

Johnson Town School District
BASIC FINANCIAL STATEMENTS
June 30, 2016

Johnson Town School District
TABLE OF CONTENTS
June 30, 2016

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	
MANAGEMENT’S DISCUSSION AND ANALYSIS	
BASIC FINANCIAL STATEMENTS:	
District-Wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	5
Statement of Net Position - Fiduciary Funds	8
Notes to Basic Financial Statements	9
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund	35
Schedule of Proportionate Share of the Net Pension Liability – VMERS	37
Schedule of Proportionate Share of the Net Pension Liability – VSTRS	38
ADDITIONAL REPORTS:	<u>Report</u>
Independent Auditor’s Report on Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	1



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

INDEPENDENT AUDITOR'S REPORT

To the School Board
Johnson, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the aggregate remaining fund information of Johnson Town School District, as of and for the year ended June 30, 2016, 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, and the aggregate remaining fund information of the Johnson Town School District, as of June 30, 2016, 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 Discussion and Analysis, the budgetary comparison information on pages 35-36 and the Schedules of Proportionate Share of the Net Pension Liability for VMERS and VSTRS on pages 37 and 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Johnson Town School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016, on our consideration of the Johnson 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 Johnson Town School District's internal control over financial reporting and compliance.



Johnson Town School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Our discussion and analysis of Johnson School District financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. 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:

- 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.

Johnson Town School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

- 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:

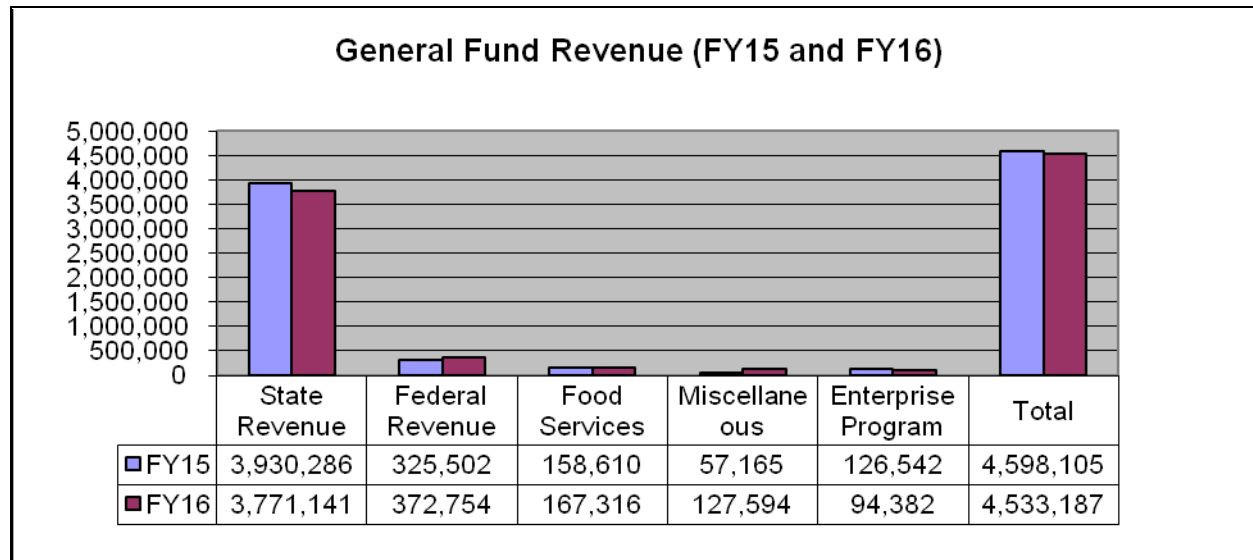
ASSETS & DEFERRED OUTFLOWS			
	FY15	FY16	% Change
Current Assets	\$ 1,717,700	\$ 1,322,359	-23%
Capital Assets	\$ 2,798,203	\$ 3,173,562	13%
Deferred Outflows	<u>\$ 34,466</u>	<u>\$ 52,273</u>	52%
TOTAL ASSETS	<u>\$ 4,550,369</u>	<u>\$ 4,548,194</u>	0%

LIABILITIES AND DEFERRED INFLOWS			
	FY15	FY16	% Change
Current Liabilities	\$ 384,823	\$ 377,451	-2%
Long-Term Liabilities	\$ 1,381,280	\$ 1,253,147	-9%
Deferred Inflows	<u>\$ 21,613</u>	<u>\$ -</u>	-100%
TOTAL LIABILITIES	<u>\$ 1,787,716</u>	<u>\$ 1,630,598</u>	-9%

NET POSITION			
	FY15	FY16	% Change
Invested in Capital (net of related debt)	\$ 2,318,344	\$ 2,508,177	8%
Unreserved	<u>\$ 444,309</u>	<u>\$ 409,419</u>	-8%
TOTAL NET POSITION	<u>\$ 2,762,653</u>	<u>\$ 2,917,596</u>	6%

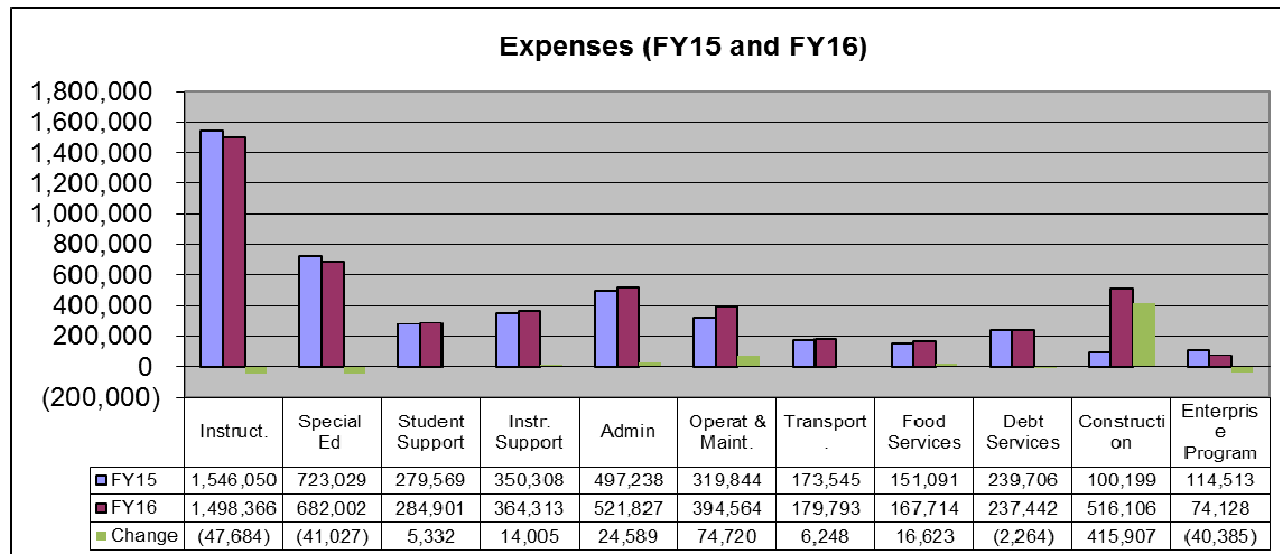
Johnson Town School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

FY16 Revenues



Revenues for FY16 were less than expenditures by \$387,969 with the most significant variance in funds coming from state revenues. During FY15 there was \$1,115,000 bond proceed issued after a successful bond vote for construction and renovation. Unlike previous bond issuances, now the Vermont Bond Bank holds the funds in escrow of sorts instead of issuing the total amount for the school to hold and invest. The school must then submit reimbursement requests to access the funds after monies have been spent for the specified purposes.

FY16 Expenditures



FY16 expenditures were higher than FY15 expenditures by \$10,157, excluding bond construction expenses. Increased expenses in Operations & Maintenance, Administrative and Instruction Support were mostly offset by savings found in Instruction and Special Education.

Johnson Town School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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 – 6/30/15 (Without Bond Proceeds)	Excess (Deficiency) of Revenues over Expenses & Transfers	Fund Balance – 6/30/16 (Without Bond Proceeds)
\$508,247	\$52,992	\$561,239

At the end of the fiscal year, the district has a positive fund balance of \$1,134,908. However, of that total, \$573,669 is committed for construction, \$41,536 is committed for FY2017 expenditures, \$307,281 is committed for future expenditures, \$45,242 is committed for Food Services and \$54,999 is committed for BTB. \$3,290 is considered non-spendable to cover inventory and prepaid expenses, leaving a \$108,891 fund balance as unassigned.

Capital Assets:

As required under Governmental Accounting Standards Board #34, the District is reporting its capital assets as part of the financial statements

Description	Fund Bal. - 6/30/15	Increase/Decrease	Fund Bal. - 6/30/16
CIP	\$14,580	\$54,210	\$68,790
Land	\$15,180	\$0	\$15,180
Depreciable Assets	\$5,163,433	\$451,315	\$5,614,748
Accumulated Depreciation	-\$2,394,990	-\$130,166	-\$2,525,156
Capital Assets Net	\$2,798,203	\$375,359	\$3,173,562

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. The Report details the status of the District's net capital assets.

Long-Term Debt:

The District has two categories of long-term debt, defined as Bonds Payable and termination benefits payable. Note 5 speaks to the long term bonded debt.

- As of June 30, 2016, the District had \$190,000 in one outstanding bond, which was for an addition and renovation to the Johnson Elementary School. Bond principal and interest are being paid from the General Fund.

Bond Type	Original Amount	6/30/15 Balance	FY '16 Payment	Final 06/30/16 Balance	Final Pay. Date
School Addition & Renovation	\$3,850,000	\$380,000	\$190,000	\$190,000	12/1/2016

Johnson Town School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

With the knowledge that building needs since last construction have increased, the school board decided to put a new bond before the voters. The voters agreed to a new \$1,115,000 bond to begin in FY15 for necessary renovation and repairs. Principal payments of \$85,769 are not to commence until after the current bonded debt is retired by the end of FY17.

Bond Type	Original Amount	6/30/15 Principal Balance	FY '16 Payment	Final 06/30/16 Balance	Final Pay. Date
School Addition & Renovation	\$1,115,000	\$1,115,000	\$0.00	\$1,115,000	12/1/2030

2. At June 30, 2016, the District had \$66,124 in termination benefits payable. This payable was from accrued employee sick leave that is covered under the teacher's union contract, support staff agreement and principal contract.
3. On July 1, 2014, the district began reporting the prorated portion of net pension liability to Support Staff belonging to VMERS. Contributions by the District for this plan by June 30, 2016 were \$21,208 while the District's portion of the Net Pension Liability for the plan was \$72,023.

Current Issues:

- Management: In September 2016, the LNSU hired a new superintendent.
- 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, had been delayed until July 1, 2014. However, this was delayed for the LNSU due to lack of a negotiated agreement with the union addressing some consolidation issues. 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 are difficult. 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. Johnson Elementary School District along with Belvidere Central School District, Eden Central School District, and Hyde Park Elementary School District voted to consolidate into one school district. Waterville Elementary School District and Cambridge Elementary School District voted to not participate in the consolidation. Effective July 1, 2017, Johnson Elementary School will operate as a member of the Lamoille North Modified Unified Union School District.
- Enrollment: Until FY15, the Johnson School District has been experiencing a slight increase trend in student enrollment. Overall, enrollment has stayed somewhat stable and is still significantly larger than eight years ago. Johnson's equalized pupil count (EPC) that includes both elementary and secondary students, is weighted for poverty, other factors, and is the basis for the tax rate.

FY 2008	FY 2009	FY 2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
364.93	437.23	445.21	447.77	447.54	447.94	454.49	445.46	441.39

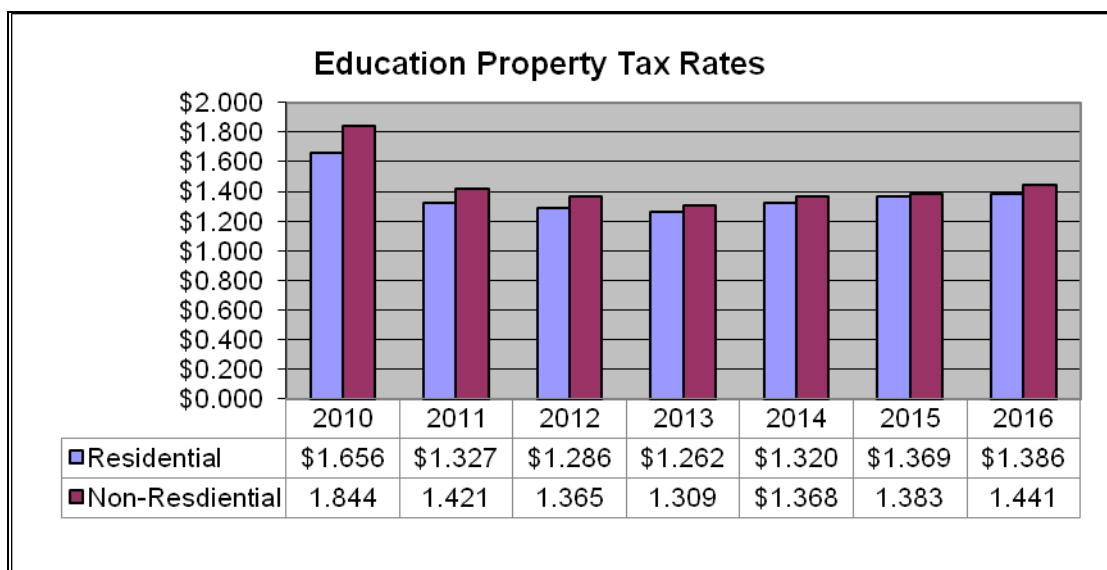
Johnson Town School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Since the EPC is used to calculate the District's property tax rate, a decreasing EPC means an increasing property tax rate. Inversely, an increasing EPC decreases tax rates.

- **Physical Plant:** Since construction and renovation 15 years ago, much of the physical plant has been in relatively good shape. Unfortunately, over the past six years fatigue appears to have occurred in HVAC pipes and pitting of the metal as well as failure of some valves have caused water damage to the facility. In the immediate future, it will become necessary to secure engineering expertise to advise on replacement of the pipes. Additionally, roof, parking surface, stage and other aspects of the aging facility need to be addressed. With this in mind, the district had a successful bond vote to allow work to commence in FY15.
- **Poverty:** Children qualifying for Free & Reduced lunches have reached a high of 75.86% during FY 12. In FY15, we began a 100% free lunch program where all children receive free lunch due to the high percentage of poverty. This program continued through FY16.
- **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 value increases, the CLA goes down until a locale does a property reassessment and this has the effect of increasing the property tax rate. A slowing economy started in the fall of 2008 but since the CLA is factored over a three year average, poor sales continue to be reflected in the CLA.

Common Level of Appraisal C.L.A. FY09:	76.72%
Common Level of Appraisal C.L.A. FY10:	73.21%
Common Level of Appraisal C.L.A. FY11:	95.01% (Result of Reappraisal)
Common Level of Appraisal C.L.A. FY12:	99.64%
Common Level of Appraisal C.L.A. FY13:	105.44%
Common Level of Appraisal C.L.A. FY14:	105.24%
Common Level of Appraisal C.L.A. FY15:	109.56%
Common Level of Appraisal C.L.A. FY16:	106.52%

Since FY10 the effect of the Common Level of Appraisal (Vermont's adjustment factor to bring a town's appraised values to fair market values) on Johnson's final tax rate and efforts to keep budget increases down, has greatly affected taxes as evidenced in the next chart.



Johnson Town School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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

Johnson Town School District
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
June 30, 2016

ASSETS AND DEFERRED OUTFLOWS

	Governmental Activities
CURRENT ASSETS	
Cash	\$ 486,253
Restricted cash	639,615
Accounts receivable	25,627
Due from LNSU	167,016
Due from Other Funds	558
Inventory	321
Prepaid expenses	2,969
TOTAL CURRENT ASSETS	<u>1,322,359</u>
CAPITAL ASSETS, net	<u>3,173,562</u>
DEFERRED OUTFLOWS	<u>52,273</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 4,548,194</u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	\$ 151,788
Accrued salaries and taxes	35,663
Current portion bonds payable	190,000
TOTAL CURRENT LIABILITIES	<u>377,451</u>
LONG-TERM LIABILITIES	
Termination benefits payable	66,124
Net pension liability	72,023
Bonds payable	1,115,000
TOTAL LONG-TERM LIABILITIES	<u>1,253,147</u>
TOTAL LIABILITIES	<u>1,630,598</u>
NET POSITION	
Net investment in capital assets	2,508,177
Unrestricted	409,419
TOTAL NET POSITION	<u>2,917,596</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 4,548,194</u>

See Accompanying Notes to Basic Financial Statements.

Johnson Town School District
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Revenues	Capital Grants and Revenues	Governmental Activities
Governmental activities:					
Instruction Services	\$ 1,387,114	\$ -	\$ 3,488,959	\$ -	\$ 2,101,845
Instruction Services - Auxiliary	150,906	-	23,199	-	(127,707)
Pre-School Program	41,378	-	-	-	(41,378)
Special Education	642,684	-	541,852	-	(100,832)
Psychological Services	39,672	-	-	-	(39,672)
Physical Therapy	9,399	-	-	-	(9,399)
Guidance Services	160,484	-	-	-	(160,484)
Health Services	76,032	-	-	-	(76,032)
Speech Services	100,561	-	-	-	(100,561)
Educational Media Service	128,208	-	-	-	(128,208)
Board/Fiscal/Audit	12,692	-	-	-	(12,692)
Superintendent's Office	250,729	-	-	-	(250,729)
Principal's Office	256,501	-	-	-	(256,501)
Fiscal Services - Treasurer	6,095	-	-	-	(6,095)
Maintenance of Plant	325,500	-	-	-	(325,500)
Enterprise Program	73,934	-	157,733	-	83,799
Pupil Transportation	218,698	-	70,354	-	(148,344)
Food Service	167,714	7,669	176,865	-	16,820
Technology Service	27,949	-	-	-	(27,949)
Interest Expense	47,442	-	-	-	(47,442)
EEE Expenditure	42,428	-	-	-	(42,428)
Construction Costs	43,855	-	-	-	(43,855)
Depreciation - unallocated	165,955	-	-	-	(165,955)
Total governmental activities	<u>\$ 4,375,930</u>	<u>\$ 7,669</u>	<u>\$ 4,458,962</u>	<u>\$ -</u>	<u>90,701</u>
General revenues:					
Unrestricted investment earnings					18,018
Miscellaneous					<u>46,224</u>
Total general revenues					<u>64,242</u>
Change in Net Position					154,943
Net position, beginning					<u>2,762,653</u>
Net position, ending					<u>\$ 2,917,596</u>

See Accompanying Notes to Basic Financial Statements.

Johnson Town School District
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	Governmental Fund Types		
	General Fund	Capital Projects Fund	Total
<u>ASSETS</u>			
ASSETS			
Cash	\$ 486,253	\$ -	\$ 486,253
Restricted cash	-	639,615	639,615
Accounts Receivable	25,627	-	25,627
Due from LNSU	167,016	-	167,016
Inventory	321	-	321
Prepaid Expenses	2,969	-	2,969
Due to Other Funds	558	-	558
	<u>558</u>	<u>-</u>	<u>558</u>
 TOTAL CURRENT ASSETS	 \$ 682,744	 \$ 639,615	 \$ 1,322,359
	<u>682,744</u>	<u>639,615</u>	<u>1,322,359</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts Payable	\$ 85,842	\$ 65,946	\$ 151,788
Accrued Salaries and Taxes	35,663	-	35,663
	<u>35,663</u>	<u>-</u>	<u>35,663</u>
 TOTAL LIABILITIES	 121,505	 65,946	 187,451
	<u>121,505</u>	<u>65,946</u>	<u>187,451</u>
 FUND BALANCES			
Nonspendable Fund Balance	3,290	-	3,290
Committed Fund Balance	449,058	573,669	1,022,727
Unassigned Fund Balance	108,891	-	108,891
	<u>108,891</u>	<u>-</u>	<u>108,891</u>
 TOTAL FUND BALANCE	 561,239	 573,669	 1,134,908
	<u>561,239</u>	<u>573,669</u>	<u>1,134,908</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 682,744	 \$ 639,615	 \$ 1,322,359
	<u>682,744</u>	<u>639,615</u>	<u>1,322,359</u>

See Accompanying Notes to Basic Financial Statements.

Johnson Town School District
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

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

Total fund balances - governmental funds \$ 1,134,908

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	5,698,718
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Accumulated Depreciation	(2,525,156)
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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	(1,305,000)
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Net Pension Liability	(72,023)
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Retirement Benefits Payable	(66,124)
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Deferred outflows of resources represent the consumption of net position that
is applicable to a future reporting period and therefore not reported as
assets in the funds.

	<u>52,273</u>
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Total net position - governmental activities **\$ 2,917,596**

See Accompanying Notes to Basic Financial Statements.

Johnson Town School District
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Governmental Fund Types		
	General Fund	Capital Projects Fund	Total
REVENUES			
Interest Income	\$ 17,874	\$ 145	\$ 18,019
State Revenues	3,771,141	-	3,771,141
Federal Revenue	390,614	-	390,614
Food Service	167,316	-	167,316
Enterprise Program	94,382	-	94,382
Medicaid Reimbursement	45,541	-	45,541
Miscellaneous	46,174	-	46,174
TOTAL REVENUES	4,533,042	145	4,533,187
EXPENDITURES			
Instruction Services	1,289,960	-	1,289,960
Instruction Services - Auxiliary	150,906	-	150,906
Pre-School Program	42,500	-	42,500
Art Program	15,000	-	15,000
Special Education	642,684	-	642,684
Psychological Services	39,672	-	39,672
Occupational Services	30	-	30
Physical Therapy	9,399	-	9,399
Co-Curricular Activities	575	-	575
Guidance Services	160,484	-	160,484
Health Services	76,032	-	76,032
Speech Services	100,561	-	100,561
Improvement of Instruction	67,400	-	67,400
Educational Media Service	47,810	-	47,810
Board/Fiscal/Audit	12,692	-	12,692
Superintendent's Office	250,729	-	250,729
Principal's Office	256,501	-	256,501
Fiscal Services - Treasurer	1,905	-	1,905
Maintenance of Plant	394,564	-	394,564

See Accompanying Notes to Basic Financial Statements.

Johnson Town School District
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Governmental Fund Types		
	General Fund	Capital Projects Fund	Total
EXPENDITURES (continued)			
Pupil Transportation	179,793	-	179,793
Food Service	167,714	-	167,714
Technology Service	147,251	-	147,251
Debt Service	237,442	-	237,442
Enterprise Program	74,128		74,128
Construction Costs	-	516,106	516,106
EEE Expenditure	39,318	-	39,318
TOTAL EXPENDITURES	4,405,050	516,106	4,921,156
EXCESS (DEFICIENCY) OF EXPENDITURES OVER/(UNDER) REVENUES	127,992	(515,961)	(387,969)
OTHER FINANCING SOURCES			
Transfer In/(Out)	(75,000)	75,000	-
NET CHANGE IN FUND BALANCE	52,992	(440,961)	(387,969)
FUND BALANCE, Beginning of Year	508,247	1,014,630	1,522,877
FUND BALANCE, End of Year	\$ 561,239	\$ 573,669	\$ 1,134,908

See Accompanying Notes to Basic Financial Statements.

Johnson Town School District
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

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

Total net change in fund balances - governmental funds	\$ (387,969)
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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	(165,955)
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Capital Outlays	541,314
-----------------	---------

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:

Retirement Benefits Accrued	(3,164)
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Retirement Benefits Paid	6,309
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Pension Expense	(25,592)
-----------------	----------

Issuance and repayment of long-term debt are revenue and expenditures in the governmental
funds, but the issuance and repayment increase and decrease long-term liabilities in the
statement of net position.

Bond Payments	<u>190,000</u>
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Change in net position of governmental activities	<u>\$ 154,943</u>
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See Accompanying Notes to Basic Financial Statements.

Johnson Town School District
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
June 30, 2016

	Fiduciary Fund Types		
	Nonexpendable Trust Fund	Agency Fund	Total
<u>ASSETS</u>			
ASSETS			
Cash	\$ -	\$ 24,384	\$ 24,384
Due from Other Funds	<u>3,667</u>	<u>-</u>	<u>3,667</u>
 TOTAL CURRENT ASSETS	 <u>\$ 3,667</u>	 <u>\$ 24,384</u>	 <u>\$ 28,051</u>
 <u>LIABILITIES AND NET POSITION</u>			
LIABILITIES			
Due to Other Funds	\$ -	\$ 4,225	\$ 4,225
Due to Student Groups and Others	<u>3,667</u>	<u>20,159</u>	<u>23,826</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 3,667</u>	 <u>\$ 24,384</u>	 <u>\$ 28,051</u>

See Accompanying Notes to Basic Financial Statements.

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

All operations of the School District are controlled by a five member Board of Trustees, 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 Board of Trustees. 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. The District is a member of Lamoille North Supervisory Union (LNSU) from which it receives superintendent and business services.

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 expenses of a given program are 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.

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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 special revenue fund accounts for various state and federal grants
- * 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 capital projects fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the School District.

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).

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 district's policy to use the fund balance in the following order, (1) Committed, (2) Assigned, (3) Unassigned.

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 financial funds or 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.

- * During January of each year, the School District Superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- * Copies of the proposed budget are made available for public inspection and review by the patrons of the School District. During March of each year a public hearing is held prior to Town Meeting day to discuss the budget.
- * The budget is voted on by taxpayers at Town Meeting in the month of March.

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- * Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the Superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Vermont State law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- * Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

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.

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).

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.

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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 as 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

Property taxes are assessed each April 1st and are billed on or near July 1st. The tax payments are due in four equal installments on August 10th, November 10th, February 10th and May 10th. The Town prepares the bills and collects all taxes and then remits them to the School District.

Government Wide Net-Assets

Government-wide net position are 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".

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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 classification.

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, 2016 consisted of the following:

	Book Balance	Bank Balance
Insured (FDIC)	\$ 525,717	\$ 526,340
Right to off-set by debt	314,442	314,442
Uninsured	<u>310,093</u>	<u>812,833</u>
 TOTAL	 <u>\$ 1,150,252</u>	 <u>\$ 1,653,615</u>

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

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 15,180	\$ -	\$ -	\$ 15,180
Construction in Progress	14,580	54,210	-	68,790
Total capital assets not being depreciated	<u>29,760</u>	<u>54,210</u>	<u>-</u>	<u>83,970</u>
Capital assets, being depreciated				
Land Improvements	24,702	62,611	-	87,313
Buildings and Improvements	4,775,380	418,040	-	5,193,420
Furniture and Equipment	<u>363,351</u>	<u>6,453</u>	<u>(35,789)</u>	<u>334,015</u>
Total capital assets, being depreciated	<u>5,163,433</u>	<u>487,104</u>	<u>(35,789)</u>	<u>5,614,748</u>
Accumulated depreciation for				
Land Improvements	(24,701)	(5,819)	-	(30,520)
Buildings and Improvements	(2,107,018)	(132,963)	-	(2,239,981)
Furniture and Equipment	<u>(263,271)</u>	<u>(27,173)</u>	<u>35,789</u>	<u>(254,655)</u>
Total accumulated depreciation	<u>(2,394,990)</u>	<u>(165,955)</u>	<u>35,789</u>	<u>(2,525,156)</u>
Total capital assets, being depreciated, net	<u>2,768,443</u>	<u>321,149</u>	<u>-</u>	<u>3,089,592</u>
Governmental activities capital assets, net	<u>\$ 2,798,203</u>	<u>\$ 375,359</u>	<u>\$ -</u>	<u>\$ 3,173,562</u>

NOTE 4 SHORT-TERM DEBT

Short term debt consisted of the following at June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Revenue Anticipation Note (2.8%)	<u>\$ -</u>	<u>\$ 485,278</u>	<u>\$ (485,278)</u>	<u>\$ -</u>

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 LONG-TERM DEBT

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Principal Reduction</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Vermont Municipal Bond Bank, annual principal payments of \$190,000 in 2007-2016 and interest due semi-annually, various interest rates, currently at 5.693%, matures December 2016.	\$ 380,000	\$ -	\$ 190,000	\$ 190,000	\$ 190,000
Vermont Municipal Bond Bank, annual principal payments of \$85,769 in 2018-2030 and interest due semi-annually, various interest rates, currently at 3.115%, matures December 2029.	<u>1,115,000</u>	<u>-</u>	<u>-</u>	<u>1,115,000</u>	<u>-</u>
	<u>\$ 1,495,000</u>	<u>\$ -</u>	<u>\$ 190,000</u>	<u>\$ 1,305,000</u>	<u>\$ 190,000</u>

Anticipated maturities of Bonds payable are as follows:

<u>Maturities of Bonds Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Savings Allocation</u>	<u>Total</u>
2017	\$ 190,000	\$ 37,325	\$ (11,060)	\$ 216,265
2018	85,769	30,986	-	116,755
2019	85,769	29,736	-	115,505
2020	85,769	28,164	-	113,933
2021	85,769	26,270	-	112,039
2022-2026	428,846	94,961	-	523,807
2027-2030	<u>343,077</u>	<u>24,683</u>	<u>-</u>	<u>367,760</u>
	<u>\$ 1,305,000</u>	<u>\$ 272,125</u>	<u>\$ (11,060)</u>	<u>\$ 1,566,065</u>

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 TERMINATION BENEFITS

Teachers

Upon termination of employment, teachers with at least 10 years of service to the District as a teacher shall be paid \$60 for each day of accumulated but unused medical leave in excess of 50 days, up to a maximum of 60 days, or \$3,600. However, if the termination is the result of retirement, and the teacher had 15 years or more of service to the District as a teacher, then payment will be at a rate of \$100 per day of unused medical leave in excess of 50 days, up to a maximum of 70 days, or \$7,000.

Classified (non-teaching) staff

Upon leaving employment with the District, all classified staff shall be paid at their current rate for unused vacation time up to three times the annual accrual rate; and all classified staff with at least 10 years of service shall be paid for unused medical leave in excess of 50 days at 50% of their current rate. The maximum to be paid is \$3,000 with at least 10 years of service, \$4,500 with at least 15 years of service and \$6,000 with at least 20 years of service. Non-exempt staff shall also be paid for any unused compensatory time at their current hourly rate.

Principal

Upon termination or non-renewal of the Principal's contract, the Principal shall be paid for any unused vacation days, up to a maximum of 40, at the current salary based on 260 work days. The Principal shall also be paid for unused sick leave up to 20 days.

The total amount of these termination benefits accumulated as of June 30, 2016 is \$66,124.

	06/30/15 Balance	Additions	Principle Reductions	06/30/16 Balance
Termination Benefits	\$ 69,269	\$ 3,164	\$ (6,309)	\$ 66,124

NOTE 7 TEACHERS RETIREMENT (VMERS)

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 provide Johnson Town School District's proportional share of the overall amounts of the VMERS plan. Johnson Town School District's portion has been allocated based on Johnson Town School District's proportional share of employer contributions to the total contributions to VMERS 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 Johnson Town School District's reporting date (June 30, 2016) and for the Johnson Town School District's reporting period (the year ended June 30, 2016). 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, 2016, the State has chosen to use the end of the prior fiscal year (June 30, 2015) as the measurement date, and the year ended June 30, 2015 as the measurement period.

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 TEACHERS RETIREMENT (VMERS) (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, 2014, to the measurement date of June 30, 2015.

Schedule A – Employers' Allocation as of June 30, 2014

Fiscal Year Ended June 30, 2014				
Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 9,906	0.07680%	\$ 417,514	\$ 410,505	\$ 7,009

Fiscal Year Ended June 30, 2014			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Increase (8.95% Disc Rate)
\$ 945	\$ (21,613)	\$ 59,047	\$ (36,649)

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

Fiscal Year Ended June 30, 2015				
Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 13,059	0.09342%	\$ 572,668	\$ 500,644	\$ 72,023

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)
\$ 36,199	\$ -	\$ 143,862	\$ 11,802

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 TEACHERS RETIREMENT (VMERS) (continued)

Schedule C – Employers' Allocation of Pension Amounts as of June 30, 2015

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
0.09342%	\$ 72,023	\$ 2,277	\$ 14,343	\$ -	\$ 13,914	\$ 5,665	\$ 36,199

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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

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
\$ 19,730	\$ 1,475	\$ 21,206

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 TEACHERS RETIREMENT (VMERS) (continued)

Schedule D – Employers’ Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2015

Fiscal Year Ending					
2016	2017	2018	2019	2020	Thereafter
\$ 7,466	\$ 7,466	\$ 7,466	\$ 13,802	\$ -	\$ -

Schedule E – Contribution History for Fiscal Years 2013-2015

FY 2015	FY 2014	FY 2013
\$ 13,059	\$ 9,906	\$ 8,829

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 Vermont Municipal Employees’ Retirement System (VMERS) or its participating employers. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont’s Comprehensive Annual Financial Report (CAFR). The CAFR 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 Municipal Employees’ Retirement System is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution’s operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2015, the retirement system consisted of 436 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

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

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

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 TEACHERS RETIREMENT (VMERS) (continued)

Summary of System Provisions

Membership	Full time employees of participating municipalities. Municipality elects coverage under Groups A, B, C or D provisions.
Creditable service	Service as a member plus purchased service.
Average Final Compensation (AFC)	<p>Group A – average annual compensation during highest 5 consecutive years</p> <p>Groups B and C – average annual compensation during highest 3 consecutive years.</p> <p>Group D – average annual compensation during highest 2 consecutive years.</p>
Service Retirement Allowance	
Eligibility	<p>Group A – The earlier of age 65 with 5 years of service or age 55 with 35 years of service.</p> <p>Group B – The earlier of age 62 with 5 years of service or age 55 with 30 years of service.</p> <p>Groups C and D – Age 55 with 5 years of service.</p>
Amount	<p>Group A – 1.4% of AFC x service</p> <p>Group B – 1.7% of AFC x service as Group B member plus percentage earned as Group A member x AFC</p> <p>Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC</p> <p>Group D – 2.5% of AFC x service as a Group D member plus percentage earned as a Group A, B or C member x AFC</p> <p>Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. The above amounts include the portion of the allowance provided by member contributions.</p>

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 TEACHERS RETIREMENT (VMERS) (continued)

Early Retirement Allowance

Eligibility	Age 55 with 5 years of service for Groups A and B; age 50 with 20 years of service for Group D.
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Group A and B member, and payable without reduction to Group D members.

Vested Retirement Allowance

Eligibility	5 years of service.
Amount	Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on "Post-Retirement Adjustments" described below.

Disability Retirement Allowance

Eligibility	5 years of service and disability as determined by Retirement Board.
Amount	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

Death Benefit

Eligibility	Death after 5 years of service.
Amount	<p>For Groups A, B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as a date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.</p> <p>Optional Benefit and Death after Retirement for Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint or survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.</p>

Refund of Contribution

Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 TEACHERS RETIREMENT (VMERS) (continued)

Post-Retirement Adjustments	Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but not more than 2% for Group A and 3% for Groups B, C and D.
Member Contributions	Group A – 2.5% effective July 1, 2000 (reduced from 3.0%). Group B – 4.75% effective July 1, 2014 (increased from 4.625%). Group C – 9.625% effective July 1, 2014 and 9.75% effective January 1, 2015 (increased from 9.5%). Group D – 11.25% effective July 1, 2014 (increased from 11.25%).
Employer Contributions	Group A – 4.0% Group B – 5.375% (changed from 5.125%) effective July 1, 2014 Group C – 6.875% from July 1, 2014 to December 31, 2014 (changed from 6.625% and then 7.0% effective January 1, 2015) Group D – 9.75% effective July 1, 2014 (increased from 9.625%)
Retirement Stipend	\$25 per month payable at the option of the Board of retirees.

Significant Actuarial Assumptions and Methods

Interest Rate: 7.95% per annum. Through July 1, 2014 a select-and-ultimate interest rate set was used, as specified below. The interest rate set was restarted every year:

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

Salary Increases: 5% per year

Deaths:

Active participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 TEACHERS RETIREMENT (VMERS) (continued)

Non-disabled retirees and terminated vested participants - The 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females

Disabled retirees – RP-2000 Disabled Life Tables

Beneficiaries – 1995 Buck Mortality Tables for males and females

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

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D.

Actuarial Cost Method: Entry Age Normal- Level Percentage of Pay.

Asset Valuation Method (for funding purposes): A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

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.

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. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity	8.61%
Fixed Income	1.91%
Alternatives	6.93%
Multi-strategy	4.88%

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 TEACHERS RETIREMENT (VMERS) (continued)

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%

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. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

The following presents the entity's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

1% Decrease (6.95%)	Discount Rate (7.95%)	1% Increase (8.95%)
\$ 143,862	\$ 72,023	\$ 11,802

NOTE 8 TEACHERS' RETIREMENT (VSTRS)

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 Johnson Town School District's proportional share of the overall amounts of the Vermont State Teachers' Retirement System (VSTRS) plan. Johnson Town School District's portion has been allocated based on Johnson 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 Johnson Town School District's reporting date (June 30, 2016) and for Johnson Town School District's reporting period (the year ended June 30, 2016). 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, 2016, the State has chosen to use the end of the prior fiscal year (June 30, 2014) as the measurement date, and the year ended June 30, 2014 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, 2013, to the measurement date of June 30, 2014.

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 TEACHERS' RETIREMENT (VSTRS) (continued)

Schedule A – Employers' Allocation as of June 30, 2014

Fiscal Year Ended June 30, 2014				
Reported Salaries	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 1,139,510	0.20102%	\$ 5,354,843	\$ 3,428,168	\$ 1,926,675

Fiscal Year Ended June 30, 2014			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (7.15% Disc Rate)	Net Pension Liability 1% Increase (9.15% Disc Rate)
\$ -	\$ (352,591)	\$ 2,530,324	\$ 1,419,951

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

Fiscal Year Ended June 30, 2015				
Portion of State Contribution	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 141,060	0.19347%	\$ 5,493,951	\$ 3,198,364	\$ 2,295,587

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)
\$ 197,875	\$ (169,096)	\$ 2,914,983	\$ 1,775,971

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 TEACHERS' RETIREMENT (VSTRS) (continued)

Schedule C – Employers' Allocation of Pension Amounts as of June 30, 2015

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
0.19347%	\$ 2,295,587	\$ 29,025	\$ 83,419	\$ -	\$ 85,430	\$ -	\$ 197,875

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
\$ -	\$ -	\$ -	\$ -	\$ (169,096)	\$ (169,096)

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
\$ 203,226	\$ (74,622)	\$ 128,604

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 TEACHERS' RETIREMENT (VSTRS) (continued)

Schedule D – Employer's Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2015

Fiscal Year Ending June 30,					
2016	2017	2018	2019	2020	Thereafter
\$ (27,109)	\$ (27,109)	\$ 27,661	\$ 55,335	\$ -	\$ -

Schedule E – Covered Payroll

FY 2015	FY 2014
\$ 1,079,025	\$ 1,139,510

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](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, 2015, 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

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 TEACHERS' RETIREMENT (VSTRS) (continued)

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:

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
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Member pays full premium	Member pays full premium	Member pays full premium
Employee Contributions	2.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14
Employer Contributions	Varies based on actuarial recommendation	Varies based on actuarial recommendation	Varies based on actuarial recommendation

* 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

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 TEACHERS' RETIREMENT (VSTRS) (continued)

Significant Actuarial Assumptions and Methods

The total pension liability as of June 30, 2015 was determined by rolling forward the total pension liability as of June 30, 2014 to June 30, 2015 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, 2010.

Interest Rate: 7.95% per annum. Through June 30, 2015, a select-and-ultimate interest rate set was used, as specified below. The interest rate set is restarted every year:

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

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

Age	Annual Rate of Salary Increase
25	8.40%
30	7.05%
35	6.15%
40	5.45%
45	4.95%
50	4.60%
55	4.35%
60	4.25%
64	4.25%

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.

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 TEACHERS' RETIREMENT (VSTRS) (continued)

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.

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: 344 members terminated on June 30, 2014 and retired on July 1, 2014 were included with a valuation status as members receiving benefits. 511 members who were active on June 30, 2014 and terminated on July 1, 2014, 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. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Equity	32.00%	8.61%
Fixed Income	35.00%	1.91%
Alternatives	17.00%	6.93%
Multi-strategy	16.00%	4.88%

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 TEACHERS' RETIREMENT (VSTRS) (continued)

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%.

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. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

The following presents the entity's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

1% Decrease (6.95%)	Discount Rate (7.95%)	1% Increase (8.95%)
\$ 1,506,647,377	\$ 1,186,504,853	\$ 917,933,969

During the year ended June 30, 2016 the state of Vermont contributed \$166,132 on behalf of Johnson Town School District.

NOTE 9 ASSESSMENTS

Supervisory Union Assessment

The District also pays for its proportionate share of expense relating to the Lamoille North Supervisory Union. The District paid \$251,749 of such expenses during the year ended June 30, 2016.

NOTE 10 NON-CASH TRANSACTIONS

The Johnson Town School District received Federal Commodities for use in food service in the amount of \$8,018 for the cost of shipping. 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 11 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, Johnson 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.

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 12 CONTINGENCY

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the School District's Independent Auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District Administration believes such disallowance, if any, would be immaterial.

NOTE 13 TRANSPORTATION CONTRACT COMMITMENTS

The School District has entered into the following multi-year student transportation contract:

	Minimum Annual Payment <u>FY 2017</u>
Lamoille Valley Transportation August 29, 2016 - June 30, 2017	\$ <u>178,858</u>

For each of the renewal period's annual base costs will be computed using the cumulative price index for state and local government purchases as of December 1st preceding the start of the contract year.

NOTE 14 FUND BALANCES

Nonspendable Fund Balances at June 30, 2016 are as follows:

General Fund:	
Reserved for Inventory	\$ 321
Reserved for Prepaid Expenses	<u>2,969</u>
Total	<u>\$ 3,290</u>

Committed Fund Balances at June 30, 2016 are as follows:

General Fund:	
Committed for FY17 Expenditures	\$ 186,694
Committed for Future Expenditures	162,123
Committed for Food Service	45,242
Committed for BTB	<u>54,999</u>
Total	<u>\$ 449,058</u>

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 14 FUND BALANCES (continued)

Capital Projects Fund:	
Committed for Construction	<u>\$ 573,669</u>

NOTE 15 OPERATING LEASE

The School District leases equipment under two separate operating lease agreements. The total rent expense for the year ended June 30, 2016 was \$10,403. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2016 for future years is as follow:

2017	\$ 8,240
2018	<u>4,371</u>
 TOTAL	 <u>\$ 12,611</u>

NOTE 16 INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual fund Interfund Receivable and Payable balances are as follows at June 30, 2016:

	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General Fund	\$ 558	\$ -
Student Agency Fund	-	4,225
Student Trust Funds	<u>3,667</u>	<u>-</u>
Total Fund Statement Balances	4,225	4,225
 Less: Trust Fund Balances	 (3,667)	 -
Less: Agency Fund Balances	<u>-</u>	<u>(4,225)</u>
 TOTAL GOVERNMENT WIDE BALANCES	 <u>\$ 558</u>	 <u>\$ -</u>

Johnson 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.

Johnson Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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 and Belvidere Town School District authorized the creation of a Unified School District, encompassing each of the districts. The pre-existing school districts will halt governance operations and cease to exist upon the close of business on June 30, 2017. All assets, debts, and liabilities of each district will be transferred to the Unified School District at the close of business on June 30, 2017.

NOTE 18 SUBSEQUENT EVENTS

On July 1, 2016, the School District took out a \$444,575 Tax Anticipation Note with Community National Bank. The note is due June 30, 2017 with a 2.80% interest rate.

In accordance with professional accounting standards, the School District has evaluated subsequent events through November 7, 2016, which is the date these basic financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2016, have been incorporated into these basic financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

Johnson Town School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
State Grants:				
Education Spending Grant	\$ 3,271,251	\$ 3,271,251	\$ 3,271,251	\$ -
Education Spending Grant - Transportation	70,354	70,354	70,354	-
Special Education Grant	482,000	482,000	410,432	(71,568)
VDH Grant	-	3,400	3,360	(40)
Essential Early Ed. & Early Ed. Initiative	34,137	34,136	15,744	(18,392)
Federal Grants:				
21st Century Grant	47,660	51,265	86,550	35,285
IDEA B Grant	27,260	79,184	72,449	(6,735)
Fruit and Vegetable Grant	-	18,410	17,218	(1,192)
School Improvement Grant	-	66,871	42,152	(24,719)
Consolidated Grant	183,820	215,192	172,245	(42,947)
Medicaid/EPSTD Reimbursement	38,000	39,232	45,541	6,309
Food Service	-	131,559	167,316	35,757
Enterprise Program	95,985	95,985	94,382	(1,603)
Interest Income	8,025	8,025	17,874	9,849
Miscellaneous	5,338	6,240	46,174	39,934
TOTAL REVENUES	4,263,830	4,573,104	4,533,042	(40,062)
EXPENDITURES				
Instruction Services	1,224,279	1,316,800	1,289,960	26,840
Instruction Services - Auxiliary	238,987	154,990	150,906	4,084
Pre-School Program	51,115	51,115	42,500	8,615
Art Program	15,000	15,000	15,000	-
Special Education	511,358	528,624	642,684	(114,060)
Co-Curricular Activities	3,250	3,250	575	2,675
Guidance Services	148,915	148,915	160,484	(11,569)
Health Services	78,980	80,212	76,032	4,180
Speech Services	45,150	47,464	100,561	(53,097)
Psychological Services	43,500	43,500	39,672	3,828
Occupational Therapy	-	-	30	(30)
Physical Therapy	38,896	38,896	9,399	29,497

See Accompanying Notes to Basic Financial Statements.

Johnson Town School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Improvement of Instruction	47,594	100,350	67,400	32,950
Educational Media Service	63,288	63,288	47,810	15,478
Board/Fiscal/Audit	76,060	76,060	12,692	63,368
Superintendent's Office	506,774	506,774	250,729	256,045
Principal's Office	263,114	263,114	256,501	6,613
Fiscal Services - Treasurer	1,605	1,605	1,905	(300)
Maintenance of Plant	332,408	332,408	394,564	(62,156)
Pupil Transportation	190,310	188,960	179,793	9,167
Food Service	5,280	155,249	167,714	(12,465)
Technology Service	101,902	150,467	147,251	3,216
Debt Service	239,251	239,251	237,442	1,809
Enterprise Program	95,985	95,985	74,128	21,857
Essential Early Ed. & Early Ed. Initiative	2,365	32,363	39,318	(6,955)
TOTAL EXPENDITURES	4,325,366	4,634,640	4,405,050	229,590
EXCESS/(DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(61,536)	(61,536)	127,992	189,528
OTHER FINANCING SOURCES				
Transfer (Out)	-	-	(75,000)	(75,000)
NET CHANGE IN FUND BALANCE	\$ (61,536)	\$ (61,536)	\$ 52,992	\$ 114,528

See Accompanying Notes to Basic Financial Statements.

Johnson Town School District
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY- VMERS
For the Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.0934%	0.0768%	0.0736%
District's proportionate share of the net pension liability (asset)	<u>\$ 72,023</u>	<u>\$ 7,009</u>	<u>\$ 26,780</u>
District's covered-employee payroll	<u>\$ 401,848</u>	<u>\$ 326,473</u>	<u>\$ 220,733</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	17.92%	2.15%	12.13%
Plan fiduciary net position as a percentage of the total pension liability	87.42%	98.32%	92.71%

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, 2016.

See Accompanying Notes to Basic Financial Statements.

Johnson Town School District
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY- VSTRS
For the Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.1935%	0.2010%	0.2227%
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>2,295,587</u>	<u>1,926,675</u>	<u>2,251,422</u>
Total	<u>\$ 2,295,587</u>	<u>\$ 1,926,675</u>	<u>\$ 2,251,422</u>
District's covered-employee payroll	<u>\$ 1,079,025</u>	<u>\$ 1,139,510</u>	<u>\$ 1,255,138</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%
Plan fiduciary net position as a percentage of the total pension liability	58.22%	64.02%	60.59%

Significant Actuarial Assumptions and methods are described in Note 8 to the financial statements. There were no changes in methods or assumptions during the year ended June 30, 2016.

See Accompanying Notes to Basic Financial Statements.

See Accompanying Notes to Basic Financial Statements.

ADDITIONAL REPORTS



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

Report 1

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*

To the School Board
Johnson, 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 Johnson Town School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Johnson Town School District's basic financial statements, and have issued our report thereon dated November 7, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Johnson Town School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Johnson Town School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Johnson Town School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johnson Town School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "K. Atwell Brannigan Esq. Sargent". The signature is written in dark ink and is positioned above the typed name and title.

St. Albans, Vermont
November 7, 2016