

Hyde Park Town School District
BASIC FINANCIAL STATEMENTS
June 30, 2017

Hyde Park 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

Members of the School Board
Hyde Park Town School District
Hyde Park, 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 Hyde Park 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 Hyde Park 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 25-26 and the schedule of proportionate share of the net pension liability on page 27 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 17, 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 24, 2017, on our consideration of the Hyde Park 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 Hyde Park Town School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "K. Atwell Brannen" followed by a stylized flourish.

St. Albans, Vermont
October 24, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Hyde Park 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:

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

- 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 also 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:

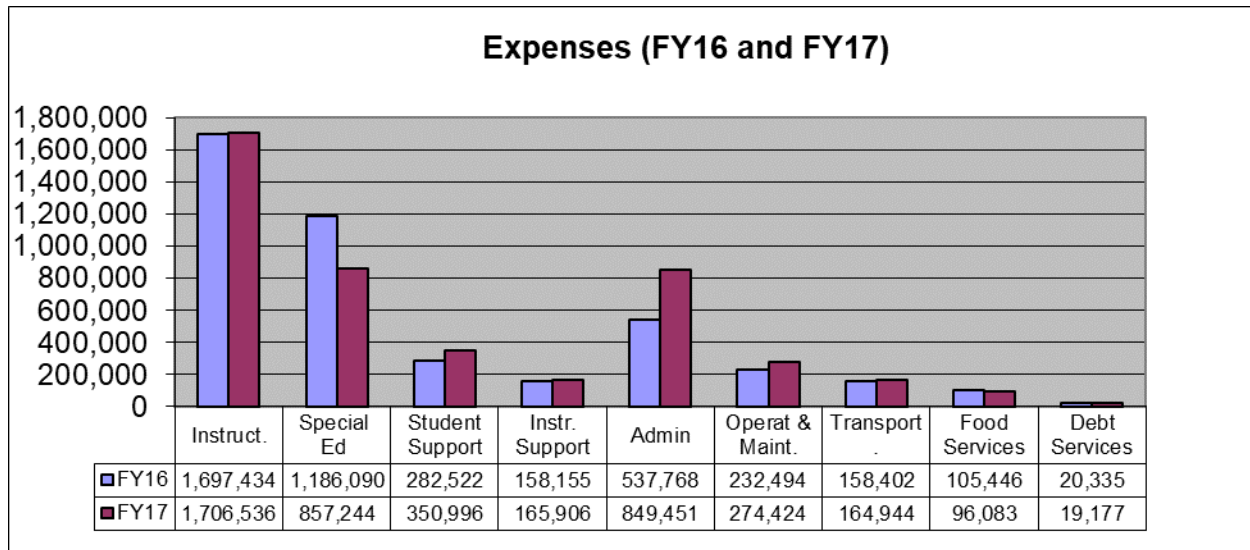
A snapshot of the District's overall financial position is reflected below:

ASSETS				
	FY16		FY17	% Change
Current Assets	\$ 435,584	\$	9,349,472*	2046%
(Capital Assets	\$ 1,046,104	\$	2,028,233	94%
*	\$ 1,481,688	\$	11,377,705	668%
*Includes bond funds				
LIABILITIES				
	FY16		FY17	% Change
Current Liabilities	\$ 240,768	\$	402,649	67%
Long-Term				
Liabilities	\$ 40,227	\$	9,840,511*	24362%
TOTAL LIABILITIES	\$ 280,995	\$	10,243,160	3545%
*Includes bond funds				
NET ASSETS				
	FY16		FY17	% Change
Invested in Capital	\$ 1,046,104	\$	2,028,233	94%
(net of related debt)				
Unrestricted	\$ 154,589	\$	(893,688)	-678%
TOTAL NET ASSETS	\$ 1,200,693	\$	1,134,545	-6%

Expenditures:

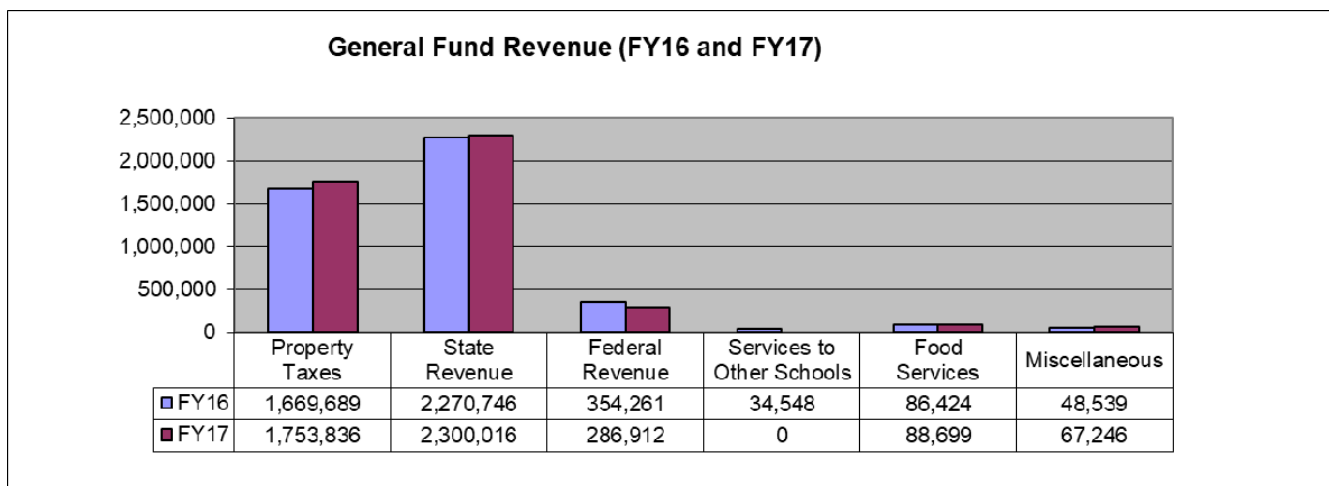
The Schools' expenditures of \$4,484,761 were \$106,115 higher than FY16 and \$168,265 under the amount budgeted. While special education and transportation expenses decreased because these services were consolidated to LNSU, administration costs increased due to the increased assessment as a result of these shifted costs. Operation and Maintenance expenses represent the last year of maintaining an antiquated structure prior to major renovations taking place in FY 18.

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



Revenues:

Revenue was \$32,502 higher in FY17 compared to FY16. While Federal Revenue and Services to Other Schools came in lower, State revenue and property taxes increased. With the shift of Special Education teachers' salary and benefits to LNSU, the federal reimbursement and Services to Other Schools was reduced.



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.

General Fund Balance 6/30/16	Excess of Revenues (Under)/Over Expenditures	General Fund Balance – 6/30/17
\$194,816	\$8,878,095	\$9,072,911

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

The total accumulated fund balance reflects the following:

\$2,350 Non-spendable Fund Balance – Inventory and Prepaid expenses
\$83,811 Committed Fund Balance – committed for FY 18 expenses
\$8,884,372 Committed Fund Balance Capital Projects – \$8,866,360 committed for construction expenses and \$18,013 committed for the capital reserve fund 401.
\$102,378 Unassigned fund balance

Capital Assets:

As required under Governmental Accounting Standards Board #34, the District is reporting its capital assets as part of the financial statements. Note 9 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. This fiscal year the construction project for renovations to the building started, creating an marked increase in Construction in Progress.

Description	Fund Bal. - 6/30/16	Increase/(Decrease)	Fund Bal. - 6/30/17
Land & CIP	\$886	\$0	\$886
Construction in Progress	\$128,338	\$1,067,063	\$1,195,401
Depreciable Assets	\$2,346,685	(\$10,502)	\$2,336,183
Accumulated Depreciation	(\$1,429,805)	(\$74,432)	(\$1,504,237)
Net Assets	\$1,046,104	\$982,129	\$2,028,233

Long-Term Debt:

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

1. In August of 2016, a new construction bond for \$9,800,000 was voted by the electorate. Interest payments began in FY17 and will be due for the next 30 years. Principal payments of \$376,923.08 begin in FY23.

Bond Type	Original Amount	Projected Interest	Final Pay. Date
School Construction	\$9,800,000	\$7,192,779	11/2047

2. At June 30, 2017 the district had \$40,511 in termination benefits payable (Note 12.) This is per the contract with the Teachers' Association and Support Staff Association regarding retirement benefits. \$10,886 in Support Staff retirement was expended to fund 403(b) plans.

Current Issues:

- Collective Bargaining Agreements: All Collective Bargaining Agreements expired on 06/30/2017. New 2 year agreements have been ratified as of December 2017, set to expire June of 2019.

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

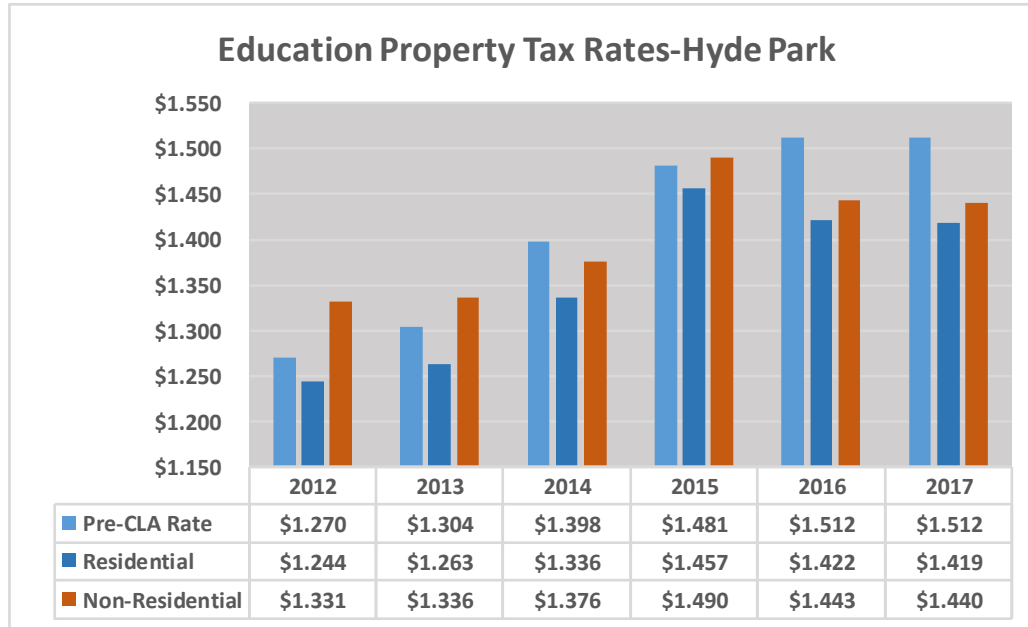
- Consolidation Efforts: Act 153 & Act 156 are provisions in laws that consolidate some functions to the Supervisory Union and offers incentives for districts to consolidate. Some of the consolidation implementations, such as those in special education and transportation took place July 1, 2016. Since 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. The 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 Eden, Belvidere, Johnson and Hyde Park voted to consolidate into one school district. Waterville voted to join the consolidated on April 25, 2017. Cambridge Elementary School District voted to not participate in the consolidation. Effective July 1, 2017, Hyde Park Elementary School will operate as a member of the Lamoille North Modified Unified Union School District.
- Enrollment: From FY 2010 – FY 2013 the trend in enrollment had been increasing. Unfortunately, beginning in in FY14 there has been a small down-turn, with a bigger decreases in FY16 and FY17. Hyde Park's equalized pupil count (EPC) that includes both elementary and secondary students, is weighted for poverty and other factors. The chart below reflects recent fluctuations. Since the EPC is used to calculate the District's property tax rate, a decreasing EPC means an increasing property tax rate.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY2015	FY2016	FY 2017
430.57	430.03	434.16	438.97	436.82	433.76	426.52	415.32

- Physical Plant: The school building that houses the educational program for our students is very old, stemming from 1898 and having a variety of additions throughout the years. It has a plethora of building issues stemming from inefficiencies in energy design to inadequacy to deliver educational programs from a useable space aspect. In the spring of 2008, the school board charged a small group of interested community members and school personnel with the task of reviewing building and facility needs for the short-term needs of the district and offer recommendations on next steps for long-term solutions for the aging building. The group presented its findings and recommendations to the Board in a document dated November 19, 2009, and titled Hyde Park Elementary School, Short-Term Facilities Committee Final Report. The report is available in the school library, on-line and in hard-copy. Based on that report and various visioning sessions, a decision was made by the board to move forward with investigation of renovation and construction and created a "The Next 100 Years" subcommittee to explore next steps in response to the report and the needs of the building. That group recommended that the district hold a capital construction bond vote for the fall of 2014-2015. The architect firm of Dore & Whittier was engaged to design and renovate the existing building. The result was an \$18,307,000 bond proposal that failed when put to vote in the fall of 2014. Subsequently, another firm, Colin Lindberg & Associates was hired to create a scaled down design for a vote in FY16 or FY17. In August of 2016 there was a successful vote to Bond \$9,800,000 for extensive building renovation and upgrades.

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

- Taxes:** Property taxes in Vermont are set by calculation of total spent per equalized pupil 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 value increases, the CLA goes down until a locale does a property reassessment. A slowing economy started in the fall of 2008 and poor sales affected the CLA in Hyde Park by seeing it float back over 100%. In 2009 there was a reappraisal, however since then continued weak sales have driven the CLA back over 100%. This rise in CLA has had the effect of lowering tax rates.



The effect of the Common Level of Appraisal (Vermont's adjustment factor to bring a town's appraised values to fair market values) on Hyde Park's final tax rates can be seen in the chart above. The history of CLA is as follows:

Common Level of Appraisal C.L.A. FY09:	103.32% (Reappraisal)
Common Level of Appraisal C.L.A. FY10:	99.31%
Common Level of Appraisal C.L.A. FY11:	98.32%
Common Level of Appraisal C.L.A. FY12:	102.16%
Common Level of Appraisal C.L.A. FY13:	103.29%
Common Level of Appraisal C.L.A. FY14:	104.64%
Common Level of Appraisal C.L.A. FY15:	101.68%
Common Level of Appraisal C.L.A. FY16:	106.38%
Common Level of Appraisal C.L.A. FY17:	106.57%

- Poverty:** With the economic downturn, Hyde Park has experienced challenging unemployment levels with rates at 7.7% in March 2009 and improving to 5.9% by June 2010. In June 2017 Hyde Park unemployment rate sank to 3.4%, a significant improvement and slightly better than the Lamoille County rate of 3.7%, with a State rate of 3.1%. Although children qualifying for Free & Reduced lunches in the fall of 2015 moved upward to 48.16%, the Free & Reduced rate for fall 2016 was down to 42.04% and stayed that way for fall of 2017; down from their high of 50% reflecting an improved economy greater than previously experienced.

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

- The Hyde Park School District is a member of the Lamoille Union School District #18 (LUSD #18). Hyde Park 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.

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

	<u>Governmental Activities</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash	\$ 332,764
Restricted Cash	8,985,344
Due from Other Funds	972
Accounts Receivable	28,042
Inventory	600
Prepaid Expenses	<u>1,750</u>
TOTAL CURRENT ASSETS	<u>9,349,472</u>
CAPITAL ASSETS, net of depreciation	<u>2,028,233</u>
TOTAL ASSETS	<u><u>\$ 11,377,705</u></u>
<u>LIABILITIES AND NET POSITION</u>	
CURRENT LIABILITIES	
Accounts Payable and Accrued Liabilities	\$ 253,794
Due to LNSU	7,363
Accrued Salaries and Taxes	15,404
Accrued Interest	<u>126,088</u>
TOTAL CURRENT LIABILITIES	<u>402,649</u>
LONG-TERM LIABILITIES	
Bonds Payable	9,800,000
Termination Benefits Payable	<u>40,511</u>
TOTAL LONG-TERM LIABILITIES	<u>9,840,511</u>
TOTAL LIABILITIES	<u>10,243,160</u>
NET POSITION	
Net Investment in Capital Assets	1,213,577
Unrestricted	<u>(79,032)</u>
TOTAL NET POSITION	<u>1,134,545</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 11,377,705</u></u>

See Accompanying Notes to Basic Financial Statements.

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

Functions/Programs	Expenses	Charges for Services	Program Revenues	Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Revenues	Governmental Activities
Governmental Activities:				
Instruction Services	\$ 1,715,726	\$ 196,117	\$ 3,460,344	\$ 1,940,735
Special Education	792,555	35,278	599,531	(157,746)
Guidance Services	120,839	-	-	(120,839)
Health and Psychological Services	160,830	-	19,522	(141,308)
Speech and Other Services	38,175	-	-	(38,175)
Improvement of Instruction	97,151	-	-	(97,151)
Educational Media Services	82,656	-	-	(82,656)
Board of Education Services	11,913	-	-	(11,913)
District Treasurer Services	7,605	-	-	(7,605)
Superintendent's Office	549,306	-	-	(549,306)
Principal's Office	280,339	-	-	(280,339)
Maintenance of Plant and Projects	273,685	-	-	(273,685)
Pupil Transportation	164,944	-	54,416	(110,528)
Food Service	96,083	87,504	1,195	(7,384)
Computer Technology	69,043	-	-	(69,043)
Debt Service	19,177	-	-	(19,177)
EEE Expenditure	4,282	-	-	(4,282)
Depreciation:				
Unallocated	91,434	-	-	(91,434)
Total Governmental Activities	<u>\$ 4,575,743</u>	<u>\$ 318,899</u>	<u>\$ 4,135,008</u>	<u>(121,836)</u>
General revenues:				
Unrestricted investment earnings				35,702
Miscellaneous				19,986
				<u>55,688</u>
Change in net position				(66,148)
Net position, beginning				<u>1,200,693</u>
Net position, ending				<u>\$ 1,134,545</u>

See Accompanying Notes to Basic Financial Statements.

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

		Governmental Fund Types		
		General Fund	Capital Projects	Total
<u>ASSETS</u>				
ASSETS				
Cash	\$ 314,461	\$ 18,303	\$ 332,764	
Restricted Cash	-	8,985,344	8,985,344	
Other Receivables	28,042	-	28,042	
Due from other funds	1,209	-	1,209	
Inventory	600	-	600	
Prepaid Expenses	1,750	-	1,750	
TOTAL CURRENT ASSETS	<u>\$ 346,062</u>	<u>\$ 9,003,647</u>	<u>\$ 9,349,709</u>	
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 134,756	\$ 119,038	\$ 253,794	
Due to LNSU	7,363	-	7,363	
Accrued Salaries and Taxes	15,404	-	15,404	
Due to other funds	-	237	237	
TOTAL LIABILITIES	<u>157,523</u>	<u>119,275</u>	<u>276,798</u>	
FUND BALANCE				
Nonspendable Fund Balance	2,350	-	2,350	
Committed Fund Balance	83,811	8,884,372	8,968,183	
Unassigned Fund Balance	102,378	-	102,378	
TOTAL FUND BALANCE	<u>188,539</u>	<u>8,884,372</u>	<u>9,072,911</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 346,062</u>	<u>\$ 9,003,647</u>	<u>\$ 9,349,709</u>	

See Accompanying Notes to Basic Financial Statements.

Hyde Park 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	\$ 9,072,911
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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	3,532,470
Accumulated Depreciation	(1,504,237)

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:

Bonds Payable	(9,800,000)
Retirement Benefits Payable	(40,511)
Accrued Interest Payable	<u>(126,088)</u>

Total net position - governmental activities	<u><u>\$ 1,134,545</u></u>
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See Accompanying Notes to Basic Financial Statements.

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

	Governmental Fund Types		
	General Fund	Capital Projects	Total
REVENUES			
State Revenue	\$ 4,053,852	\$ -	\$ 4,053,852
Federal Revenue	265,614	-	265,614
Medicaid Reimbursement	21,298	-	21,298
Food Service	88,699	-	88,699
Interest Income	22,817	12,885	35,702
Miscellaneous	44,429	-	44,429
TOTAL REVENUES	<u>4,496,709</u>	<u>12,885</u>	<u>4,509,594</u>
EXPENDITURES			
Instruction Services	1,384,756	-	1,384,756
Educational Support	18,777	-	18,777
Art Program	67,681	-	67,681
Physical Education	70,501	-	70,501
Music/Band Services	60,460	-	60,460
Special Education	792,554	-	792,554
Pre-School Program	104,361	-	104,361
Co-Curricular Activities	8,906	-	8,906
Guidance Services	120,839	-	120,839
Health and Psychological Services	100,406	-	100,406
Speech and Other Therapy Services	98,599	-	98,599
Improvement of Instruction	96,863	-	96,863
Educational Media Services	82,656	-	82,656
Board/Fiscal/Audit	11,913	-	11,913
District Treasurer Services	6,931	-	6,931
Principal's Office	280,339	-	280,339
Superintendent's Office	550,268	-	550,268
Maintenance of Plant and Projects	274,424	946,738	1,221,162
Pupil Transportation	164,944	-	164,944
Food Service	96,083	-	96,083
Technical Support Services	69,043	-	69,043
Debt Service	19,177	-	19,177
EEE Expenditures	4,280	-	4,280
TOTAL EXPENDITURES	<u>4,484,761</u>	<u>946,738</u>	<u>5,431,499</u>

See Accompanying Notes to Basic Financial Statements.

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

	Governmental Fund Types		
	General Fund	Capital Projects	Total
EXCESS OF REVENUES/(DEFICIENCIES) OVER/(UNDER) EXPENDITURES	11,948	(933,853)	(921,905)
OTHER FINANCING SOURCES Proceeds from Debt Issuance	-	9,800,000	9,800,000
NET CHANGE IN FUND BALANCE	11,948	8,866,147	8,878,095
FUND BALANCE, Beginning of Year	176,591	18,225	194,816
FUND BALANCE, End of Year	\$ 188,539	\$ 8,884,372	\$ 9,072,911

See Accompanying Notes to Basic Financial Statements.

Hyde Park Town School District
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
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	\$ 8,878,095
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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	(91,434)
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Capital Outlays	1,073,563
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The proceeds from the issuance of long-term debt is a revenue source in the
governmental funds, while the issuance increases long-term debt in the
statement of net position.

Proceeds from the issuance of long-term debt	(9,800,000)
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The accrual of termination benefits is an expenditure in the governmental funds,
but the accrual increases long-term liabilities in the statement of net position.

Retirement Benefits Accrued	(12,028)
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Retirement Benefits Paid	11,744
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The accrual of interest is an expenditure in the governmental funds,
but the accrual increases liabilities in the statement of net position.

<u>(126,088)</u>

Change in net position of governmental activities	<u>\$ (66,148)</u>
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See Accompanying Notes to Basic Financial Statements.

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

	<u>Fiduciary Fund Types</u> Agency Fund
<u>ASSETS</u>	
ASSETS	
Cash	<u>\$ 24,740</u>
<u>LIABILITIES AND NET POSITION</u>	
LIABILITIES	
Due to other funds	\$ 972
Due to student groups and others	<u>23,768</u>
TOTAL LIABILITIES	<u>24,740</u>
NET POSITION	
Restricted	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 24,740</u>

See Accompanying Notes to Basic Financial Statements.

Hyde Park 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 five 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 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.

Hyde Park 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.

The School District reports the following major fiduciary funds:

- * Agency Funds – Agency Funds are used to account for assets held by the District in an agent capacity for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations.

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 student activities agency fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

The Superintendent's office prepares an operating budget in December for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures by line item and the means of financing them. The budget is approved at the Annual District Meeting by District voters.

Budgetary integration is employed as a management control device during the year for the General Fund. Unspent appropriations lapse at year end.

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current portion of inter-fund loans) or "advances from/to other funds" (i.e., the non-current portion of inter-fund loans). Hyde Park 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.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories

Inventories are valued at cost, using the first-in, first-out method.

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.

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The Town prepares the bills and collects all taxes and then remits them to the School District. Property taxes are due on August 31, November 15, February 15 and May 15.

Government Wide Net Position

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

Net investment in capital assets – consists of the historical cost of capital assets 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".

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 classification.

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 Hyde Park Town School District's policy to use the fund balance in the following order, (1) Committed, (2) Assigned, (3) Unassigned.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 2 CASH

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

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 543,952	\$ 794,132
Right to Offset	8,735,344	8,735,344
Uninsured	<u>63,552</u>	<u>854,550</u>
 TOTAL	 <u><u>\$ 9,342,848</u></u>	 <u><u>\$ 10,384,026</u></u>

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 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 Hyde Park Town School District's proportional share of the overall amounts of the Vermont State Teachers' Retirement System (VSTRS) plan. Hyde Park Town School District's portion has been allocated based on Hyde Park 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 Hyde Park Town School District's reporting date (June 30, 2017) and for the Hyde Park Town School District's reporting period (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.

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

NOTE 3 TEACHER RETIREMENT (continued)

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
\$ 169,913	0.23305%	\$ 6,617,680	\$ 3,852,555	\$2,765,126

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)
\$ 327,909	\$(102,539)	\$ 3,511,211	\$ 2,139,227

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
\$ 168,460	0.23006%	\$ 6,741,673	\$ 3,729,009	\$3,012,663

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)
\$ 446,291	\$ (88,048)	\$ 3,769,841	\$ 2,377,194

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

NOTE 3 TEACHER RETIREMENT (continued)

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
0.23006%	\$ 3,012,663	\$ 29,243	\$ 66,129	\$ -	\$ 291,212	\$ 59,708	\$ 446,291

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
\$ -	\$ (12,464)	\$ -	\$ -	\$ (75,584)	\$ (88,048)

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
\$ 312,645	\$ (29,521)	\$ 283,124

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

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

NOTE 3 TEACHER RETIREMENT (continued)

Fiscal Year Ending June 30,					
2017	2018	2019	2020	2021	Thereafter
\$ 75,289	\$126,559	\$106,006	\$ 50,389	\$ -	\$ -

Schedule E – Covered Payroll

FY 2016	FY 2015	FY 2014
\$ 1,490,311	\$ 1,299,728	\$ 1,256,709

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

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:

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

NOTE 3 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

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.

Interest Rate: 7.95% per annum.

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

NOTE 3 TEACHER RETIREMENT (continued)

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 RP-2000 Mortality Tables projected to 2029 for retirees, terminated vested members and beneficiaries; the RP-2000 Disabled Life Table with projection to 2020 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).

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.

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

NOTE 3 TEACHER RETIREMENT (continued)

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%

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 \$129,395 on behalf of the Hyde Park Town School District.

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

NOTE 4 DEFINED CONTRIBUTION PLAN

The Hyde Park 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.

Lamoille North Supervisory Union began a new retirement plan on July 1, 2008. Under this new plan 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 \$337,135 in fiscal year 2017. Contributions paid by the District during fiscal year 2017 were \$12,923.

NOTE 5 ASSESSMENTS

Supervisory Union Assessment

The District also pays for its proportionate share of expense relating to the Lamoille North Supervisory Union. The District paid \$550,268 of such expenses during the year ended June 30, 2017.

NOTE 6 NON-CASH TRANSACTIONS

The Hyde Park Town School District received Federal Commodities for use in food service in the amount of \$5,406. 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 7 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, Hyde Park Town School District is a member of the Vermont Education Health Initiative (VEHI) Medical Benefits Program and Unemployment Compensation Program. VEHI 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, VEHI has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

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

NOTE 7 RISK MANAGEMENT (continued)

To provide unemployment coverage, VEHI 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 VEHI is unable to meet its' required obligations, the program will be terminated with each member assessed their proportioned share of the deficit.

NOTE 8 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 District's 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 District expects such amounts, if any, to be immaterial.

NOTE 9 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 886	\$ -	\$ -	\$ 886
Construction in progress	128,338	1,067,063	-	1,195,401
Total Capital assets, not being depreciated	129,224	1,067,063	-	1,196,287
Capital assets, being depreciated				
Buildings and improvements	1,898,568	-	(17,002)	1,881,566
Furniture and equipment	448,117	6,500	-	454,617
Total capital assets, being depreciated	2,346,685	6,500	(17,002)	2,336,183
Accumulated depreciation for				
Buildings and improvements	(1,058,054)	(60,403)	17,002	(1,101,455)
Furniture and equipment	(371,751)	(31,031)	-	(402,782)
Total accumulated depreciation	(1,429,805)	(91,434)	17,002	(1,504,237)
Total capital assets, being depreciated, net	916,880	(84,934)	-	831,946
Governmental activities capital assets, net	<u>\$1,046,104</u>	<u>\$ 982,129</u>	<u>\$ -</u>	<u>\$2,028,233</u>

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

NOTE 10 SHORT-TERM DEBT

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

	Outstanding 06/30/16	Additions	Deletions	Outstanding 06/30/17
GENERAL FUND				
Tax Anticipation Note, 2.85%	\$ -	\$ 662,959	\$ (662,959)	\$ -
Bond Anticipation Note, 1.5%	\$ -	\$ 346,063	\$ (346,063)	\$ -

All of the notes are backed by the full faith and credit of the School District and mature within one year. The note liability is reflected in the capital projects fund which received the proceeds.

NOTE 11 BOND PAYABLE

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

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond payable with Vermont Municipal Bond Bank, due annually on November 1. Principal payments begin November 1, 2022. Interest ranges from 2.31 - 4.5%, currently 2.31%.	\$ -	\$ 9,800,000	\$ -	\$ 9,800,000	\$ -

Anticipated maturities of bonds payable are as follows:

June 30,	Principal	Interest	Total
2018	\$ -	\$ 446,593	\$ 446,593
2019	-	368,744	368,744
2020	-	368,744	368,744
2021	-	368,744	368,744
2022	-	368,744	368,744
2023 - 2027	1,884,615	1,721,464	3,606,079
2028 - 2032	1,884,615	1,428,859	3,313,474
2033 - 2037	1,884,615	1,095,998	2,980,613
2038 - 2042	1,884,615	719,584	2,604,199
2043 - 2047	1,884,615	296,827	2,181,442
2048	376,925	8,481	385,406
Total	<u>\$ 9,800,000</u>	<u>\$ 7,192,782</u>	<u>\$ 16,992,782</u>

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

NOTE 12 ACCRUED SICK AND SEVERANCE PAY

Teachers

Teachers retiring from the District after having served ten years or more are entitled to reimbursement for unused sick leave of \$50 per day up to a maximum of \$9,250 per the contract with the Teachers' Association. The amount accumulated for teachers as of June 30, 2017 totaled \$24,765.

Classified (non-teaching) staff

Upon leaving employment with the District, all classified staff, older than 55, with at least 10 years of service shall be paid for unused sick leave. Each employee will be paid \$50 for each unused day to a maximum of \$7,500. The amount accumulated for support staff as of June 30, 2017 totaled \$15,746.

	<u>06/30/16</u> <u>Balance</u>	<u>Additions</u>	<u>Principal</u> <u>Reduction</u>	<u>06/30/17</u> <u>Balance</u>
Termination Benefits	\$ 40,227	\$ 12,028	\$ (11,744)	\$ 40,511

NOTE 13 OPERATING LEASE

The School District leases equipment under an operating lease which expires 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 follows:

2018	\$ 12,276
2019	10,230

The total lease expense for the year ended June 30, 2017 was \$14,164.

NOTE 14 COLLECTIVE BARGAINING AGREEMENTS

The District has entered into three collective bargaining agreements with the Lamoille North Education Association. The support staff and the para-educator collective bargaining agreements expired on June 30, 2017.

NOTE 15 FUND BALANCES

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

Nonspendable for Inventory	\$ 600
Nonspendable for Prepaid Expenses	<u>1,750</u>
TOTAL	<u>\$ 2,350</u>

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

NOTE 15 FUND BALANCES (continued)

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

General Fund:

Committed for Future Capital Expenditures	<u>\$ 83,811</u>
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Capital Projects Fund:

Committed for Capital Expenditures	<u>\$8,884,372</u>
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NOTE 16 RENTAL AGREEMENT

The district entered into a rental agreement with a local business on June 1, 2017, to rent space in a hotel during the renovations taking place at the Hyde Park Elementary School. The rental expense per month is \$16,666 and the agreement expires on May 31, 2018. Total rental expense for fiscal year 2017 was \$16,666.

NOTE 17 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 a Unified School District, encompassing each of the districts. The pre-existing school districts have ended governance operations and cease to exist as of on June 30, 2017. All assets, debts, and liabilities of each district have been transferred to the Unified School District at the close of business on June 30, 2017.

NOTE 18 SUBSEQUENT EVENTS

In accordance with Accounting Standards, the District has evaluated subsequent events through October 24, 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

Hyde Park 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>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State Grants:				
Education Spending Grant	\$ 3,262,467	\$ 3,262,467	\$ 3,263,387	\$ 920
Education Spending Grant - Transportation	-	54,416	54,416	-
Special Education Grant	783,541	783,541	736,049	(47,492)
Federal Grants:				
IDEA B Grant	25,006	39,605	35,278	(4,327)
School Improvement Grant	-	38,999	30,341	(8,658)
Consolidated Grant	139,607	176,052	172,839	(3,213)
21st Century Grant	17,079	24,298	27,156	2,858
BEST Grant	-	994	-	(994)
EPSDT/Medicaid Reimbursement	37,000	38,204	21,298	(16,906)
Food Service	-	109,295	88,699	(20,596)
Interest Income	10,200	10,200	22,817	12,617
Donations	-	3,000	-	(3,000)
Miscellaneous	<u>24,309</u>	<u>21,525</u>	<u>44,429</u>	<u>22,904</u>
TOTAL REVENUES	<u>4,299,209</u>	<u>4,562,596</u>	<u>4,496,709</u>	<u>(65,887)</u>
EXPENDITURES				
Instruction - Elementary	1,349,637	1,376,617	1,384,756	(8,139)
Educational Support	18,784	18,784	18,777	7
Art Program	65,566	65,566	67,681	(2,115)
Physical Education	67,376	67,276	70,501	(3,225)
Music/Band Services	55,900	55,900	60,460	(4,560)
Special Education - Elementary	841,004	851,586	792,554	59,032
Pre-School Program	91,448	106,448	104,361	2,087
Co-Curricular Activities	5,900	6,400	8,906	(2,506)
Guidance Services	114,771	114,771	120,839	(6,068)
Health Services	93,257	93,311	81,546	11,765
Psychological Services	13,000	13,000	18,860	(5,860)
Speech Services	53,270	60,270	38,175	22,095

See Accompanying Notes to Basic Financial Statements.

Hyde Park 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)				
Occupational Therapy	-	3,500	3,375	125
Other Support Services	46,000	46,000	57,049	(11,049)
Improvement of Instruction	43,525	108,386	96,863	11,523
Educational Media Services	81,855	81,855	82,656	(801)
Board/Legal	14,657	14,357	11,913	2,444
District Treasurer Services	6,688	6,688	6,931	(243)
Principal's Office	279,903	280,203	280,339	(136)
Special Education Administration and Office of the Superintendant	558,067	558,067	550,268	7,799
Fiscal Services	20,332	20,332	19,177	1,155
Maintenance of Plant	328,829	314,829	274,424	40,405
Pupil Transportation	104,828	159,244	164,944	(5,700)
Technical Support Services	81,611	73,111	69,043	4,068
Food Service	31,400	140,977	96,083	44,894
EEE Expenditures	<u>22,031</u>	<u>15,548</u>	<u>4,280</u>	<u>11,268</u>
 TOTAL EXPENDITURES	 <u>4,389,639</u>	 <u>4,653,026</u>	 <u>4,484,761</u>	 <u>168,265</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ (90,430)</u>	 <u>\$ (90,430)</u>	 <u>\$ 11,948</u>	 <u>\$ 102,378</u>

See Accompanying Notes to Basic Financial Statements.

Hyde Park Town School District
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.2301%	0.2331%	0.2217%	0.2420%
State's proportionate share of the net pension liability (asset) associated with the District	<u>3,012,663</u>	<u>2,765,125</u>	<u>2,124,834</u>	<u>2,446,450</u>
Total	<u>\$ 3,012,663</u>	<u>\$ 2,765,125</u>	<u>\$ 2,124,834</u>	<u>\$ 2,446,450</u>
District's covered-employee payroll	<u>\$ 1,116,434</u>	<u>\$ 1,299,728</u>	<u>\$ 1,256,709</u>	<u>\$ 1,363,864</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 3 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.

Hyde Park Town School District

ADDITIONAL REPORTS

June 30, 2017



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

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

Members of the School Board
Hyde Park Town School District
Hyde Park, 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 Hyde Park Town School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Hyde Park Town School District basic financial statements, and have issued our report thereon dated October 24, 2017.

Internal Control Over Financial Reporting

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

Kittell Brannen & Sargent

St. Albans, Vermont
October 24, 2017