenues	<u>58,123</u>	<u>45,750</u>	<u>103,873</u>
<b>OPERATING EXPENSES:</b>			
Adult education	42,985	-	42,985
Building Trades house construction	<u>-</u>	<u>38,084</u>	<u>38,084</u>
Total operating expenses	<u>42,985</u>	<u>38,084</u>	<u>81,069</u>
OPERATING INCOME (LOSS)/ CHANGE IN NET POSITION	15,138	7,666	22,804
NET POSITION, July 1, 2017 (DEFICIT)	<u>10,896</u>	<u>(3,811)</u>	<u>7,085</u>
NET POSITION, June 30, 2018	\$ <u>26,034</u>	\$ <u>3,855</u>	\$ <u>29,889</u>

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Adult Education <u>Fund</u>	Building Trades <u>Fund</u>	Totals Proprietary <u>Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 38,908	\$ 45,750	\$ 84,658
Cash provided from state grants	19,215	-	19,215
Cash paid to suppliers for goods and services	<u>(42,845)</u>	<u>(65,655)</u>	<u>(108,500)</u>
Net cash provided (used) by operating activities	<u>15,278</u>	<u>(19,905)</u>	<u>(4,627)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Change in due to/from other funds	<u>(15,278)</u>	<u>52,221</u>	<u>36,943</u>
Net cash provided (used) by noncapital financing activities	<u>(15,278)</u>	<u>52,221</u>	<u>36,943</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>			
Principle paid on notes payable	<u>-</u>	<u>(32,316)</u>	<u>(32,316)</u>
Net cash provided (used) by capital financing activities	<u>-</u>	<u>(32,316)</u>	<u>(32,316)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS, July 1, 2017	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, June 30, 2018	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 15,138	\$ 7,666	\$ 22,804
(Increase) decrease in construction in progress	-	(27,571)	(27,571)
Increase (decrease) in accounts payable	<u>140</u>	<u>-</u>	<u>140</u>
Net cash provided (used) by operating activities	\$ <u>15,278</u>	\$ <u>(19,905)</u>	\$ <u>(4,627)</u>

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



**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2018**

	Agency <u>Funds</u>
<b>ASSETS:</b>	
Cash	\$ <u>100,575</u>
<b>LIABILITIES:</b>	
Due to student organizations	\$ <u>100,575</u>

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

The Spaulding Union High School District #41 and Central Vermont Career Center (the District) is a unit of local government organized according to state law under the governance of the School Board to provide public high school education for the City and Town of Barre, Vermont. Functions of the Office of the Superintendent and central administration are provided through the Barre Supervisory Union (the Supervisory Union). As currently structured, the Supervisory Union is the administrative oversight district for Barre City Elementary and Middle School, Barre Town Middle and Elementary School, and this District.

- A. Reporting entity - The basic financial statements include all funds of the primary government, the District, as well as component units that have been determined to meet the requirements for inclusion in the District's financial reporting entity under criteria established by the Governmental Accounting Standards Board (GASB).

Spaulding High School Foundation, LTD. - The District identified the Spaulding High School Foundation, LTD. (SHS Foundation) as a discretely presented component unit for the year ended June 30, 2016. The SHS Foundation is a legally separate nonprofit entity from the District. The relationship between the SHS Foundation and the District includes a financial benefit, as the intent of the SHS Foundation is to support the District. The SHS Foundation is reported in a separate column in the District's government-wide financial statements. The notes to the financial statements focus on the District as the primary government.

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

- B. Government-wide and fund financial statements - The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District and its component unit. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District is reported separately from the SHS Foundation which is a legally separate entity and a discretely presented component unit.

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**B. Government-wide and fund financial statements (continued) -**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise 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 District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund balances or net position, revenues, and expenditures or expenses, as appropriate.

The District reports the following major governmental funds:

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

Central Vermont Career Center Fund - This fund is the operating fund of the Central Vermont Career Center, which provides technology programs for sending districts.

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.

Food Service Fund - The Food Service Fund is used to account for the operations of the food service program. The food service program provides lunches for the students of the District and Barre City Elementary and Middle School. Effective July 1, 2017 food service activity is reported in the Barre Supervisory Union. Amounts reported in this fund at June 30, 2018 represent residual amounts committed by the voters for food service.

Capital Reserve Fund - The Capital Reserve Fund is used to account for the acquisition or construction of major capital facilities. Management currently intends to use funds set aside in this fund for future roof repairs.

Tax Stabilization Fund - The Tax Stabilization Fund was established through approval by District voters during the March 2009 School District Meeting to commit the FY08 surplus fund balance for use in future years.

The District reports two nonmajor proprietary funds, the Adult Education Fund to account for further education of adult graduates and the Building Trades Fund to account for construction and sale of homes built by students.

The District 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.

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

- 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 proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

- E. Budgets and budgetary accounting - The District adopts budgets for the General Fund and the Central Vermont Career Center Fund at an annual District meeting. The accounting method used for the budget presentation varies from U.S. GAAP as described in note 8. Formal budgetary integration is employed as a management control during the year for the General Fund, Central Vermont Career Center Fund and the Grants Fund. The District does not legally adopt budgets for other governmental funds. All budgeted amounts lapse at year end.
- F. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.
- G. Risk management - The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and others; environmental liability; and natural disasters. The District manages these risks through commercial insurance packages and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.
- H. Cash and cash equivalents - The District considers all cash on hand 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.

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

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

Buildings and improvements	5 - 50 years
Equipment and vehicles	3 - 20 years

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

L. Accrued compensated absences - The District 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 at June 30, 2018, of \$57,831 have been recorded as a noncurrent liability in the Government-wide Statement of Net Position but not in the fund financial statements.

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

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

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

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

N. Fund equity (continued) -

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

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

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

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

- O. On-behalf payments - The State of Vermont makes payments on behalf of the District's teachers to the Vermont State Teachers' Retirement System (VSTRS). The District 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 8 for reconciling details.

**2. Deposits:**

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

**3. Capital assets:**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Governmental activities -</b>				
Capital assets, not depreciated:				
Land	\$ 16,122	\$ -	\$ -	\$ 16,122

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**3. Capital assets (continued):**

**Governmental activities (continued) -**

	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018
Capital assets, depreciated:				
Buildings and improvements	14,221,057	358,387	-	14,579,444
Equipment and vehicles	2,394,210	222,500	-	2,616,710
Total capital assets, depreciated	<u>16,615,267</u>	<u>580,887</u>	<u>-</u>	<u>17,196,154</u>
Less accumulated depreciation for:				
Buildings and improvements	7,445,360	445,379	-	7,890,739
Equipment and vehicles	2,007,309	150,039	-	2,157,348
Total accumulated depreciation	<u>9,452,669</u>	<u>595,418</u>	<u>-</u>	<u>10,048,087</u>
Total capital assets, depreciated, net	<u>7,162,598</u>	<u>(14,531)</u>	<u>-</u>	<u>7,148,067</u>
Capital assets, net	\$ <u>7,178,720</u>	\$ <u>(14,531)</u>	\$ <u>-</u>	\$ <u>7,164,189</u>

**Business-type activities -**

Capital assets, not depreciated:				
Construction in progress	\$ <u>32,774</u>	\$ <u>60,345</u>	\$ <u>32,774</u>	\$ <u>60,345</u>

Depreciation expense of \$595,418 in the governmental activities was fully allocated to the education 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:

	Interfund Receivables	Interfund Payables
<b>Governmental funds -</b>		
General Fund	\$ -	\$ 643,476
Central Vermont Career Center Fund	235,312	-
Grant Funds	30,882	-
Food Service Fund	-	242,666
Capital Reserve Fund	104,172	-
Tax Stabilization Fund	546,092	-
	<u>916,458</u>	<u>886,142</u>
<b>Proprietary funds -</b>		
Adult Education Fund	26,174	-
Building Trades Fund	-	56,490
	<u>26,174</u>	<u>56,490</u>
	\$ <u>942,632</u>	\$ <u>942,632</u>

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**5. Related parties:**

The District is billed for its appropriate share of expenditures relating to administrative services provided by the Supervisory Union. The District paid an assessment of \$1,955,706 to the Supervisory Union for the year ended June 30, 2018.

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. Debt:**

Short-term - During the year, the District's General Fund borrowed and repaid \$1,395,838 on a line of credit in the form of a 2.70% revenue anticipation note which matured in June 2018. Interest expense related to this note was \$37,275.

Subsequent to year end, the District's General Fund obtained a line of credit in the form of a 2.35% revenue anticipation note in the amount of \$1,395,838, which matures June 29, 2019. As of the date of this report, the District has borrowed this note in full.

During the year, the District's Building Trades Fund repaid \$90,440 on a 4.125%, \$70,000 line of credit, to provide working capital for the program's house construction, which matured September 30, 2017. Interest expense relating to this note was \$762.

Long-term - Outstanding long-term debt as of June 30, 2018 is as follows:

Governmental activities:

Bond payable, Vermont Municipal Bond Bank - 2002 Series 1 (refunded 2011 Series 4), various interest rates. Annual principal payments of \$5,000. Matures December 2019.	\$ 10,000
Bond payable, Vermont Municipal Bond Bank - 2001 Series 1 (refunded 2010 Series 4), various interest rates. Annual principal payments ranging from \$20,000 to \$25,000. Matures December 2021.	80,000
Capital Improvement Note payable, interest at 1.45%, matures July 2028.	<u>2,420,175</u>
	<u>\$ 2,510,175</u>



**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**6. Debt (continued):**

Long-term (continued) -

Long-term debt activity for the year ended June 30, 2018 was as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30 2018</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
2002 Series 1 (December 2019)	\$ 15,000	\$ -	\$ 5,000	\$ 10,000	\$ 5,000
2001 Series 1 (December 2021)	105,000	-	25,000	80,000	20,000
Capital Improvement Note (July 2028)	<u>2,609,825</u>	<u>-</u>	<u>189,650</u>	<u>2,420,175</u>	<u>194,401</u>
	<u>\$ 2,729,825</u>	<u>\$ -</u>	<u>\$ 219,650</u>	<u>\$ 2,510,175</u>	<u>\$ 219,401</u>

Debt service requirements to maturity are as follows:

Year ending June 30,	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 219,401	\$ 57,302
2020	224,163	51,123
2021	224,043	49,287
2022	229,042	44,295
2023	214,164	39,529
2024-2028	1,152,142	116,322
2029	<u>247,220</u>	<u>6,574</u>
	<u>\$ 2,510,175</u>	<u>\$ 364,432</u>

In prior years, the Vermont Municipal Bond Bank (VMBB) has refunded the 2002 Series 1, and the 2001 Series 1 Bonds resulting in total interest savings to the District of \$226, and \$7,197, respectively.

These savings allocations, to be received through FY22, have been reflected as a reduction of interest in the debt service requirements table.

**7. Deficit fund balance:**

The General Fund has a deficit fund balance of \$535,620 at year end. Management intends to recover this deficit by using tax stabilization funds.

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**8. Budgetary basis of accounting:**

These financial statements include totals for General Fund revenues and expenditures on the District'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>
General Fund:		
U.S. GAAP basis	\$ 12,068,141	\$ 12,352,499
On-behalf payments -		
VSTRS net pension expense	(976,554)	(976,554)
VSTRS net OPEB expenditure	<u>(389,464)</u>	<u>(389,464)</u>
Budget basis	\$ <u>10,702,123</u>	\$ <u>10,986,481</u>

**9. Pension plans:**

403(b) Non-Teaching Employees Retirement Plan -

Plan description: All employees of the District 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 District contributes at various rates for certain classes of employees. In addition, any employee of the District may voluntarily contribute to this Plan; however, the District will not match these contributions.

All contributions are 100% vested to each employee. At June 30, 2018, there are 19 Plan members from the District.

Funding policy: The District pays all costs accrued each year for the Plan. Total contributions for the year ended June 30, 2018 were \$62,027 by employees and \$36,294 by the District.

Vermont State Teachers' Retirement System -

Plan description: The District 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.

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**9. 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 if member has five or more years of service at July 1, 2014); otherwise 6.0% (Group C) of their annual covered salary and the state contributes the balance of an actuarially determined rate. The state is a nonemployer contributor to the Plan and is required by statute to make all actuarially determined employer contributions on behalf of member employers. The District's teachers contributed \$258,499, \$254,965 and \$297,293 to the system in 2018, 2017 and 2016, respectively.

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

District's share of		
VSTRS net pension liability	\$	10,659,951
VSTRS net pension expense	\$	976,554

**10. Other postemployment benefits plan (OPEB):**

Retired Teachers' Health and Medical Benefit Fund -

Accounting Change: Beginning in fiscal year 2018, the District 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 District participates in the Retired Teachers' Health and Medical Benefit Fund of the Vermont State Teachers' Retirement System (VSTRS), which provides postemployment benefits to eligible retired employees through a cost-sharing, multiple-employer postemployment benefit plan (the Plan). The Plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment.

Vermont Statute Title 16 Chapter 55 assigns the authority to VSTRS to establish and amend the 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>.

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

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 of age 65, or age plus creditable service equal to 90, or age 55 with 5 years of creditable service. Grandfathered participants are Group C members who were within five years of normal retirement eligibility as defined prior to July 1, 2010, and qualify for benefits at the attainment of age 62, or 30 years of service, or age 55 with 5 years of service.

Vesting and Disability: 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 District does not contribute to the Plan; therefore, no net OPEB liability needs to be recorded by the District. However, the District is required to report the District's share of the Plan's net OPEB liability (\$7,085,119) and OPEB expense (\$389,464) 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. A decrease of 1% in the 3.58% discount rate used to calculate future costs would increase the District share of OPEB liability to \$8,140,181, while an increase of 1% would reduce the District share of OPEB liability to \$6,212,796. A decrease of 1% in the current healthcare cost trend rate would reduce the OPEB liability to \$6,079,923, while an increase of 1% would increase the OPEB liability to \$8,356,005.

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.

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

**SPAULDING UNION HIGH SCHOOL DISTRICT #41  
AND CENTRAL VERMONT CAREER CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**11. Contingencies:**

The District 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 District's financial condition.

**12. 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 Barre 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 provide 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 include 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 would require 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. Lastly, additional votes would need to be scheduled to amend BUUSD articles of agreement.

**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  
Spaulding Union High School District #41 and  
Central Vermont Career Center

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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Spaulding Union High School District #41 and Central Vermont Career Center (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 3, 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of

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

**Purpose of this Report**

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

Montpelier, Vermont  
January 3, 2019

*Medgett, Bennett &  
Hugh-Wilson, P.L.*