

Eden Town School District
BASIC FINANCIAL STATEMENTS
June 30, 2017

Eden Town School District
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June 30, 2017

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Kittell Branagan & Sargent

Certified Public Accountants

Vermont License # 167

INDEPENDENT AUDITOR'S REPORT

To the School Board
Eden Town School District
Eden, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eden Town School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Eden Town School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on pages 28-29 and the schedule of proportionate share of the net pension liability on page 30 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.

Going Concern

As disclosed in Note 19, the voters of Belvidere Town School District, Eden Town School District, Hyde Park Town School District, Johnson Town School District, Lamoyille Union High School District #18 and Waterville School District authorized the creation of a Unified School District, encompassing each of the districts. The pre-existing school districts halted governance operations and ceased to exist upon the close of business on June 30, 2017. All assets, debts, and liabilities of each district were transferred to the Unified School District as of June 30, 2017.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2017, on our consideration of the Eden Town School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Eden Town School District's internal control over financial reporting and compliance.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Brief Discussion of the Basic Financial Statements:

Using This Annual Report

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

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

Reporting the District as a Whole

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

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

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

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

Analysis of Overall Financial Information:

ASSETS			
	FY16	FY17	% Change
Current Assets	\$ 950,052	\$ 882,372	-7%
Capital Assets	\$ 997,734	\$1,027,614	3%
TOTAL ASSETS	\$1,947,786	\$1,909,986	-2%

LIABILITIES			
	FY16	FY17	% Change
Current Liabilities	\$ 252,306	\$ 173,815	-31%
Long-Term Liabilities	\$ 626,224	\$ 585,664	-6%
TOTAL LIABILITIES	\$ 878,530	\$ 759,479	-14%

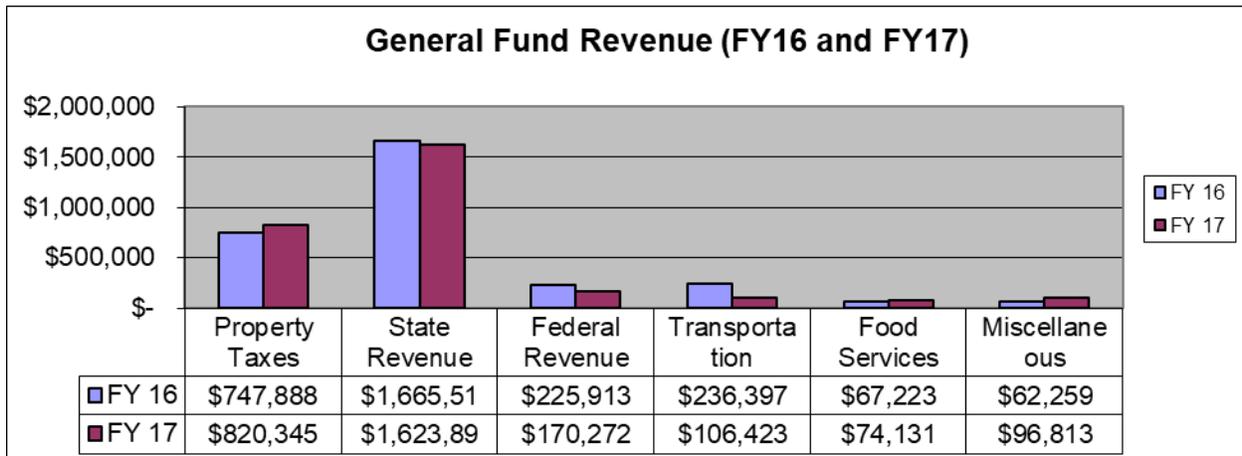
NET POSTION			
	FY16	FY17	% Change
Net Investment in Capital Assets	\$ 989,665	\$ 747,511	-24%
Unrestricted	\$ 79,591	\$ 402,996	406%
TOTAL NET ASSETS	\$1,069,256	\$1,150,507	8%

The previous chart provides a snapshot of the district’s finances for the 2017 fiscal year.

REVENUES

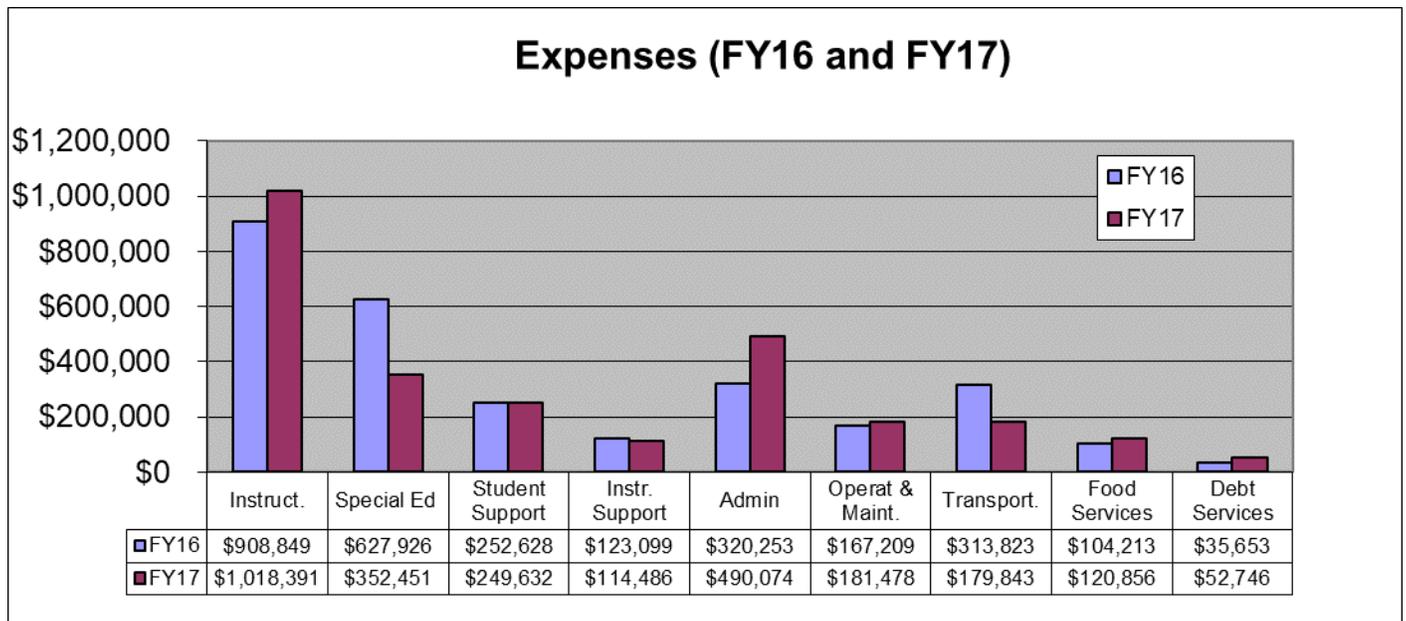
State Revenue, Federal Revenue and Transportation revenue went down in FY17, while Property Tax, Food Service and Miscellaneous revenues went up. The main fluctuation in revenues was due to transportation and special education operations shifting over onto the Lamoille North Supervisory Union books, thereby decreasing the reimbursable revenues the associated expenses generate. Miscellaneous income came in \$34,554 higher than last year due to an increase in interest earned, a shared contract reimbursement expense for a school nurse and onetime assessment adjustment for transportation and special education personnel.

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



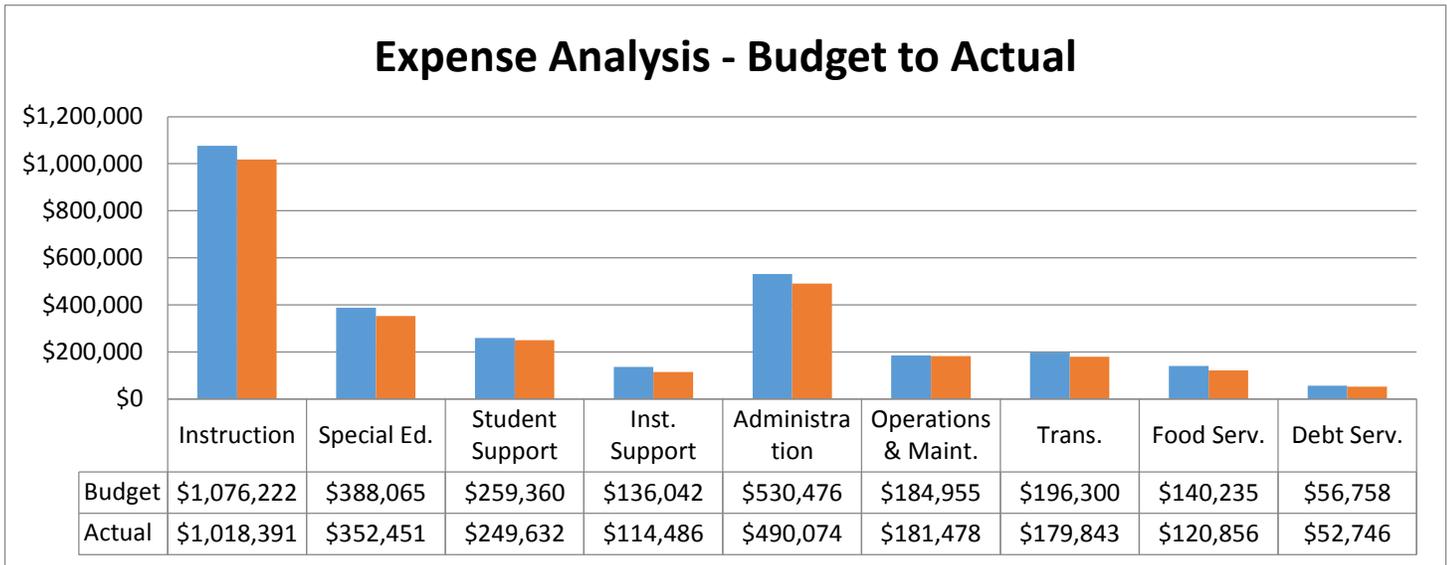
EXPENSES

The Schools' expenditures of \$2,759,957 were \$93,696 lower than FY16 and \$208,456 under the amount budgeted. While special education and transportation expenses decreased because these services transferred to LNSU, administration costs increased due to the increased assessment result of these shifted operations. Regular instruction increased by \$109,542, partially due to support staff increases, while still coming in under budget by \$57,831. Debt service expenses increased as FY17 represented the first full year of principal and interest payable on the bond.



Actual expenses were less than budget in all areas. The following chart reflects areas of difference between budget and actual expenditures. The largest differences are in Instruction and Administration. Instruction came in under budget in personnel benefits. Administration came in under budget due to the office of principal personnel benefits and the board of education as a whole coming in less than budgeted.

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



Change in General Fund Balance:

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

Fund Balance	7/1/16	Excess (Deficiency) of Revenues over Expenditures	Fund Balance	6/30/17
	\$728,898	\$10,823		\$739,721

The total accumulated fund balance reflects the following:

- \$6,809 Non-spendable for inventory and prepaid expenses
 - \$305,376 Committed for capital expenditures from the Construction Project Fund
 - \$40,752 Committed for bus capital needs
 - \$232,231 Committed for capital expenditures in the Capital Reserve Fund
 - \$22,627 Held in trust from the sale of the old school house.
- The remaining unassigned fund balance of \$131,926 represents the net change in fund balance in FY17.

Capital Assets:

As required under Governmental Accounting Standards Board #34, the District is reporting its capital assets as part of the financial statements. The District has researched and documented the historical costs of the various assets owned by the District and applied appropriate charges against the cost to record depreciation. Note 14 of the Report details the status of the District's net capital assets.

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

Description	Balance - 6/30/16	Increase/Decrease	Balance - 6/30/17
Land	\$10,440	\$0	\$10,440
Construction In Progress	\$188,300	\$-188,300	\$0
Depreciable Assets	\$2,219,096	\$83,064	\$2,302,160
Accumulated Depreciation	-\$1,420,102	\$135,116	-\$1,284,986
Gov't Activities, Capital Assets, Net	\$997,734	\$218,180	\$1,027,614

Long-Term Debt:

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

1. In March of 2015, a new construction bond for \$615,000 was voted by the electorate. For the next 20-years, \$30,750 in principal payments and corresponding interest will be budgeted and expended.

Bond Type	Original Amount	Projected Interest	Final Pay. Date
School Construction	\$615,000	\$210,011	11/2035

2. At June 30, 2017 the district had \$24,882 in termination benefits payable (Note 9.) This is per the contract with the Teachers' Association regarding retirement benefits. \$10,886 in Support Staff retirement was expended to fund 403b plans (Note 8.)
3. Long term debt payables for upgrades to the water system are comprised of \$7,696 in principal payments and \$1,989 in interest through 2032.

Current Issues:

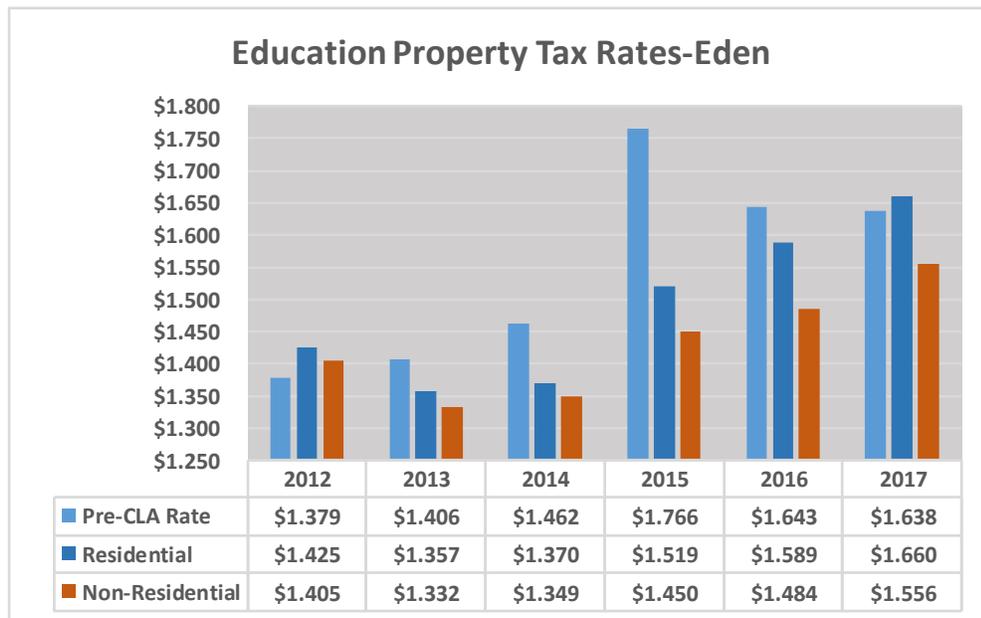
- Consolidation Efforts: Act 153 & Act 156 are provisions in laws that consolidate some functions in the central office and offers incentives for districts to consolidate. Some of the consolidation implementations, such as those in special education and transportation took place July 1, 2016. Since Vermont law prohibits supervisory unions from borrowing or owning real estate, some of the more practical approaches to transferring areas of responsibility to the LNSU have been challenging. Subsequently, the legislature passed Act 46 in May, 2015 that provides incentives for consolidation that lowers the tax impact on districts if they voluntarily consolidate as a single district. LNSU established a committee to look at the possibility and impact of consolidating. A vote of its citizenry was held on April 12, 2016. The towns of Belvidere, Eden, Johnson and Hyde Park voted to consolidate into one school district. Waterville Elementary School District voted to join the consolidation on April 25, 2017. Cambridge Elementary School District voted to not participate in the consolidation. Effective July 1, 2017, Eden Central School will operate as a member of the Lamoille North Modified Unified Union School District.
- Enrollment: The Eden School District had experienced a decrease in student enrollment 1 of the last 5 years. This decrease is of concern as the state evaluates costs and numbers of students in their school systems. Eden's equalized pupil count (EPC) had decreased over the course of 8 years, and until recently hovered in the 240's. In 2012, the trend reversed and pupil enrollment is on the increase again, jumping to 250.6 FTE in 2014-2015 and 252.07 in 2016.

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

FY 2010	FY 2011	FY 2012	FY2013	FY2014	FY2015	FY2016	FY2017
250.79	242.01	241.70	245.43	242.6	250.6	252.07	250.68

- Physical Plant:** The Eden facility had antiquated, inefficient, HVAC controls as well as aging boilers and pipes that have caused some issues with blockages in lines and inefficient heating. With the successful bond vote, work to replace the burners and retrofit at least one boiler to a propane fired system began fall of 2015-2016. Additional bond work occurred in FY16 and FY17 with work improvements made to doors, kitchen equipment, cabinets, shelving, windows, water filtration systems and other needed infrastructure improvements.
- Taxes:** Property taxes in Vermont are set by calculation of total spent per student in each locale and then adjusted by the local common level of appraisal (CLA). A CLA of over 100% has the effect of lowering the tax rate and a CLA under 100% has the effect of increasing the tax rate. As property values increase, the CLA goes down until a locale does a property reassessment. This has the effect of increasing the property tax rate. A slowing economy started in the fall of 2008 and poor sales have been reflected in the CLA.

The effect of the Common Level of Appraisal (Vermont's adjustment factor to bring a town's appraised values to fair market values) on Eden's final tax rate has greatly affected Eden taxes as their real estate market tends to increase rapidly due to appreciated lakefront property. Since the recession and reappraisal of property, that affect has diminished. The increased CLA has held the education tax rates down in recent years. However, as the market value of properties has risen the CLA has moved downward. In FY17 the CLA moved back under 100%, driving the tax rate upwards.



Eden Town School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Common Level of Appraisal C.L.A. FY09:	110.57% (Result of Reappraisal)
Common Level of Appraisal C.L.A. FY10:	97.86%
Common Level of Appraisal C.L.A. FY11:	93.37%
Common Level of Appraisal C.L.A. FY12:	96.77%
Common Level of Appraisal C.L.A. FY13:	103.60%
Common Level of Appraisal C.L.A. FY14:	106.73%
Common Level of Appraisal C.L.A. FY15:	104.48%
Common Level of Appraisal C.L.A. FY16:	103.42%
Common Level of Appraisal C.L.A. FY17:	98.66%

- Poverty: With the recent economic downturn, Eden has experienced high unemployment with levels reaching 22.1% in March 2009. More recently, in June, 2017 unemployment was at 6.2%, showing an improvement overall, yet still significantly lagging behind Lamoille County at 3.7% and the statewide rate of 3.1%. Children qualifying for Free & Reduced lunches have reached a high of 82%, and more recently 57% reflecting a challenged economic region, but showing improvement.
- The Eden School District is a member of the Lamoille Union School District #18 (LUSD #18). Eden sends all of its secondary students to LUSD #18. LUSD #18 includes the Green Mountain Technology & Career Center.

Contact for Further Information:

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

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

ASSETS

	<u>Governmental Activities</u>
CURRENT ASSETS	
Cash	\$ 559,105
Restricted Cash	311,843
Other Receivables	4,403
Due from Other Funds	212
Inventory	558
Prepaid expenses	<u>6,251</u>
TOTAL CURRENT ASSETS	<u>882,372</u>
 CAPITAL ASSETS	
Land & Improvements	10,440
Buildings & Improvements	1,809,438
Equipment & Machinery	492,722
Less accumulated depreciation	<u>(1,284,986)</u>
CAPITAL ASSETS, net	<u>1,027,614</u>
TOTAL ASSETS	<u>\$ 1,909,986</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts Payable and Accrued Liabilities	\$ 89,486
Due to LNSU	35,366
Accrued Salaries and Taxes	14,235
Unearned Revenue	3,564
Current Portion of Note Payable	414
Current Portion of Bond Payable	<u>30,750</u>
TOTAL CURRENT LIABILITIES	<u>173,815</u>
 LONG-TERM LIABILITIES, net of current portion	
Retirement Benefits Payable	24,882
Note Payable	7,282
Bond Payable	<u>553,500</u>
TOTAL LONG-TERM LIABILITIES	<u>585,664</u>
TOTAL LIABILITIES	<u>759,479</u>
 NET POSITION	
Net Investment in Capital Assets	747,511
Unrestricted	<u>402,996</u>
TOTAL NET POSITION	<u>1,150,507</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,909,986</u>

See Accompanying Notes to Basic Financial Statements

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
			<u>Operating Grants and Revenues</u>	<u>Capital Grants and Revenues</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction Services	\$ 1,008,995	\$ 37,646	\$ 2,070,207	\$ -	\$ 1,098,858
Special Education	332,647	-	413,802	-	81,155
Guidance Services	163,300	-	-	-	(163,300)
Health and Psychological Services	56,899	-	13,707	-	(43,192)
Speech and Other Services	12,765	-	17,904	-	5,139
Improvement of Instruction	49,458	-	-	-	(49,458)
Educational Media Services	32,284	-	-	-	(32,284)
Board of Education Services	6,600	-	-	-	(6,600)
District Treasurer Services	17,267	-	-	-	(17,267)
Superintendent's Office	298,198	-	-	-	(298,198)
Principal's Office	168,009	-	-	-	(168,009)
Maintenance of Plant and Projects	160,883	-	-	10,848	(150,035)
Pupil Transportation	179,843	106,423	69,875	-	(3,545)
Food Service	120,855	6,237	67,894	-	(46,724)
Computer Technology	65,028	-	-	-	(65,028)
Debt Service	21,594	-	-	-	(21,594)
EEE Expenditure	4,189	-	17,624	-	13,435
Miscellaneous	545	-	-	-	(545)
Depreciation:					
Unallocated	111,493	-	-	-	(111,493)
 Total governmental activities	 <u>\$ 2,810,852</u>	 <u>\$ 150,306</u>	 <u>\$ 2,671,013</u>	 <u>\$ 10,848</u>	 <u>21,315</u>
 General revenues:					
Unrestricted investment earnings					9,281
Miscellaneous					<u>50,655</u>
 Total general revenues					 <u>59,936</u>
 Change in Net Position					 81,251
 Net Position, beginning					 <u>1,069,256</u>
 Net Position, ending					 <u>\$ 1,150,507</u>

See Accompanying Notes to Basic Financial Statements

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

		Governmental Fund Types		
		General Fund	Capital Project Fund	Total
<u>ASSETS</u>				
ASSETS				
Cash		\$ 559,105	\$ -	\$ 559,105
Restricted Cash		-	311,843	311,843
Other Receivables		4,403	-	4,403
Due to Other Funds		6,679	-	6,679
Inventory		558	-	558
Prepaid Expenses		6,251	-	6,251
	TOTAL CURRENT ASSETS	\$ 576,996	\$ 311,843	\$ 888,839
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts Payable and Accrued Liabilities		\$ 89,486	\$ -	\$ 89,486
Due to LNSU		35,366	-	35,366
Due to Other Funds		-	6,467	6,467
Accrued Salaries and Taxes		14,235	-	14,235
Unearned Revenue		3,564	-	3,564
	TOTAL LIABILITIES	142,651	6,467	149,118
FUND BALANCES				
Non-Spendable Fund Balance		6,809	-	6,809
Committed Fund Balance		295,610	305,376	600,986
Unassigned Fund Balance		131,926	-	131,926
	TOTAL FUND BALANCE	434,345	305,376	739,721
	TOTAL LIABILITIES AND FUND BALANCE	\$ 576,996	\$ 311,843	\$ 888,839

See Accompanying Notes to Basic Financial Statements

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

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

Total fund balances - governmental funds \$ 739,721

Amounts reported for governmental activities in the statement of net position
 are different because:

Capital assets used in governmental activities are not financial resources
 and therefore are not reported as assets in governmental funds.

Capital Assets	2,312,600
Accumulated Depreciation	(1,284,986)

Long-term liabilities, including bonds payable, are not due and payable
 in the current period and therefore are not reported as liabilities in
 the funds. Long-term liabilities at year-end consist of:

Note Payable	(7,696)
Bond Payable	(584,250)
Retirement Benefits Payable	<u>(24,882)</u>

Total net position - governmental activities \$ 1,150,507

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

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES			
State Revenue	\$ 2,445,520	\$ -	\$ 2,445,520
Federal Revenue	156,565	-	156,565
Services to Other LEA's	31,821	-	31,821
Medicaid Reimbursement	13,707	-	13,707
Food Service	74,131	-	74,131
Interest Income	9,061	220	9,281
Transportation	106,423	-	106,423
Miscellaneous	<u>54,655</u>	<u>-</u>	<u>54,655</u>
TOTAL REVENUES	<u>2,891,883</u>	<u>220</u>	<u>2,892,103</u>
EXPENDITURES			
Instruction Services	1,018,391	-	1,018,391
Special Education - Elementary	332,647	-	332,647
Guidance Services	163,300	-	163,300
Health Services	54,049	-	54,049
Psychological Services	2,850	-	2,850
Speech and Other Services	12,765	-	12,765
Improvement of Instruction	49,458	-	49,458
Educational Media Services	29,346	-	29,346
Board of Education Services	6,600	-	6,600
District Treasurer Services	17,267	-	17,267
Superintendent's Office	298,198	-	298,198
Principal's Office	168,009	-	168,009
Fiscal Services - Interest	9,818	-	9,818
Maintenance of Plant and Projects	181,478	121,323	302,801
Pupil Transportation	179,843	-	179,843
Food Service	120,856	-	120,856
Computer Technology	67,965	-	67,965
Debt Service	42,928	-	42,928
EEE Expenditure	<u>4,189</u>	<u>-</u>	<u>4,189</u>
TOTAL EXPENDITURES	<u>2,759,957</u>	<u>121,323</u>	<u>2,881,280</u>

See Accompanying Notes to Basic Financial Statements

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

	Governmental Fund Types		
	General Fund	Capital Projects Fund	Total
NET CHANGE IN FUND BALANCE	131,926	(121,103)	10,823
FUND BALANCE, Beginning of Year	302,419	426,479	728,898
FUND BALANCE, End of Year	\$ 434,345	\$ 305,376	\$ 739,721

See Accompanying Notes to Basic Financial Statements

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

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

Total net change in fund balances - governmental funds \$ 10,823

Amounts reported for governmental activities in the statement of activities
 are different because:

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

Depreciation Expense	(111,493)
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Capital Outlays	141,373
-----------------	---------

Payment of notes and bonds payable principal is an expenditure in the governmental
 funds, but the repayment reduces long-term liabilities in the statement of
 net position.

Principal payments of notes payable	402
-------------------------------------	-----

Principal payments of bond payable	30,750
------------------------------------	--------

Some expenses reported in the statement of activities do not require
 the use of current financial resources and therefore are not reported
 as expenditures in governmental funds:

Termination Benefits Accrued	(10,618)
Termination Benefits Paid	<u>20,014</u>

Change in net position of governmental activities **\$ 81,251**

See Accompanying Notes to Basic Financial Statements

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

	Fiduciary Fund Types	
	Private Purpose Trusts	Agency Funds
<u>ASSETS</u>		
ASSETS		
Cash	\$ 22,657	\$ 20,084
<u>LIABILITIES AND NET POSITION</u>		
LIABILITIES		
Due to Other Funds	\$ -	\$ 212
Deferred Revenue	-	19,872
TOTAL LIABILITIES	-	20,084
NET POSITION		
Held in trust for Grammer School Sale and other purposes	12,603	-
Restricted	10,054	-
TOTAL NET POSITION	22,657	-
TOTAL LIABILITIES AND NET POSITION	\$ 22,657	\$ 20,084

See Accompanying Notes to Basic Financial Statements

Eden Town School District
 FUND FINANCIAL STATEMENTS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 For the Year Ended June 30, 2017

	<u>Fiduciary Fund Types</u> Private Purpose Trusts <u> </u>
ADDITIONS	
Interest Income	\$ <u>14</u>
DEDUCTIONS	<u>-</u>
CHANGE IN NET POSITION	14
NET POSITION, Beginning of Year	<u>22,643</u>
NET POSITION, End of Year	<u>\$ 22,657</u>

See Accompanying Notes to Basic Financial Statements

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

District-wide and Fund Financial Statements

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

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

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

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

Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The School District reports the following major governmental funds:

- * The general fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

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

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

Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted on a School District level for the trust fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. Annual operating budgets are adopted each fiscal year through the passage of an annual budget ordinance and amended as required.

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

Cash and Cash Equivalents

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

Capital Assets

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Interfund Receivables and Payables

Eden Town School District generally maintains one cash account in the General Fund to pay expenditures and receive payments for efficiency. All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) repayments between funds are made.

Long-term Obligations

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

Property Taxes

Property taxes are due and payable on November 15, February 15 and May 15th. The Town prepares the bills and collects all taxes and then remits them to the School District.

Government Wide Net Position

Government-wide net position are divided into the following components:

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

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

Unrestricted – all other net position reported in this category.

Governmental Fund Balance

Effective July 1, 2010 the district adopted the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Unassigned – All amounts not included in other classifications.

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

Estimates

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

Concentration of Risk

Eden Town School District is a public school district located in the Town of Eden. The District receives the majority of its revenues from property taxes assessed on residences of the Town. Additionally, the District receives revenues from the State of Vermont as Federal and State aid to education and as special education grants.

Inventories

Inventories consist of food and supplies for the food service program and are valued at cost on a first-in, first-out basis.

NOTE 2 CASH, INVESTMENTS AND CATEGORIES OF RISK

The District authorizes the Treasurer to invest excess cash in bank accounts (ex: certificates of deposits), obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

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

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

NOTE 2 CASH, INVESTMENTS AND CATEGORIES OF RISK (continued)

	Book Balance	Bank Balance
Insured (FDIC)	\$ 810,434	\$ 833,493
Insured by Collateralization Agreement	-	403,942
Right to Offset with Related Debt	61,843	61,843
Uninsured	41,412	-
 TOTAL	 \$ 913,689	 \$ 1,299,278

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

NOTE 3 SHORT-TERM OBLIGATIONS

The School District's revenue anticipation note activity, including amount outstanding and interest rate, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
2.8% Revenue Anticipation Note	\$ -	\$ 351,601	\$ (351,601)	\$ -

All of the notes are backed by the full faith and credit of the School District and mature within one year.

NOTE 4 NOTE PAYABLE

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

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Note payable with US Bank payments of \$645 due annually on January 1st at 3.00% interest, due January 2032.	\$ 8,098	\$ -	\$ (402)	\$ 7,696	\$ 414

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

NOTE 4 NOTE PAYABLE (continued)

Anticipated maturities of notes payable are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 414	\$ 231	\$ 645
2019	426	219	645
2020	439	206	645
2021	452	192	644
2022	466	192	658
2023-2027	2,547	677	3,224
2028-2032	<u>2,952</u>	<u>272</u>	<u>3,224</u>
Total	<u>\$ 7,696</u>	<u>\$ 1,989</u>	<u>\$ 9,685</u>

NOTE 5 BOND PAYABLE

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bond payable with Vermont Municipal Bond Bank, payments of \$30,750 due annually on November 1st including semi annual interest at 3.4%, due due November 2035.	<u>\$ 615,000</u>	<u>\$ -</u>	<u>\$ (30,750)</u>	<u>584,250</u>	<u>\$ 30,750</u>

Anticipated maturities of bonds payable are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 30,750	\$ 17,057	\$ 47,807
2019	30,750	16,659	47,409
2020	30,750	16,184	46,934
2021	30,750	15,633	46,383
2022	30,750	14,997	45,747
2023-2027	153,750	62,996	216,746
2028-2032	153,750	39,003	192,753
2033-2036	<u>123,000</u>	<u>10,118</u>	<u>133,118</u>
Total	<u>\$ 584,250</u>	<u>\$ 192,647</u>	<u>\$ 776,897</u>

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

NOTE 6 NET POSITION HELD IN TRUST

In October 1984, the Lamoille Grammar School Corporation was closed and the assets and Chesamore Hall were sold. The proceeds from the sale of these assets, \$12,603, are shown as assets held in trust in the fiduciary fund as they are non-expendable. The District is allowed to spend interest earned on this original investment.

NOTE 7 TEACHER RETIREMENT

Information Required Under GASB Statement No. 68

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

Reporting Date, Measurement Date, and Valuation Date

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

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

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

Fiscal Year Ended June 30, 2015				
Allocated Contribution	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 109,433	0.15010%	\$ 4,262,143	\$ 2,481,253	\$ 1,780,890

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

NOTE 7 TEACHER RETIREMENT (continued)

Fiscal Year Ended June 30, 2015			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease 6.95% Disc Rate	Net Pension Liability 1% Increase (8.95% Disc Rate)
\$ 153,509	\$ (127,302)	\$ 2,261,410	\$ 1,377,777

Schedule B – Employer’s Allocation as of June 30, 2016

Fiscal Year Ended June 30, 2016				
Portion of State Contribution	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 112,551	0.15370%	\$ 4,504,187	\$ 2,491,393	\$ 2,012,794

Fiscal Year Ended June 30, 2016			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease 6.95% Disc Rate	Net Pension Liability 1% Increase (8.95% Disc Rate)
\$ 287,627	\$ (75,517)	\$ 2,518,673	\$ 1,588,230

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

Deferred Outflows of Resources							
Employer Proportion	Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
0.15370%	\$ 2,012,794	\$ 19,537	\$ 44,181	\$ -	\$ 194,562	\$ 29,346	\$ 287,627

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

NOTE 7 TEACHER RETIREMENT (continued)

Deferred Inflows of Resources					
Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows
\$ -	\$ (8,328)	\$ -	\$ -	\$ (67,189)	\$ (75,517)

Pension Expense Recognized		
Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total
\$ 208,774	\$ (50,331)	\$ 158,551

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

Fiscal Year Ending June 30,					
2017	2018	2019	2020	2021	Thereafter
\$ 19,694	\$ 72,730	\$ 86,020	\$ 33,666	\$ -	\$ -

Schedule E – Covered Payroll

FY 2016	FY 2015	FY 2014
\$ 995,693	\$ 837,095	\$ 866,077

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

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

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

NOTE 7 TEACHER RETIREMENT (continued)

Plan Description

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

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

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

The Pension Plan is divided into the following membership groups:

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

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

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

NOTE 7 TEACHER RETIREMENT (continued)

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

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

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

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

Significant Actuarial Assumptions and Methods

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

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

NOTE 7 TEACHER RETIREMENT (continued)

Interest Rate: 7.95% per annum.

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

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

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

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

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

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

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

NOTE 7 TEACHER RETIREMENT (continued)

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

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

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

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

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

Long-term expected rate of return

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

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2016 are summarized in the following table:

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

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

NOTE 7 TEACHER RETIREMENT (continued)

Discount rate

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

During the year ended June 30, 2017 the state of Vermont contributed \$94,144 on behalf of the Eden Town School District.

NOTE 8 DEFINED CONTRIBUTION PLAN

The Eden Town School District participates in the Lamoille North Supervisory Retirement Plan, which is a defined contribution plan. Employees not participating in the Vermont State Teachers' Retirement System Plan, who are at least 21 years of age and have completed one year of service (defined as 1,000 hours of service in a plan year) are eligible to participate in the plan. Employer contributions to the plan are discretionary and allocated among participants as a uniform percent of pay. Employees hired prior to July 1, 2008 will receive an employer match of up to 4% of eligible wages. Employees hired after July 1 will receive an employer match of up to 3% of eligible employee wages. Covered wages under the plan were \$300,250. Contributions by the District were \$10,886 in fiscal year 2017.

NOTE 9 RETIREMENT BENEFITS

Teachers

Teachers retiring from the District after having served more than fifteen years and have reached age 55 while still employed shall receive pay for all unused, accumulated sick leave, vacation and retirement at the rate of \$50/day, subject to a maximum cap of \$9,250. This is per the contract with the Teachers' Association. The potential liability at June 30, 2017 was \$24,882 for 7 employees.

	June 30, 2016 Balance	Additions	Principal Reduction	June 30, 2017 Balance
Termination Benefits	<u>\$ 34,278</u>	<u>\$ 10,618</u>	<u>\$ (20,014)</u>	<u>\$ 24,882</u>

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

NOTE 10 ASSESSMENTS

Supervisory Union Assessment

The District also pays for its proportionate share of expense relating to the Lamoille North Supervisory Union. The District paid \$298,720 of such expenses during the year ended June 30, 2017.

NOTE 11 NON-CASH TRANSACTIONS

The Eden Town School District received Federal Commodities for use in food service in the amount of \$4,071. The value of the commodities received is not included in the food service budget and is not part of food service revenue or expenditures.

NOTE 12 RISK MANAGEMENT

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

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

To provide health insurance coverage, VSBIT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants.

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

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

NOTE 13 CONTINGENCY

The School District participates in a number of Federal and State assisted grant programs, which are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2017, have not been reviewed by the grantor agencies. Accordingly, the Districts' compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time, although the Districts expects such amounts, if any, to be immaterial.

NOTE 14 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 10,440	\$ -	\$ -	\$ 10,440
Construction in progress	<u>188,300</u>	-	<u>(188,300)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>198,740</u>	-	<u>(188,300)</u>	<u>10,440</u>
Capital assets, being depreciated				
Buildings and improvements	1,495,608	313,830	-	1,809,438
Equipment and machinery	<u>723,488</u>	<u>15,843</u>	<u>(246,609)</u>	<u>492,722</u>
Total capital assets, being depreciated	<u>2,219,096</u>	<u>329,673</u>	<u>(246,609)</u>	<u>2,302,160</u>
Accumulated depreciation for				
Buildings and improvements	(926,778)	(67,309)	-	(994,087)
Equipment and machinery	<u>(493,324)</u>	<u>(44,184)</u>	<u>246,609</u>	<u>(290,899)</u>
Total accumulated depreciation	<u>(1,420,102)</u>	<u>(111,493)</u>	<u>246,609</u>	<u>(1,284,986)</u>
Total capital assets, being depreciated, net	<u>798,994</u>	<u>218,180</u>	-	<u>1,017,174</u>
Governmental activities, capital assets, net	<u>\$ 997,734</u>	<u>\$ 218,180</u>	<u>\$ -</u>	<u>\$1,027,614</u>

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

NOTE 15 OPERATING LEASE

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

Year Ending June 30,		
2018	\$	4,090
2019		3,068

Total rent expense for the year ended June 30, 2017 was \$4,304.

NOTE 16 FUND BALANCES

Non-Spendable Fund Balances at June 30, 2017 are as follows:

General Fund:

Non-Spendable for Inventory	\$	558
Non-Spendable for Prepaid Expenses		<u>6,251</u>
	<u>\$</u>	<u>6,809</u>

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

General Fund:

Committed for Bus Fund	\$	40,752
Committed for Capital Expenditures		<u>254,858</u>
	<u>\$</u>	<u>295,610</u>

Capital Projects Fund:

Committed for Capital Expenditures	\$	<u>305,376</u>
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NOTE 17 COLLECTIVE BARGAINING AGREEMENTS

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

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

NOTE 18 TRANSPORTATION CONTRACT

The district had a transportation contract with Lamoille Union High School effective August 31, 2016 through June 30, 2017 in which the district received \$237,591 during fiscal year 2017 from the High School for use of its buses. The contract expired on June 30, 2017.

NOTE 19 UNIFIED DISTRICT

On March 1, 2016, the voters of Lamoille Union High School District #18, Eden Town School District, Johnson Town School District, Hyde Park Town School District, Waterville Town School District and Belvidere Town School District authorized the creation of the Lamoille North Modified Unified Union School District, encompassing each of the districts. The pre-existing school districts have ended governance operations and cease to exist as of the close of business on June 30, 2017. All assets, debts, and liabilities of each district have been transferred to the Lamoille North Modified Unified Union School District at the close of business on June 30, 2017.

NOTE 20 SUBSEQUENT EVENTS

In accordance with Accounting Standards, the District has evaluated subsequent events through October 5, 2017, which is the date these basic financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2017, have been incorporated into these basic financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State Grants:				
Education Spending Grant	\$ 2,049,111	\$ 2,049,111	\$ 2,048,104	\$ (1,007)
Education Spending Grant - Transportation	-	69,875	69,875	-
Special Education Grant	363,031	363,031	308,641	(54,390)
Essential Early Education	17,624	17,624	17,624	-
Early Learning Challenge Grant	-	5,000	1,276	(3,724)
Federal Grants:				
21st Century Grant	18,012	23,597	20,827	(2,770)
IDEA B Grant	12,298	22,415	17,904	(4,511)
School Improvement Grant	-	31,088	10,848	(20,240)
Consolidated Grant	92,318	106,986	106,986	-
Services to Other LEA's	22,377	22,377	31,821	9,444
Medicaid Reimbursement	21,381	21,834	13,707	(8,127)
Food Service	-	87,265	74,131	(13,134)
Interest Income	6,500	6,500	9,061	2,561
Transportation - Secondary + Special education	105,860	105,860	94,498	(11,362)
Transportation - Other	2,000	2,000	11,925	9,925
Miscellaneous	<u>15,212</u>	<u>33,850</u>	<u>54,655</u>	<u>20,805</u>
TOTAL REVENUES	<u>2,725,724</u>	<u>2,968,413</u>	<u>2,891,883</u>	<u>(76,530)</u>
EXPENDITURES				
Instruction - Elementary	848,263	889,533	869,292	20,241
Art	19,330	19,330	19,037	293
Physical Education	57,099	57,099	55,760	1,339
Music	22,571	22,571	22,216	355
Special Education - Elementary	312,352	318,890	332,647	(13,757)
Pre-School	83,989	87,689	52,086	35,603
Guidance Services	168,851	168,851	163,300	5,551
Health Services	53,769	52,325	54,049	(1,724)
Psychological Services	10,000	10,000	2,850	7,150
Speech Services	52,506	52,506	12,765	39,741
Occupational Therapy	-	797	-	797
Other Support Services	750	750	-	750
Improvement of Instruction	39,321	69,506	49,458	20,048

See Accompanying Notes to Basic Financial Statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (continued)				
Educational Media Services	31,464	31,464	29,346	2,118
Instructional Technology	5,970	5,970	2,937	3,033
Board of Education Services	12,920	12,920	6,600	6,320
District Treasurer Services	18,154	18,154	17,267	887
Legal and Negotiation Services	1,961	1,961	-	1,961
Superintendent's Office	302,429	302,429	298,198	4,231
Principal's Office	195,012	195,012	168,009	27,003
Fiscal Services - Interest	8,000	8,000	9,818	(1,818)
Maintenance of Plant	184,955	184,955	181,478	3,477
Pupil Transportation	121,922	196,300	179,843	16,457
Computer Technology	66,536	66,536	65,028	1,508
Debt Service - Principal and Interest	48,758	48,758	42,928	5,830
EEE Expenses	5,872	5,872	4,189	1,683
Food Service	<u>52,970</u>	<u>140,235</u>	<u>120,856</u>	<u>19,379</u>
 TOTAL EXPENDITURES	 <u>2,725,724</u>	 <u>2,968,413</u>	 <u>2,759,957</u>	 <u>208,456</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 131,926</u>	 <u>\$ 131,926</u>

See Accompanying Notes to Basic Financial Statements.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.1537%	0.1501%	0.1738%	0.1528%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>2,012,794</u>	<u>1,780,890</u>	<u>1,464,357</u>	<u>1,756,816</u>
Total	<u>\$ 2,012,794</u>	<u>\$ 1,780,890</u>	<u>\$ 1,464,357</u>	<u>\$ 1,756,816</u>
District's covered-employee payroll	<u>\$ 995,693</u>	<u>\$ 837,095</u>	<u>\$ 866,077</u>	<u>\$ 979,402</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	55.31%	58.22%	64.02%	60.59%

Significant Actuarial Assumptions and methods are described in Note 7 to the financial statements. There were no changes in methods or assumptions during the year ended June 30, 2017.

See Accompanying Notes to Basic Financial Statements.

ADDITIONAL REPORTS



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

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

Board of School Commissioners
Eden Town School District
Eden, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eden Town School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Eden Town School District basic financial statements, and have issued our report thereon dated October 5, 2017.

Internal Control Over Financial Reporting

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

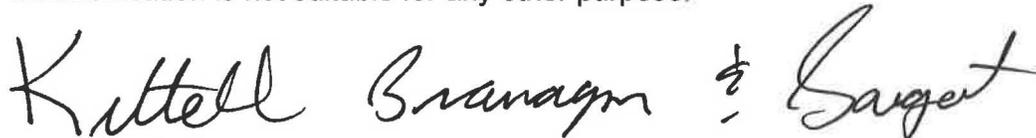
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 Eden Town School District financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Kuttell Branagan & Sargent". The signature is written in black ink and is positioned below the "Purpose of this Report" section.

St. Albans, Vermont
October 5, 2017