

Johnson Town School District  
BASIC FINANCIAL STATEMENTS  
June 30, 2017

Johnson Town School District  
TABLE OF CONTENTS  
June 30, 2017

	<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 Changes in Net Position	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	34
Schedule of Proportionate Share of the Net Pension Liability – VMERS	36
Schedule of Proportionate Share of the Net Pension Liability – VSTRS	37
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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the aggregate remaining fund information of the Johnson Town School District, as of June 30, 2017, 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 34-35 and the Schedules of Proportionate Share of the Net Pension Liability for VMERS and VSTRS on pages 36 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Going Concern*

As disclosed in Note 15, the voters of Belvidere Town School District, Eden Town School District, Hyde Park Town School District, Johnson Town School District, Lamoille Union High School District #18 and Waterville School District authorized the creation of a Unified School District, encompassing each of the districts. The pre-existing school districts halted governance operations and ceased to exist upon the close of business on June 30, 2017. All assets, debts, and liabilities of each district were transferred to the Unified School District as of June 30, 2017.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2017, on our consideration of the 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.



St. Albans, Vermont  
October 24, 2017

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2017. Please read it in conjunction with the District's financial statements.

### **Brief Discussion of the Basic Financial Statements:**

#### **Using This Annual Report**

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

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

#### **Reporting the District as a Whole**

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

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

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

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

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

**Analysis of Overall Financial Information:**

<b>ASSETS &amp; DEFERRED OUTFLOWS</b>				
---------------------------------------	--	--	--	--

	FY16		FY17	% Change
Current Assets	\$ 1,322,359	\$	1,207,667	-9%
Capital Assets	\$ 3,173,562	\$	3,042,210	-4%
Deferred Outflows	\$ 52,273	\$	95,887	83%
<b>TOTAL ASSETS</b>	<b>\$ 4,548,194</b>	<b>\$</b>	<b>4,345,764</b>	<b>-4%</b>

<b>LIABILITIES</b>				
--------------------	--	--	--	--

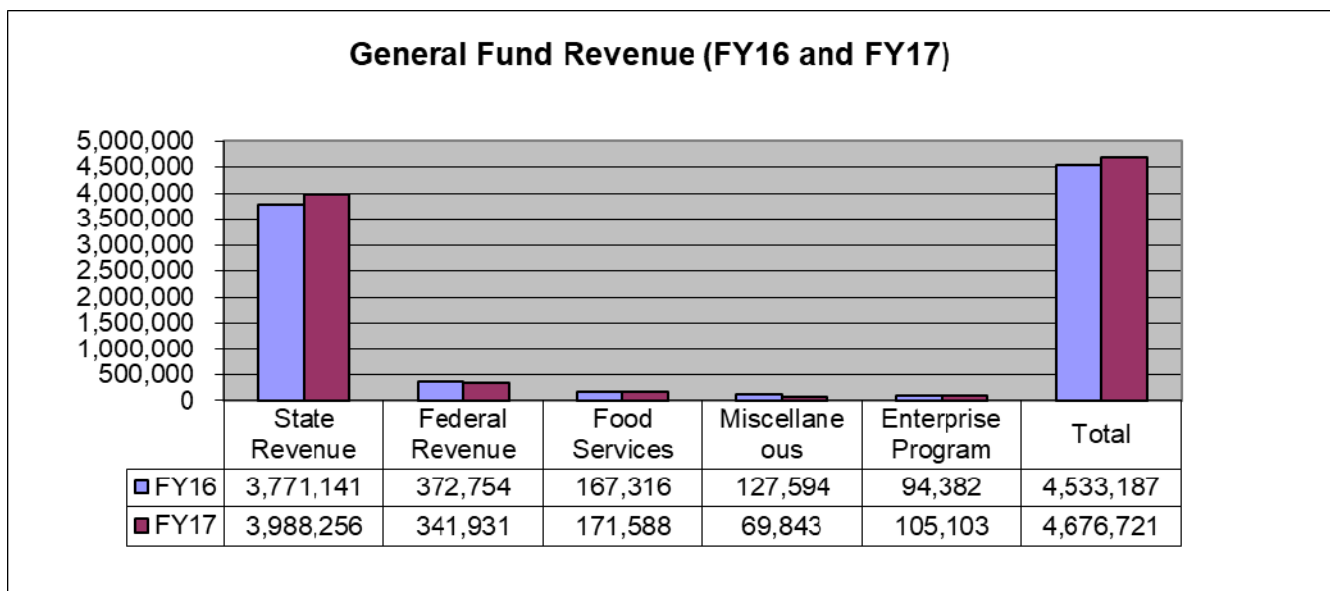
	FY16		FY17	% Change
Current Liabilities	\$ 377,451	\$	137,489	-64%
Long-Term Liabilities	\$ 1,253,147	\$	1,198,868	-4%
Deferred Inflows	\$ -			
<b>TOTAL LIABILITIES</b>	<b>\$ 1,630,598</b>	<b>\$</b>	<b>1,336,357</b>	<b>-18%</b>

<b>NET ASSETS</b>				
-------------------	--	--	--	--

	FY16		FY17	% Change
Invested in Capital (net of related debt)	\$ 2,508,177	\$	2,407,623	-4%
Unreserved	\$ 409,419	\$	601,784	47%
<b>TOTAL NET ASSETS</b>	<b>\$ 2,917,596</b>	<b>\$</b>	<b>3,009,407</b>	<b>3%</b>

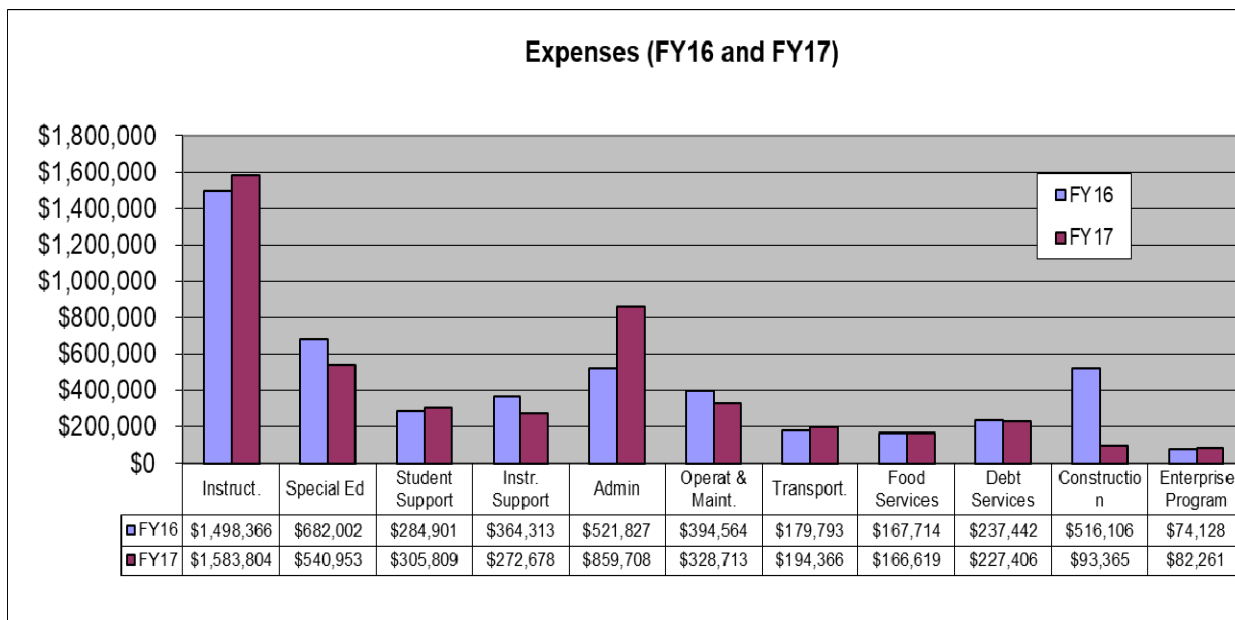
Johnson Town School District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

## FY 17 Revenues



Revenues for FY17 were up from FY 16 by \$143,534 and came in under budget by \$32,168. The most significant variance is in funds coming from state revenues, which include special education reimbursement and the education spending grant.

## FY17 Expenditures



FY17 expenditures were higher than FY 16 expenditures by \$157,267 excluding bond construction expenses. While special education and transportation expenses decreased because these services were consolidated to LNSU, administration costs increased due to the increased assessment as a result of these shifted costs. Operations and maintenance was lower this year due to Fuel Oil and Equipment being significantly lower than last year.

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

**Change in General Fund Balance:**

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

<b>Fund Balance – 6/30/16 (Without Bond Proceeds)</b>	<b>Excess (Deficiency) of Revenues over Expenses &amp; Transfers</b>	<b>Fund Balance – 6/30/17 (Without Bond Proceeds)</b>
\$561,239	\$114,534	\$675,534

The total accumulated fund balance reflects the following:

\$1,521 – Non-spendable for Inventory and Prepaid expenses  
\$100,000 - Committed for FY 18 Expenditures  
\$316,172 – Committed for future capital expenditures  
\$66,079 - Committed for Food Service  
\$77,841 – Committed for Beyond The Bell  
\$113,921 – Unassigned

There is also:

\$480,413 - Committed for Capital Projects (Bond Funds)

**Capital Assets:**

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

<b>Description</b>	<b>Fund Bal. - 6/30/16</b>	<b>Increase/Decrease</b>	<b>Fund Bal. - 6/30/17</b>
Land	\$83,970	-\$81,653	\$2,317
Depreciable Assets	\$5,614,748	\$90,563	\$5,705,311
Accumulated Depreciation	-\$2,525,156	-\$140,262	-\$2,665,418
Net Assets	\$3,173,562	\$10,908	\$3,042,210

**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.

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. As of June 30, 2017, the District had \$1,115,000. Bond principal and interest are being paid from the General Fund. Principal payments of \$85,769 begin in November of 2017.



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

Bond Type	Original Amount	6/30/16 Balance	FY '17 Payment	Final 06/30/17 Balance	Final Pay. Date
School Addition & Renovation	\$1,115,000	\$1,115,000	\$0	\$1,115,000	11/2029

1. At June 30, 2017, the District had \$33,529 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.
2. 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, 2017 were a net liability of \$136,108.

**Current Issues:**

- Collective Bargaining Agreements: All Collective Bargaining Agreements expired on 06/30/2017. New 2 year agreements have been ratified as of December 2017, set to expire June of 2019
- Consolidation Efforts: Act 153 & Act 156 are provisions in laws that consolidate some functions to the Supervisory Union and offers incentives for districts to consolidate. Some of the consolidation implementations, such as those in special education and transportation took place July 1, 2016. Since Vermont law prohibits supervisory unions from borrowing or owning real estate, some of the more practical approaches to transferring areas of responsibility to the LNSU have been challenging. Subsequently, the legislature passed Act 46 in May, 2015 that provides incentives for consolidation that lowers the tax impact on districts if they voluntarily consolidate as a single district. LNSU established a committee to look at the possibility and impact of consolidating. A vote of its citizenry was held on April 12, 2016. The towns of Eden, Belvidere, Johnson and Hyde Park voted to consolidate into one school district. The town of Waterville voted to join the consolidated district on April 25, 2017. Cambridge 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 seven years ago. Johnson's equalized pupil count (EPC) that includes both elementary and secondary students, is weighted for poverty and other factors, and is the basis for the tax rate.

FY 2009	FY 2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
437.23	445.21	447.77	447.54	447.94	454.49	445.46	441.39	444.75

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.

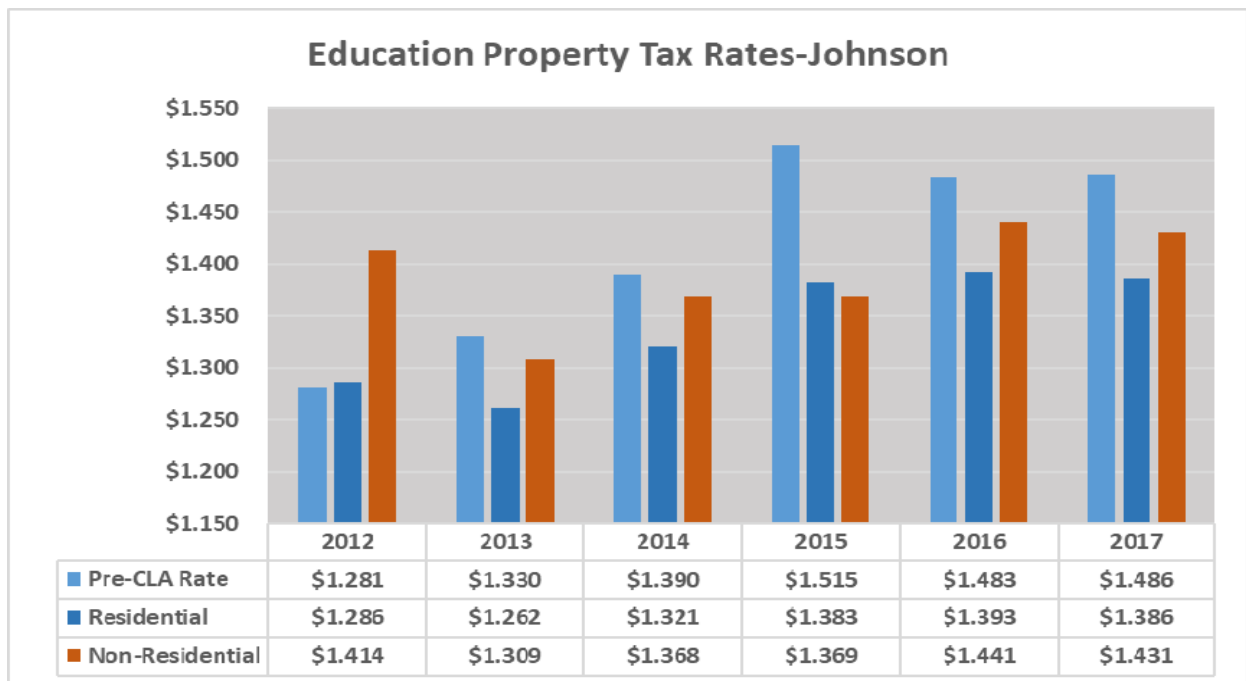
Johnson Town School District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

- Physical Plant: Since construction and renovation 15 years ago, much of the physical plant has been in relatively good shape. Unfortunately, over the past several 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. Beginning in FY2017, the district began to secure engineering expertise to advise on upgrades to, or replacement of, key elements of the HVAC system. 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, as noted above, to allow work to commence in FY15.
- Poverty: Children qualifying for Free & Reduced lunches 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 FY17.
- Taxes Property taxes in Vermont are set by calculation of total spent per student in each locale and then adjusted by the local common level of appraisal (CLA). A CLA of over 100% has the effect of lowering the tax rate and a CLA under 100% has the effect of increasing the tax rate. As property values increase, the CLA goes down until a locale does a property reassessment. This has the effect of increasing the property tax rate. A slowing economy started in the fall of 2008 but since the reappraisal in FY2011. The CLA is factored over a three year average, so poor sales (market values below appraisal values) 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%
Common Level of Appraisal C.L.A. FY17:	107.26%

Since FY13 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 significantly affected taxes as evidenced in the next chart.

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



- 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](mailto:cgallagher@Insu.org).

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

ASSETS AND DEFERRED OUTFLOWS

	Governmental Activities
CURRENT ASSETS	
Cash	\$ 666,009
Restricted cash	480,413
Accounts receivable	5,221
Due from LNSU	53,669
Due from Other Funds	834
Inventory	321
Prepaid expenses	1,200
TOTAL CURRENT ASSETS	<u>1,207,667</u>
CAPITAL ASSETS, net	<u>3,042,210</u>
DEFERRED OUTFLOWS	<u>95,887</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 4,345,764</u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	\$ 41,621
Accrued salaries and taxes	10,099
Current portion bonds payable	85,769
TOTAL CURRENT LIABILITIES	<u>137,489</u>
LONG-TERM LIABILITIES	
Termination benefits payable	33,529
Net pension liability	136,108
Bonds payable	1,029,231
TOTAL LONG-TERM LIABILITIES	<u>1,198,868</u>
TOTAL LIABILITIES	<u>1,336,357</u>
NET POSITION	
Net investment in capital assets	2,407,623
Unrestricted	601,784
TOTAL NET POSITION	<u>3,009,407</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 4,345,764</u>

See Accompanying Notes to Basic Financial Statements.

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

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Revenues	Capital Grants and Revenues	
					Governmental Activities
Governmental activities:					
Instruction Services	\$ 1,390,185	\$ -	\$ 3,587,104	\$ -	\$ 2,196,919
Instruction Services - Auxiliary	136,488	-	23,199	-	(113,289)
Pre-School Program	144,364	-	-	-	(144,364)
Special Education	536,335	-	564,492	-	28,157
Psychological Services	9,101	-	-	-	(9,101)
Guidance Services	174,643	-	-	-	(174,643)
Health Services	76,419	-	-	-	(76,419)
Speech Services	44,923	-	-	-	(44,923)
Educational Media Service	62,910	-	-	-	(62,910)
Board/Fiscal/Audit	14,493	-	-	-	(14,493)
Superintendent's Office	572,727	-	-	-	(572,727)
Principal's Office	272,152	-	-	-	(272,152)
Fiscal Services - Treasurer	2,762	-	-	-	(2,762)
Maintenance of Plant	323,113	-	-	-	(323,113)
Enterprise Program	81,829	-	166,889	-	85,060
Pupil Transportation	194,366	-	76,837	-	(117,529)
Food Service	166,619	8,465	179,892	-	21,738
Technology Service	109,141	-	-	-	(109,141)
Interest Expense	37,406	-	-	-	(37,406)
EEE Expenditure	4,619	-	-	-	(4,619)
Construction Costs	9,508	-	-	-	(9,508)
Depreciation - unallocated	173,564	-	-	-	(173,564)
Total governmental activities	<u>\$ 4,537,667</u>	<u>\$ 8,465</u>	<u>\$ 4,598,413</u>	<u>\$ -</u>	<u>69,211</u>
General revenues:					
Unrestricted investment earnings					16,634
Gain/Loss on asset disposal					(47,244)
Miscellaneous					<u>53,210</u>
Total general revenues					<u>22,600</u>
Change in Net Position					91,811
Net position, beginning					<u>2,917,596</u>
Net position, ending					<u>\$ 3,009,407</u>

See Accompanying Notes to Basic Financial Statements.

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

		Governmental Fund Types		
		General Fund	Capital Projects Fund	Total
<u>ASSETS</u>				
ASSETS				
Cash	\$ 666,009	\$ -	\$ 666,009	
Restricted cash	-	480,413	480,413	
Accounts Receivable	5,221	-	5,221	
Due from LNSU	53,669	-	53,669	
Inventory	321	-	321	
Prepaid Expenses	1,200	-	1,200	
Due to Other Funds	834	-	834	
TOTAL CURRENT ASSETS	<u>\$ 727,254</u>	<u>\$ 480,413</u>	<u>\$ 1,207,667</u>	
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts Payable	\$ 41,621	\$ -	\$ 41,621	
Accrued Salaries and Taxes	10,099	-	10,099	
TOTAL LIABILITIES	<u>51,720</u>	<u>-</u>	<u>51,720</u>	
FUND BALANCES				
Nonspendable Fund Balance	1,521	-	1,521	
Committed Fund Balance	560,092	480,413	1,040,505	
Unassigned Fund Balance	113,921	-	113,921	
TOTAL FUND BALANCE	<u>675,534</u>	<u>480,413</u>	<u>1,155,947</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 727,254</u>	<u>\$ 480,413</u>	<u>\$ 1,207,667</u>	

See Accompanying Notes to Basic Financial Statements.

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

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

<b>Total fund balances - governmental funds</b>	<b>\$ 1,155,947</b>
---	---------------------

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	5,707,628
Accumulated Depreciation	(2,665,418)

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	(1,115,000)
Net Pension Liability	(136,108)
Retirement Benefits Payable	(33,529)

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>95,887</u>
---------------

<b>Total net position - governmental activities</b>	<b><u>\$ 3,009,407</u></b>
---	----------------------------

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, 2017

	Governmental Fund Types		
	General Fund	Capital Projects Fund	Total
REVENUES			
Interest Income	\$ 16,524	\$ 109	\$ 16,633
State Revenues	3,988,256	-	3,988,256
Federal Revenue	313,157	-	313,157
Food Service	171,588	-	171,588
Enterprise Program	105,103	-	105,103
Medicaid Reimbursement	28,774	-	28,774
Miscellaneous	53,210	-	53,210
TOTAL REVENUES	4,676,612	109	4,676,721
EXPENDITURES			
Instruction Services	1,287,952	-	1,287,952
Instruction Services - Auxiliary	136,488	-	136,488
Pre-School Program	144,364	-	144,364
Art Program	15,000	-	15,000
Special Education	536,335	-	536,335
Psychological Services	18,811	-	18,811
Co-Curricular Activities	1,548	-	1,548
Guidance Services	164,932	-	164,932
Health Services	76,419	-	76,419
Speech Services	44,923	-	44,923
Improvement of Instruction	99,803	-	99,803
Educational Media Service	62,910	-	62,910
Board/Legal	14,439	-	14,439
Superintendent's Office	572,727	-	572,727
Principal's Office	272,152	-	272,152
Fiscal Services - Treasurer	390	-	390
Maintenance of Plant	328,713	-	328,713
Pupil Transportation	194,366	-	194,366
Food Service	166,619	-	166,619
Technology Service	109,141	-	109,141
Debt Service	227,406	-	227,406

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, 2017

	Governmental Fund Types		
	General Fund	Capital Projects Fund	Total
EXPENDITURES (continued)			
Enterprise Program	82,261	-	82,261
Construction Costs	-	93,365	93,365
EEE Expenditure	4,618	-	4,618
TOTAL EXPENDITURES	4,562,317	93,365	4,655,682
NET CHANGE IN FUND BALANCE	114,295	(93,256)	21,039
FUND BALANCE, Beginning of Year	561,239	573,669	1,134,908
FUND BALANCE, End of Year	\$ 675,534	\$ 480,413	\$ 1,155,947

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, 2017

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

<b>Total net change in fund balances - governmental funds</b>	<b>\$ 21,039</b>
---	------------------

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	(173,564)
Loss on Disposal of Assets	(47,244)
Capital Outlays	89,456

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	(7,042)
Retirement Benefits Paid	39,637
Pension Expense	(20,471)

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>
---------------	----------------

<b>Change in net position of governmental activities</b>	<b><u>\$ 91,811</u></b>
--	-------------------------

See Accompanying Notes to Basic Financial Statements.

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

	Fiduciary Fund Types		
	Nonexpendable Trust Fund	Agency Fund	Total
<u>ASSETS</u>			
ASSETS			
Cash	\$ -	\$ 25,530	\$ 25,530
Due from Other Funds	<u>3,667</u>	<u>-</u>	<u>3,667</u>
 TOTAL CURRENT ASSETS	 <u>\$ 3,667</u>	 <u>\$ 25,530</u>	 <u>\$ 29,197</u>
 <u>LIABILITIES AND NET POSITION</u>			
LIABILITIES			
Due to Other Funds	\$ -	\$ 4,501	\$ 4,501
Due to Student Groups and Others	<u>3,667</u>	<u>21,029</u>	<u>24,696</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 3,667</u>	 <u>\$ 25,530</u>	 <u>\$ 29,197</u>

See Accompanying Notes to Basic Financial Statements.

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

	Fiduciary Fund Type
	<u>Nonexpendable Trust Fund</u>
REVENUE	
Interest income	\$ -
TOTAL REVENUE	<u>-</u>
EXPENSES	
Scholarships	-
Administrative Expense	<u>-</u>
TOTAL EXPENSES	<u>-</u>
NET INCOME	-
NET POSITION, beginning	<u>-</u>
NET POSITION, ending	<u><u>\$ -</u></u>

See Accompanying Notes to Basic Financial Statements.

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

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

All operations of the School District are controlled by a five member 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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).

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 1<sup>st</sup>. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30<sup>th</sup>.

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

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- \* 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.
- \* 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.

Interfund Receivables and Payables

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

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Capital Assets

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

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

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

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

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 1<sup>st</sup> and are billed on or near July 1<sup>st</sup>. The tax payments are due in four equal installments on August 10<sup>th</sup>, November 10<sup>th</sup>, February 10<sup>th</sup> and May 10<sup>th</sup>. 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.



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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted – all other net position reported in this category.

Governmental Fund Balance

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

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

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

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

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

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

Unassigned – All amounts not included in other classification.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed. For unrestricted amounts of fund balance, it is the district's policy to use the fund balance in the following order,

(1) Committed, (2) Assigned, (3) Unassigned.

Estimates

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

NOTE 2 CASH

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

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 526,736	\$ 528,834
Right to off-set by debt	155,131	155,131
Uninsured	<u>490,085</u>	<u>1,017,565</u>
 TOTAL	 <u><u>\$1,171,952</u></u>	 <u><u>\$1,701,530</u></u>

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

NOTE 2 CASH (continued)

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

NOTE 3 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 15,180	\$ -	\$ (15,000)	\$ 180
Construction in Progress	<u>68,790</u>	<u>75,607</u>	<u>(142,260)</u>	<u>2,137</u>
Total capital assets not being depreciated	<u>83,970</u>	<u>75,607</u>	<u>(157,260)</u>	<u>2,317</u>
Capital assets, being depreciated				
Land Improvements	87,313	-	-	87,313
Buildings and Improvements	5,193,420	142,260	(60,000)	5,275,680
Furniture and Equipment	<u>334,015</u>	<u>13,849</u>	<u>(5,546)</u>	<u>342,318</u>
Total capital assets, being depreciated	<u>5,614,748</u>	<u>156,109</u>	<u>(65,546)</u>	<u>5,705,311</u>
Accumulated depreciation for				
Land Improvements	(30,520)	(6,261)	-	(36,781)
Buildings and Improvements	(2,239,981)	(143,514)	27,756	(2,355,739)
Furniture and Equipment	<u>(254,655)</u>	<u>(23,789)</u>	<u>5,546</u>	<u>(272,898)</u>
Total accumulated depreciation	<u>(2,525,156)</u>	<u>(173,564)</u>	<u>33,302</u>	<u>(2,665,418)</u>
Total capital assets, being depreciated, net	<u>3,089,592</u>	<u>(17,455)</u>	<u>(32,244)</u>	<u>3,039,893</u>
Governmental activities capital assets, net	<u>\$ 3,173,562</u>	<u>\$ 58,152</u>	<u>\$ (47,244)</u>	<u>\$3,042,210</u>

NOTE 4 SHORT-TERM DEBT

Short term debt consisted of the following at June 30, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Revenue Anticipation Note (2.8%)	<u>\$ -</u>	<u>\$ 444,575</u>	<u>\$ (444,575)</u>	<u>\$ -</u>

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

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%, matured December 2016.	\$ 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>85,769</u>
	<u>\$ 1,305,000</u>	<u>\$ -</u>	<u>\$ 190,000</u>	<u>\$ 1,115,000</u>	<u>\$ 85,769</u>

Anticipated maturities of Bonds payable are as follows:

<u>Maturities of Bonds Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	85,769	24,106	109,875
2023-2027	428,846	81,564	510,410
2028-2030	<u>257,308</u>	<u>13,975</u>	<u>271,283</u>
	<u>\$ 1,115,000</u>	<u>\$ 234,801</u>	<u>\$ 1,349,801</u>

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

NOTE 6      TERMINATION BENEFITS

Teachers

Upon retirement of employment, teachers with at least 15 years of service to the District as a teacher and age 55 or older shall be paid \$50 for each day of accumulated but unused medical leave up to a maximum for 185 days, or \$9,250.

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 total amount of these termination benefits accumulated as of June 30, 2017 is \$33,529.

	<u>06/30/16</u> <u>Balance</u>	<u>Additions</u>	<u>Principle</u> <u>Reductions</u>	<u>06/30/17</u> <u>Balance</u>
Termination Benefits	\$ 66,124	\$ 7,042	\$ (39,637)	\$ 33,529

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.

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

NOTE 7 TEACHERS RETIREMENT (VMERS) (continued)

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

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

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

Fiscal Year Ended June 30, 2015				
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

**Schedule B – Employers' Allocation as of June 30, 2016**

Fiscal Year Ended June 30, 2016				
Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 16,074	0.10576%	\$ 714,627	\$ 578,519	\$ 136,108

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

NOTE 7      TEACHERS RETIREMENT (VMERS) (continued)

Fiscal Year Ended June 30, 2016			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Increase (8.95% Disc Rate)
\$ 77,087	\$ -	\$ 225,953	\$ 60,881

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

Deferred Outflows of Resources							
Employer Proportion	Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
0.10576%	\$ 136,108	\$ 2,796	\$ 21,859	\$ -	\$ 44,133	\$ 8,299	\$ 77,087

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

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

NOTE 7 TEACHERS RETIREMENT (VMERS) (continued)

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
\$ 36,426	\$ 2,845	\$ 39,271

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

Fiscal Year					
2017	2018	2019	2020	2021	Thereafter
\$ 20,756	\$ 20,756	\$ 27,960	\$ 7,615	\$ -	\$ -

**Schedule E – Contribution History for Fiscal Years 2014-2016**

FY 2016	FY 2015	FY 2014
\$ 16,074	\$ 13,059	\$ 8,829

The full report containing the schedules of all employers in the VMERS plan is available on the State of Vermont Treasurer’s website at:

<http://www.vermonttreasurer.gov/content/retirement/vmers/financial-reports>

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](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, 2016, the retirement system consisted of 441 participating employers.

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

NOTE 7      TEACHERS RETIREMENT (VMERS) (continued)

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.

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)	Group A – average annual compensation during highest 5 consecutive years  Groups B and C – average annual compensation during highest 3 consecutive years.  Group D – average annual compensation during highest 2 consecutive years.
----------------------------------	---

Service Retirement Allowance

Eligibility	Group A – The earlier of age 65 with 5 years of service or age 55 with 35 years of service.  Group B – The earlier of age 62 with 5 years of service or age 55 with 30 years of service.  Groups C and D – Age 55 with 5 years of service.
-------------	--

Amount	Group A – 1.4% of AFC x service  Group B – 1.7% of AFC x service as Group B member plus percentage earned as Group A member x AFC
--------	---



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

NOTE 7      TEACHERS RETIREMENT (VMERS) (continued)

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

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

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.

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.

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

NOTE 7      TEACHERS RETIREMENT (VMERS) (continued)

Amount	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.
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.
Refund of Contribution	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.
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%  Group B – 4.875%  Group C – 10.00%  Group D – 11.35%
Employer Contributions	Group A – 4.0%  Group B – 5.5%  Group C – 7.25%  Group D – 9.85%
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.

Salary Increases: 5% per year

Deaths:

Groups A, B, and C : RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 60% Blue collar and 40% White Collar adjustment.

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

NOTE 7      TEACHERS RETIREMENT (VMERS) (continued)

Group D: RP- 2000 Tables for Employees and Healthy Annuitant projected 10 years from the valuation date with Scale BB with a 100% Blue Collar adjustment.

The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

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: Projected benefit cost method. The unfunded accrued liability is amortized in installments increasing by 5% per year.

Asset Valuation Method: Invested assets are reported at fair value.

Note – 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%. (Not for GASB 68)

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% 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.

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

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
Equity	8.54%
Fixed Income	2.36%
Alternatives	8.35%
Multi-strategy	4.90%

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

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 net pension liability, calculated using the discount rate of 7.95%, as well as what the net pension liability 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%)
\$ 225,953	\$ 136,108	\$ 60,881

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, 2017) and for Johnson Town School District's reporting period (the year ended June 30, 2017). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2017, the State has chosen to use the end of the prior fiscal year (June 30, 2015) as the measurement date, and the year ended June 30, 2016 as the measurement period.

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

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

NOTE 8 TEACHERS' RETIREMENT (VSTRS) (continued)

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

Fiscal Year Ended June 30, 2015				
2015 Allocated Contribution	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 141,060	0.19347%	\$ 5,493,951	\$ 3,198,364	\$ 2,295,588

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

**Schedule B – Employers' Allocation as of June 30, 2016**

Fiscal Year Ended June 30, 2016				
Portion of State Contribution	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 149,190	0.20374%	\$ 5,970,491	\$ 3,302,447	\$ 2,668,044

Fiscal Year Ended June 30, 2016			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Increase (8.95% Disc Rate)
\$ 425,849	\$(105,513)	\$ 3,338,607	\$ 2,105,266

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

NOTE 8      TEACHERS' RETIREMENT (VSTRS) (continued)

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

Deferred Outflows of Resources							
Employer Proportion	Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
0.20374%	\$2,668,044	\$ 25,898	\$ 58,564	\$ -	\$ 257,900	\$ 83,487	\$425,849

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
\$ -	\$ (11,038)	\$ -	\$ -	\$ (94,474)	\$ (105,513)

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
\$ 276,881	\$ (46,793)	\$230,088

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

NOTE 8 TEACHERS' RETIREMENT (VSTRS) (continued)

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

Fiscal Year					
2017	2018	2019	2020	2021	Thereafter
\$ 46,028	\$100,797	\$128,886	\$ 44,625	\$ -	\$ -

**Schedule E – Covered Payroll**

FY 2016	FY 2015	FY 2014
\$ 1,319,833	\$ 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, 2016, the retirement system consisted of 288 participating employers.

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

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

The Pension Plan is divided into the following membership groups:

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

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

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
Disability Benefits	Unreduced, accrued benefit minimum of 25% of AFC	Unreduced, accrued benefit minimum of 25% of AFC	Unreduced, accrued benefit minimum of 25% of AFC
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently

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

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

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



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

NOTE 8      TEACHERS' RETIREMENT (VSTRS) (continued)

Significant Actuarial Assumptions and Methods

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

Interest Rate: 7.95% per annum.

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

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

Deaths After Retirement: The RP-2000 Mortality Tables projected to 2029 for retirees, terminated vested members and beneficiaries; the RP-2000 Disabled Life Table with projection to 2020 using Scale AA for disabled retirees. The tables used contain a margin to reflect anticipated mortality improvement after the valuation date.

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

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

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

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. Solely for the June 30, 2016 valuation, this percentage was reduced to 332.5% in recognition of the impact of the school district consolidation program on the demographics of the inactive population.

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

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

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

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

Long-term expected rate of return

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

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

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

NOTE 8      TEACHERS' RETIREMENT (VSTRS) (continued)

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

Discount rate

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

During the year ended June 30, 2017 the state of Vermont contributed \$140,571 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 \$572,727 of such expenses during the year ended June 30, 2017.

NOTE 10      NON-CASH TRANSACTIONS

The Johnson Town School District received Federal Commodities for use in food service in the amount of \$12,224 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, 2017

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 FUND BALANCES

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

General Fund:

Reserved for Inventory	\$ 321
Reserved for Prepaid Expenses	<u>1,200</u>
Total	<u><u>\$ 1,521</u></u>

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

General Fund:

Committed for FY18 Expenditures	\$ 100,000
Committed for Future Capital Expenditures	316,172
Committed for Food Service	66,079
Committed for BTB	<u>77,841</u>
Total	<u><u>\$ 560,092</u></u>

Capital Projects Fund:

Committed for Construction	<u><u>\$ 480,413</u></u>
----------------------------	--------------------------

NOTE 14 OPERATING LEASE

The School District leases equipment under two separate operating lease agreements. The total rent expense for the year ended June 30, 2017 was \$11,243.

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

NOTE 15      UNIFIED DISTRICT

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

NOTE 16      SUBSEQUENT EVENTS

In accordance with professional accounting standards, the School District has evaluated subsequent events through October 24, 2017, which is the date these basic financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2017, have been incorporated into these basic financial statements herein.

## REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
State Grants:				
Education Spending Grant	\$ 3,418,340	\$ 3,418,340	\$ 3,418,340	\$ -
Education Spending Grant - Transportation	-	76,837	76,837	-
Special Education Grant	489,024	489,024	460,053	(28,971)
Essential Early Ed. & Early Ed. Initiative	35,869	35,868	33,026	(2,842)
Federal Grants:				
21st Century Grant	47,660	86,094	84,985	(1,109)
IDEA B Grant	27,260	42,639	42,639	-
Fruit and Vegetable Grant	-	19,123	16,769	(2,354)
School Improvement Grant	-	70,848	25,556	(45,292)
Consolidated Grant	183,820	194,885	143,208	(51,677)
Medicaid/EPSDT Reimbursement	38,000	38,539	28,774	(9,765)
Food Service	-	125,235	171,588	46,353
Enterprise Program	95,985	95,985	105,103	9,118
Interest Income	8,025	8,025	16,524	8,499
Miscellaneous	5,338	7,338	53,210	45,872
TOTAL REVENUES	4,349,321	4,708,780	4,676,612	(32,168)
EXPENDITURES				
Instruction Services	1,323,439	1,434,689	1,287,952	146,737
Instruction Services - Auxiliary	212,088	127,722	136,488	(8,766)
Pre-School Program	98,124	141,711	144,364	(2,653)
Art Program	15,000	15,000	15,000	-
Special Education	522,205	542,304	536,335	5,969
Co-Curricular Activities	3,600	3,600	1,548	2,052
Guidance Services	170,239	170,239	164,932	5,307
Health Services	84,429	85,468	76,419	9,049
Speech Services	48,101	48,101	44,923	3,178
Psychological Services	30,000	30,000	18,811	11,189

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Improvement of Instruction	19,049	67,149	99,803	(32,654)
Educational Media Service	65,577	65,577	62,910	2,667
Board/Legal	17,841	17,841	14,439	3,402
Superintendent's Office	580,845	580,845	572,727	8,118
Principal's Office	277,556	277,556	272,152	5,404
Fiscal Services - Treasurer	585	585	390	195
Maintenance of Plant	344,881	344,881	328,713	16,168
Pupil Transportation	110,200	188,813	194,366	(5,553)
Food Service	6,280	152,138	166,619	(14,481)
Technology Service	111,732	111,732	109,141	2,591
Debt Service	233,825	233,825	227,406	6,419
Enterprise Program	95,985	95,985	82,261	13,724
Essential Early Ed. & Early Ed. Initiative	19,276	14,555	4,618	9,937
TOTAL EXPENDITURES	4,390,857	4,750,316	4,562,317	187,999
NET CHANGE IN FUND BALANCE	\$ (41,536)	\$ (41,536)	\$ 114,295	\$ 155,831

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, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.1058%	0.0934%	0.0768%	0.0736%
District's proportionate share of the net pension liability (asset)	<u>\$ 136,108</u>	<u>\$ 72,023</u>	<u>\$ 7,009</u>	<u>\$ 26,780</u>
District's covered-employee payroll	<u>\$ 469,995</u>	<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	28.96%	17.92%	2.15%	12.13%
Plan fiduciary net position as a percentage of the total pension liability	80.95%	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, 2017.*

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, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.2037%	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>2,668,044</u>	<u>2,295,587</u>	<u>1,926,675</u>	<u>2,251,422</u>
Total	<u>\$ 2,668,044</u>	<u>\$ 2,295,587</u>	<u>\$ 1,926,675</u>	<u>\$ 2,251,422</u>
District's covered-employee payroll	<u>\$ 1,212,867</u>	<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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	55.31%	58.22%	64.02%	60.59%

*Significant Actuarial Assumptions and methods are described in Note 8 to the financial statements. There were no changes in methods or assumptions during the year ended June 30, 2017.*

See Accompanying Notes to Basic Financial Statements.

## ADDITIONAL REPORTS



**Kittell Branagan & Sargent**

*Certified Public Accountants*

Vermont License #167

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, 2017, 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 October 24, 2017.

**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.

*Kittell Branigan & Sargent*

St. Albans, Vermont  
October 24, 2017