

Lamoille North Supervisory Union

FINANCIAL STATEMENTS

June 30, 2016

Lamoille North Supervisory Union
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Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hyde Park, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamoille North Supervisory Union as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Supervisory Union's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamoille North Supervisory Union as of June 30, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability on page 24 and budgetary comparison information on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lamoille North Supervisory Unions basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

A handwritten signature in cursive script that reads "K. Tell Branagan & Sargent". The signature is written in dark ink and is positioned above the typed address and date.

St. Albans, Vermont

November 7, 2016

Lamoille North Supervisory Union
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Our discussion and analysis of Lamoille North Supervisory Union financial performance provides an overview of the Supervisory Union's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Supervisory Union'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 Supervisory Union as a whole, and present a longer-term view of the Supervisory Union's finances. Fund financial statements such as the Statement of Revenues, Expenditures and Changes in Fund Balance 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 Supervisory Union's operations in more detail than the government-wide statements by providing information about the Supervisory Union's most significant funds.

The Supervisory Union 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 Supervisory Union 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 Supervisory Union as a Whole

One of the most important questions asked about the Supervisory Union's finances is, "Is the Supervisory Union 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 Revenues, Expenditures and Changes in Fund Balance report information about the Supervisory Union 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 Supervisory Union's net position and changes in them. You can think of the Supervisory Union's net position - the difference between assets and liabilities - as one way to measure the Supervisory Union's financial health, or financial position. Over time, increases or decreases in the Supervisory Union'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 Supervisory Union's student enrollment and the condition of the Supervisory Union's infrastructure, to assess the overall health of the Supervisory Union.

In the Statement of Net Position and the Statement of Revenues, Expenditures and Changes in Fund Balance, the Supervisory Union's activities are classified solely as governmental activities:

- Governmental activities - The Supervisory Union'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.

Lamoille North Supervisory Union
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

- General Fund activities – These are the basic core management activities of the Supervisory Union, including: curriculum, human resources, student special services and business services. These activities are also supported primarily by member school district assessments.
- Special Revenue activities – These are special purpose activities that are supported by grant funds. These activities may support the core mission of the Supervisory Union, 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.

Reporting the Supervisory Union's Most Significant Funds

Our analysis of the Supervisory Union's Special Revenue funds begins on page 25. The fund financial statements provide detailed information about the most significant grant funds - not the Supervisory Union as a whole. Some funds are required to be established by State law. However, the Supervisory Union's Board of Directors establish many other funds to help them control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain grants, and other money (like grants received from the U.S. Department of Education). The Supervisory Union uses only one kind of fund - governmental funds.

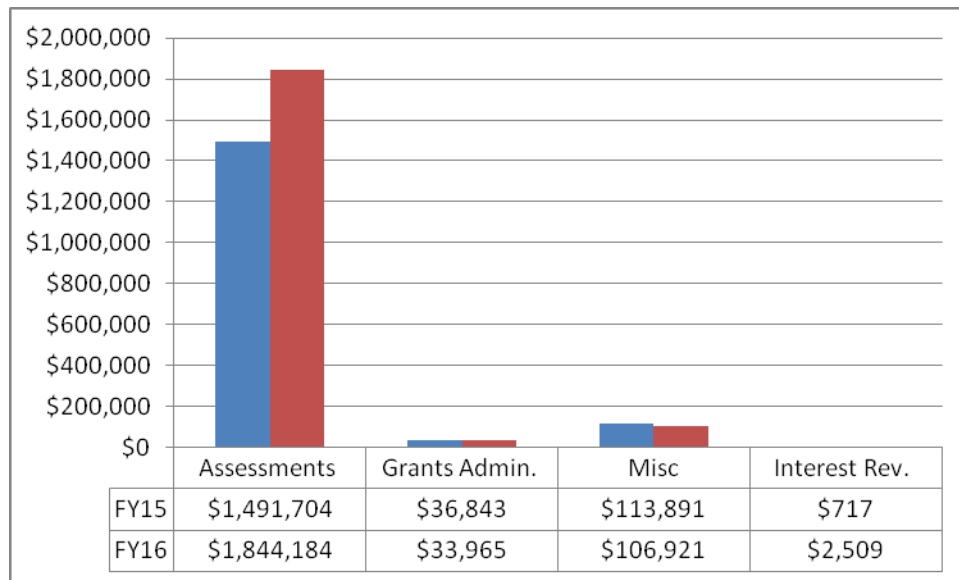
- Governmental funds - Most of the Supervisory Union's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are Reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Supervisory Union's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Supervisory Union's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Revenues, Expenditures and Changes in Fund Balance) and governmental funds in reconciliation at the bottom of the fund financial statements.

Amounts reported for governmental activities in this statement of net position differ from the Statement of Revenues, Expenditures and Changes in Fund Balance because: capital (non-current) assets used in governmental activities are not financial resources and therefore, are deferred in the funds; non-current liabilities - consisting of bonds payable, accrued interest on bonds, capital leases payable, compensated absences, and post employment benefits payable (early retirees) - are not due and payable in the current period and therefore are not reported in the funds. Interfund receivables and payables are reported in the fund statements, but not included in the amounts reported for governmental activities.

Analysis of Overall Financial Information – General Services – Revenue

General Fund revenues were higher in FY16 than FY15 by \$344,424.

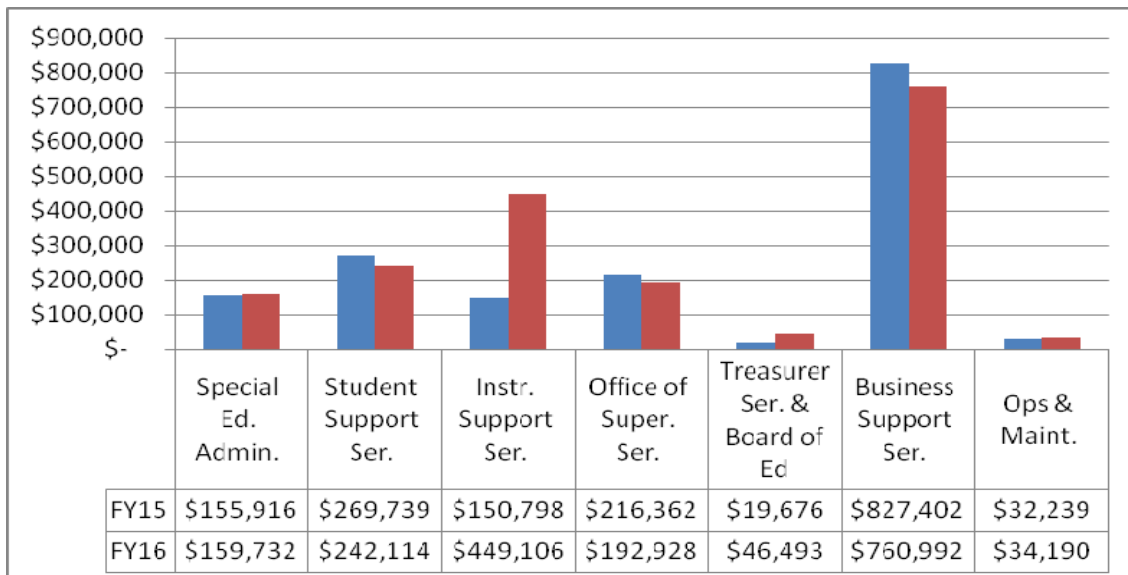
Lamoille North Supervisory Union
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016



With the reduction in access to grants from federally directed programs, as well as a lower application of an indirect rate, revenues earned through administration of grants at \$33,965, was less than previous year by \$2,878. The shortfall in indirect administration revenue was partially offset by additional revenue in interest.

General Services: Expense

General Fund expenditures were greater in FY16 than FY15 by \$213,423.



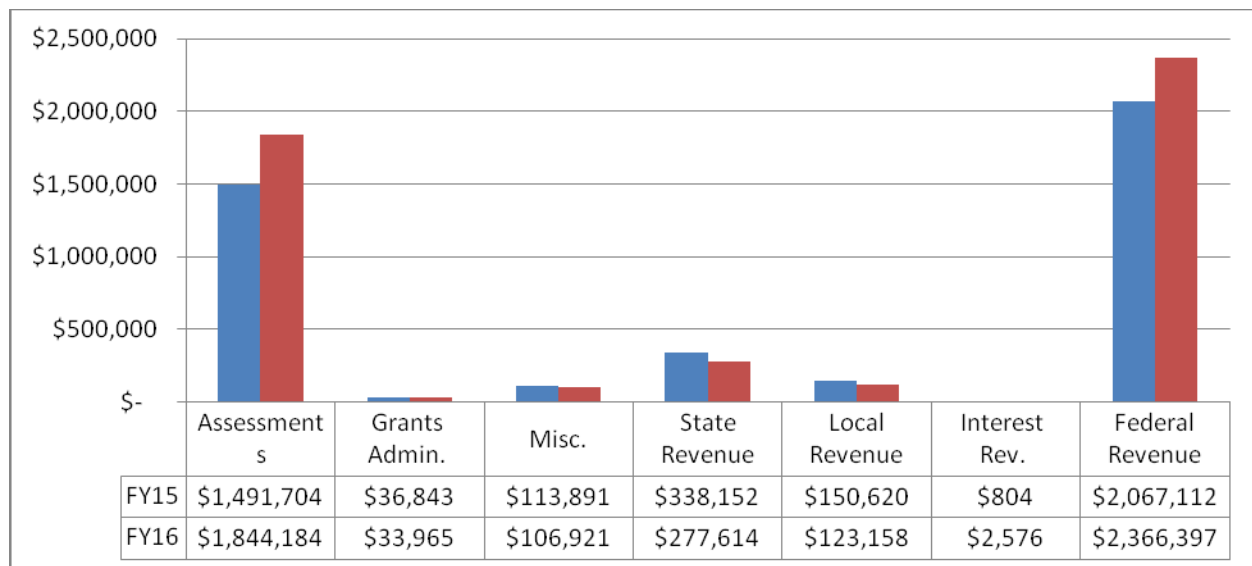
This was primarily due to the expansion of services in support of new state mandates regarding centralization of special education, audits and transportation. Licensed staff in special education and transportation were to begin centralization in FY15 due to Act 153 and Act 156, and continue centralization through FY17.

Lamoille North Supervisory Union
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Analysis of Overall Financial Information - All Services: Revenue

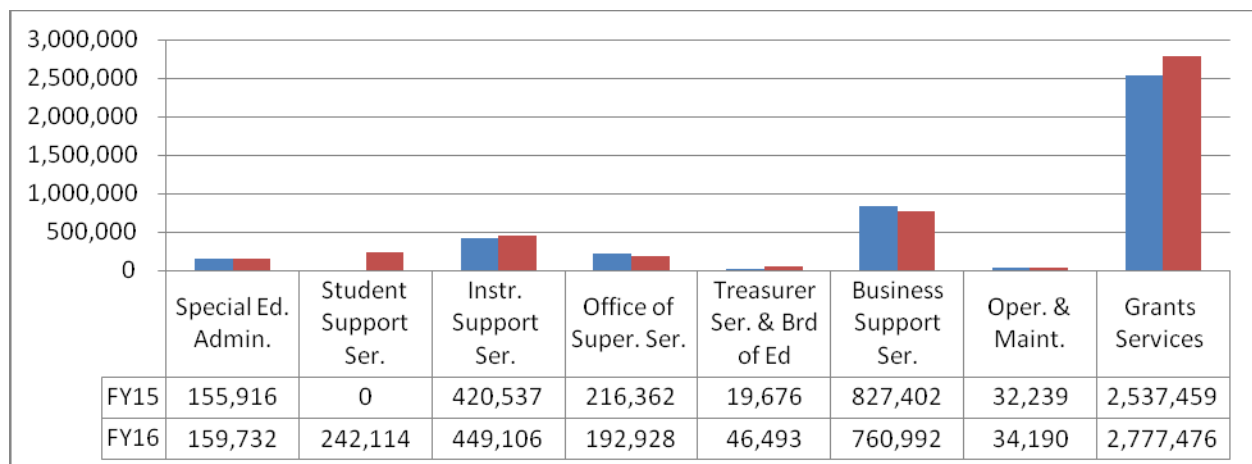
Revenues in the area of Assessment were up by \$352,480 to accommodate centralization of special education staff and other state mandated centralization of services.

While State Revenues were down by \$60,538 due to lower state grant funding, Federal Revenues were higher by \$299,285 due to receiving a School Improvement Grant. The following chart reflects differences in overall revenues between fiscal years.



All Services - Expense

Total services expenses were greater than prior year by \$240,017. Student Support Services were greater than prior year by \$242,114 due to an increase of centralization of special education services.



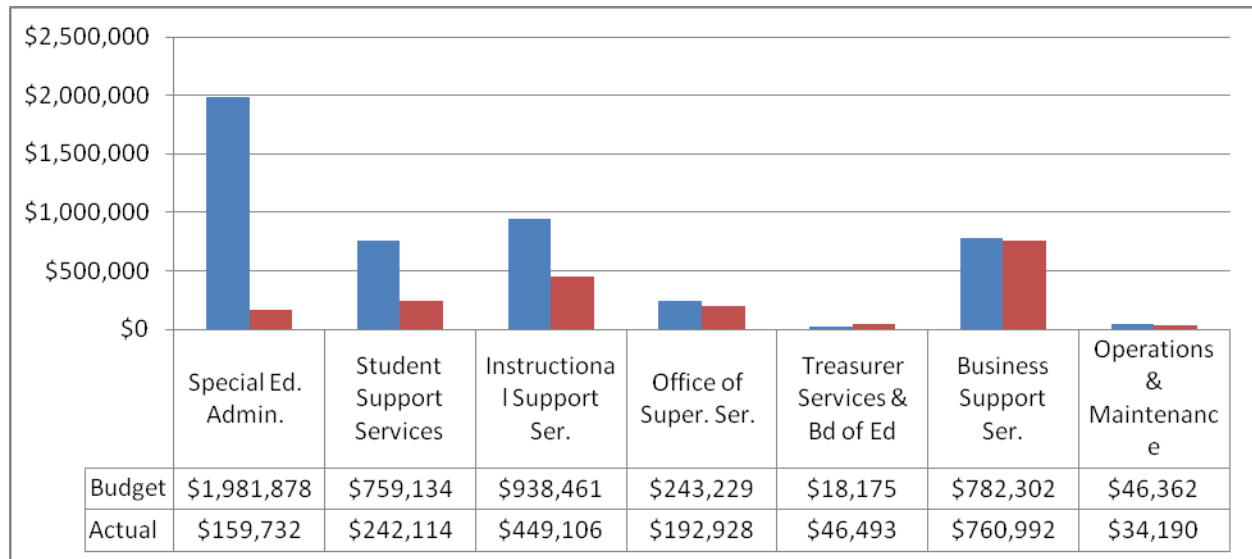
These additional expenditures, supported by assessment, were allowed in the provision of greater services to students in our member districts that saved our districts money overall by not contracting services out through more expensive means.

Lamoille North Supervisory Union
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Analysis of Budget Variations:

In comparisons of Budget to Actual, all areas were lower than budget with the exception of Treasurer/ Board of Education. The Treasurer Services & Board of Education is over budget due to a workers' compensation payment needed for special education and transportation staff who did not centralize in FY 16 due to the mid-year negotiations with the Teacher master agreement, we were unable to realize the complete centralization of special education teachers and bus drivers, but elected to pay the workers compensation premium in lieu of adjusting the assessment. Special Education, Student Support Services and Instructional support were all much lower than budget as well due to not realizing the centralization of special education teachers, other special education professionals and bus drivers in the central office budget.

The chart below reflects fluctuations in these areas.



Change in General Fund Balance:

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

General Fund Balance – 7/1/15	Excess of Expenditures Over Revenue	Fund Balance – 6/30/16
\$179,713	\$102,024	\$281,737

The LNSU budgeted General Fund committed \$124,716 of the prior year Fund Balance to cover FY16 expenditures and reserve, leaving \$155,321 unassigned and \$1,700 not spendable for prepaid expenses, for a fund balance of \$281,737. Much of this fund balance is anticipated to be used to offset future year budget and reduce overall assessment cost to the districts. The Special Revenue Fund also has a positive fund balance of \$125,202 all of which is restricted for grant expenditures.

Lamoille North Supervisory Union
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Capital Assets:

As required under Governmental Accounting Standards Board #34, the Supervisory Union is reporting its capital assets as part of the financial statements. The Supervisory Union maintains historical costs of the various assets owned by the Supervisory Union and applies appropriate charges against the cost to record depreciation. Note 4 of the Report details the status of the Supervisory Union's net capital assets.

	Balance 7/1/15	Increases (Depreciation) of Assets	Retired Assets	Balance 6/30/16
CIP	\$0	\$7,013	\$0	\$7,013
Depreciable Assets	\$353,076	\$0	\$0	\$353,076
Accumulated Depreciation	(\$221,088)	(\$40,541)	\$0	(\$261,629)
Net Capital Assets	\$131,988	-\$33,528	\$0	\$98,460

Decrease in assets was primarily due to depreciation.

Long-Term Debt:

The Lamoille North Supervisory Union (LNSU) has one category of long-term debt, defined as Operating Leases. There is an operating lease for copier equipment of \$791 per month. Total cost of lease plus overages and charges was \$12,285 in 2016. The lease ends in 2019.

Retirement Benefits:

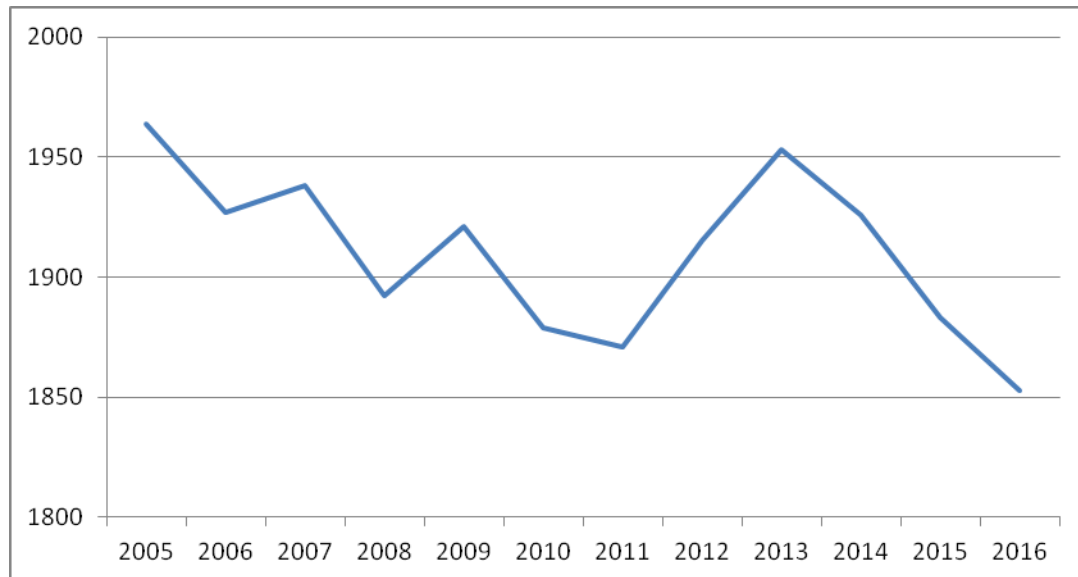
The Lamoille North Supervisory Union (LNSU) allows for employer retirement match in 403b contributions as well as special sick day benefit pay of unused sick-days upon retirement. Accrued liability at year-end was \$16,051.

Current Issues:

- Management: In September of 2016 LNSU hired a new superintendent.
- Consolidation Efforts: Act 153 & Act 156 are provisions in laws that consolidate some functions in the central office and offers incentives for districts to consolidate. Some of the consolidation implementations, such as those in special education and transportation, have been delayed until July 1, 2014. However, this was delayed for the LNSU due to lack of a negotiated agreement with the union addressing some consolidation issues. Since Vermont law prohibits supervisory unions from borrowing or owning real estate, some of the more practical approaches to transferring areas of responsibility to the LNSU are difficult. Subsequently, the legislature passed Act 46 in May, 2015 that provides incentives for consolidation that lowers the tax impact on districts if they voluntarily consolidate as a single district. The LNSU established a committee to look at the possibility and impact of consolidating. A vote of its' citizenry was held on April 12, 2016. Belvidere Central School District, Eden Central School District, Johnson Elementary School District and Hyde Park Elementary School District voted to consolidate into one school district. Waterville Elementary School District and Cambridge Elementary School District voted to not participate in the consolidation. Non-merging districts have until November 2017 to present an alternative structure that meets the requirements of more sustainable, preferred model of governance under Act 46, to the State Board of Education for approval. On or before June 1, 2018 the Secretary of Education, per Act 46, shall develop and present to the State Board of Education a proposed plan to move all remaining [non-merged] districts into the more sustainable, preferred model of governance set forth in Sec. 5(b) of Act 46.

Lamoille North Supervisory Union
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

- **Physical Space:** Currently, LNSU rents space from LUSD#18. The physical space could accommodate 12 staff comfortably, but is currently housing 18 staff. The aforementioned restrictions on supervisory unions, budget constraints and the lack of affordable office space makes relocation in the near future very unlikely.
- **Enrollment:** Enrollment has fluctuated over the last eleven years, as depicted in the graph below, with a high of 1,964 students in 2005 and 1,953 in 2013 and a low of 1,853 students in October of 2016.



- **Collective Bargaining:** All of the seven LNSU member districts have staffs that are organized under bargained agreements. The Supervisory Union was required to collectively bargain all open contracts in 2016. Six of seven districts had contracts that were expiring and bargained together. A settlement was achieved through June, 2017. LNSU staff and the bargaining units are working in FY 2017 to ratify new contracts for July 1, 2017.
- **Health Care:** On March 23, 2010, the Affordable Care Act (ACA) was signed by President Obama to reform and provide wide-spread access to health care. Vermont, through its' Vermont Insurance Exchange (VIE), has accelerated some requirements of the Act and that will have an effect on the coverage that is currently received by LNSU and member districts through the Vermont Education Health Initiative (VEHI) Trust. VEHI is recognized statewide as lower cost in premiums when measured against comparable plans. Health care, through VEHI, will be grandfathered for some time but changes to the structure of VEHI and costs associated with health care will have a continued impact on our districts for the foreseeable future. After many years of single digit increases in health care coverage, it is expected that increases in double digits will be realized in the upcoming years creating a greater stress on the local economy. This, at a time of economic downturn from the fall of 2008, places all districts with less certainty in funding for the future. Close to 62% of our students receive free & reduced meal assistance so increased costs in any area provides economic pressure.

Contact for Further Information:

This financial Report is designed to provide citizens, taxpayers, and creditors with a general overview of the Supervisory Union's finances and to reflect the Supervisory Union'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 802-851-1177, or at cgallagher@lnsu.org.

Lamoille North Supervisory Union
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
June 30, 2016

ASSETS

	<u>Governmental Activities</u>
CURRENT ASSETS	
Cash	\$ 1,032,055
Due from state of Vermont	289,768
Other receivables	325
Prepaid expenses	<u>1,700</u>
TOTAL CURRENT ASSETS	1,323,848
 CAPITAL ASSETS, net	 <u>98,460</u>
 TOTAL ASSETS	 <u><u>\$ 1,422,308</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	\$ 64,059
Accrued salaries and benefits	256,769
Due to member schools	284,803
Due to state of Vermont	132,968
Unearned Revenue	<u>178,310</u>
TOTAL CURRENT LIABILITIES	<u>916,909</u>
 LONG-TERM LIABILITIES	
Accrued vacation	13,023
Retirement benefits payable	<u>16,051</u>
TOTAL LONG-TERM LIABILITIES	<u>29,074</u>
 TOTAL LIABILITIES	 <u>945,983</u>
 NET POSITION	
Net investment in capital assets	98,460
Restricted for Grant Related Expenses	125,202
Unrestricted	<u>252,663</u>
TOTAL NET POSITION	<u>476,325</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 1,422,308</u></u>

See Accompanying Notes to Basic Financial Statements.

Lamoille North Supervisory Union
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Revenues	Capital Grants and Revenues	Governmental Activities
Governmental activities:					
Regular instructional programs	\$ 2,694,931	\$ 161,742	\$ 2,027,579	\$ -	\$ (505,610)
Support services students	205,325	-	273,159	-	67,834
Support services instructional:					
Improvement of instruction	275,956	-	-	-	(275,956)
Instruction development services	4,158	-	206,328	-	202,170
Local Standards Board	451	451	-	-	-
Support services general administration:					
Board of Education services	119,800	-	-	-	(119,800)
Office of Superintendent services	192,928	1,844,184	-	-	1,651,256
Supervisory Union Treasurer services	6,693	33,965	-	-	27,272
Special education administration	236,324	-	-	-	(236,324)
Support services business:					
Legal services	2,863	-	-	-	(2,863)
Fiscal services	435,025	-	-	-	(435,025)
Personnel services	248,297	-	-	-	(248,297)
Technology services	176,566	-	-	-	(176,566)
Operation and maintenance	34,191	-	-	180,121	145,930
Depreciation - unallocated	40,541	-	-	-	(40,541)
Total governmental activities	<u>\$ 4,674,049</u>	<u>\$ 2,040,342</u>	<u>\$ 2,507,066</u>	<u>\$ 180,121</u>	<u>53,480</u>
General revenues:					
Unrestricted investment earnings					2,575
Miscellaneous					<u>9,217</u>
Total general revenues					<u>11,792</u>
Change in net position					65,272
Net position, beginning					<u>411,053</u>
Net position, ending					<u>\$ 476,325</u>

See Accompanying Notes to Basic Financial Statements.

Lamoille North Supervisory Union
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

		Governmental Funds		
		General	Special	
		Fund	Revenue	Totals
		Fund	Fund	
<u>ASSETS</u>				
ASSETS				
Cash	\$	822,917	\$ 209,138	\$ 1,032,055
Due from State of Vermont		-	289,768	289,768
Due from member schools		21,898	-	21,898
Other receivables		325	-	325
Prepaid expense		1,700	-	1,700
Due from other funds		-	263,311	263,311
TOTAL CURRENT ASSETS		<u>\$ 846,840</u>	<u>\$ 762,217</u>	<u>\$ 1,609,057</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$	54,285	\$ 9,774	\$ 64,059
Accrued payroll and related liabilities		247,507	9,262	256,769
Due to member school districts		-	306,701	306,701
Due to State of Vermont		-	132,968	132,968
Due to other funds		263,311	-	263,311
Unearned revenue		-	178,310	178,310
TOTAL LIABILITIES		<u>565,103</u>	<u>637,015</u>	<u>1,202,118</u>
FUND BALANCE				
Nonspendable		1,700	-	1,700
Restricted		-	125,202	125,202
Committed		124,716	-	124,716
Unassigned		155,321	-	155,321
TOTAL FUND BALANCE		<u>281,737</u>	<u>125,202</u>	<u>406,939</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 846,840</u>	<u>\$ 762,217</u>	<u>\$ 1,609,057</u>

See Accompanying Notes to Basic Financial Statements.

Lamoille North Supervisory Union
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

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

Total fund balances - governmental funds	\$ 406,939
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Amounts reported for governmental activities in the statement of net position
are different because:

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

Capital Assets	360,089
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Accumulated Depreciation	(261,629)
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Long-term liabilities, including bonds payable, are not due and payable in
the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of termination benefits and accrued vacation.	<u>(29,074)</u>
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Total net position - governmental activities	<u><u>\$ 476,325</u></u>
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See Accompanying Notes to Basic Financial Statements.

Lamoille North Supervisory Union
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TYPES
For the Year Ended June 30, 2016

	Governmental Funds		
	General Fund	Special Revenue Fund	Total
REVENUES			
Assessments	\$ 1,844,184	\$ -	\$ 1,844,184
Grant administration	33,965	-	33,965
Federal revenue	-	2,113,953	2,113,953
State revenue	-	277,614	277,614
Local revenue	-	195,480	195,480
Interest income	2,509	67	2,576
Miscellaneous	106,921	-	106,921
 TOTAL REVENUES	 1,987,579	 2,587,114	 4,574,693
EXPENDITURES			
Special education administration	159,732	-	159,732
Support services students	-	125,076	125,076
Support services instructional:			
Improvement of instruction	70,997	-	70,997
Instruction development services	159,410	48,320	207,730
Regular Instruction	1,173	1,296,863	1,298,036
Student Support	-	957,413	957,413
OT Services	125,672	-	125,672
PT Services	60,423	-	60,423
Health Services	60	-	-
Special Education Services	39,675	-	-
Special Education Transportation	39,037	-	39,037
Guidance Services	15,111	-	15,111
Transportation	-	3,937	3,937
Support services general administration:			
Board of Education services	39,800	-	39,800
Office of Superintendent services	192,928	165,745	358,673
Supervisory Union Treasurer services	6,693	-	6,693
Support services business:			
Legal services	2,863	-	2,863
Audit services	80,000	-	80,000
Fiscal services	435,025	-	435,025
Personnel services	243,104	-	243,104
Technology services	179,662	-	179,662
Operation and maintenance	34,190	-	34,190
 TOTAL EXPENDITURES	 1,885,555	 2,597,354	 4,482,909
 NET CHANGE IN FUND BALANCE	 102,024	 (10,240)	 91,784
 FUND BALANCE, Beginning of Year	 179,713	 135,442	 315,155
 FUND BALANCE, End of Year	 \$ 281,737	 \$ 125,202	 \$ 406,939

See Accompanying Notes to Basic Financial Statements.

Lamoille North Supervisory Union
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TYPES
For the Year Ended June 30, 2016

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

Total net change in fund balances - governmental funds	\$ 91,784
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Amounts reported for governmental activities in the statement of activities
are different because:

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

Depreciation Expense	(40,541)
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Capital Outlays	7,013
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Repayment of long-term debt is an expenditure in the governmental funds, but
the repayment reduces long-term liabilities in the statement of net position:

Decrease in retirement benefits	800
Decrease in accrued vacation	6,216
	6,216

Change in net position of governmental activities	\$ 65,272
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See Accompanying Notes to Basic Financial Statements.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Lamoille North Supervisory Union is organized under Title 16, Chapter 7, Section 261, of Vermont Statutes Annotated, in “the interest of convenience and efficiency” to provide services to seven School Districts in Vermont: Belvidere, Cambridge, Eden, Hyde Park, Johnson, Waterville and the Lamoille Union High School District #18. All operations of the Supervisory Union are controlled by a twelve member Board of Directors, all of which are appointed by the School Boards of each member District, and responsible for all of the Supervisory Union’s activities. The financial statements include all of the Supervisory Union’s operations controlled by the Board of Directors. Based on criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments), the Supervisory Union is considered to be an independent reporting entity and has no component units.

District-wide and Fund Financial Statements

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

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

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

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

Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Supervisory Union 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.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assessments and grant revenues 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 Supervisory Union receives cash.

The Supervisory Union reports the following major governmental funds:

- * The special revenue fund accounts for various state and federal grants
- * The general fund is the Supervisory Union's primary operating fund. It accounts for all financial resources of the Supervisory Union, except those required to be accounted for in another fund.

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

Amounts reported as program revenues include 1) 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 interest income and miscellaneous.

Budgetary Data

Budgets are presented on the modified accrual basis of accounting for the general fund. Budgets are not adopted on a Supervisory Union 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 November of each year, the Supervisory Union Business Manager submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- * The budget is voted on by the Lamoille North Supervisory Union Executive Board, in the month of December.
- * Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the Business Manager 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.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 reappropriated 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.

Deposits and Investments

The Supervisory Union'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.

Investments are reported at fair value. Changes in the fair value of investments are recorded as investment income. The reported value is basically the same as the fair value of the Fund's shares.

Receivables and Payables

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

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

Capital Assets

Capital assets are property owned by the Supervisory Union and include computers, computer equipment, software, 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 Supervisory Union'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.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Assessments

Assessments are due and payable on a quarterly basis. The Supervisory Unions prepares the bills to the member School District's and collects them.

Government-Wide Net Position

Government-wide Net Position are divided into three components:

Net investment in capital assets – consist 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 Supervisory Union's creditors, by enabling legislation, by grantors (both federal and state), and/or by creditors.

Unrestricted – all other net position reported in this category.

When both restricted and unrestricted resources are available for use, it is the School Districts policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Fund Balances

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 School Board.

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

Unassigned – All amounts not included in other classifications.

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

For unrestricted amounts of fund balance, it is the Lamoille North Supervisory Union'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.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 CASH

The cash deposits in the Supervisory Union accounts as of June 30, 2016 consisted of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 251,000	\$ 251,003
Petty Cash	50	-
Collateralized	<u>781,005</u>	<u>1,130,215</u>
 TOTAL	 <u>\$ 1,032,055</u>	 <u>\$ 1,381,218</u>

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

NOTE 3 ACCRUED PAYROLL AND RELATED LIABILITIES

Accrued payroll and related liabilities represent salaries due at June 30, 2016 but not disbursed until July and August of 2016.

NOTE 4 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Construction in Progress	\$ -	\$ 7,013	\$ -	\$ 7,013
 Capital assets, being depreciated				
Land Improvements	24,186	-	-	24,186
Buildings and Improvements	18,447	-	-	18,447
Furniture and Equipment	<u>310,443</u>	<u>-</u>	<u>-</u>	<u>310,443</u>
 Total capital assets, being depreciated	 <u>353,076</u>	 <u>-</u>	 <u>-</u>	 <u>353,076</u>

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u> (continued)				
Accumulated depreciation for				
Land Improvements	(12,091)	(1,209)	-	(13,300)
Buildings and Improvements	(11,491)	(1,254)	-	(12,745)
Furniture and Equipment	(197,506)	(38,078)	-	(235,584)
 Total accumulated depreciation	 (221,088)	 (40,541)	 -	 (261,629)
 Total capital assets, being depreciated, net	 131,988	 (40,541)	 -	 91,447
 Governmental activities capital assets, net	 \$ 131,988	 \$ (33,528)	 \$ -	 \$ 98,460

NOTE 5 FUND BALANCES

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

General Fund:	
Nonspendable for Prepaid Expenses	\$ <u>1,700</u>

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

General Fund:	
Committed for FY17 Expenditures	\$ 79,713
Committed for Future Expenditures	<u>45,003</u>
 Total Committed Fund Balances	 \$ <u>124,716</u>

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

Special Revenue Fund:	
Restricted for Future Designated Expenditures	\$ <u>125,202</u>

NOTE 6 UNEARNED REVENUE

Unearned revenue consists of the following at June 30, 2016.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 UNEARNED REVENUE (continued)

Special Revenue Fund:	
21st Centry Learning	\$ 764
EPSDT	148,746
Path Points	2,203
Various Grants	<u>26,597</u>
	<u>\$ 178,310</u>

The Medicaid program will reimburse Lamoille North Supervisory Union for services provided to Medicaid eligible special education students.

NOTE 7 DEFINED CONTRIBUTION PLAN

The LNSU Retirement Plan is a defined contribution plan. Employees not participating in the Vermont State Teachers' Retirement Plan, who are at least 21 years of age and have completed one year of service (defined as 1,000 hours of service in a plan year) are eligible to participate in the plan. Employer contributions to the plan are discretionary and allocated among participants as a uniform percent of pay.

Lamoille North Supervisory Union began a new retirement plan on July 1, 2008. Under this new plan employees hired prior to July 1, 2008 will receive an employer match of up to 4% of eligible wages. Employees hired after July 1, will receive an employer match of up to 3% of eligible employee wages. Covered wages under the plan were \$737,526. Contributions by the district during fiscal year June 30, 2016 were \$23,847.

NOTE 8 TEACHERS RETIREMENT

Information Required Under GASB Statement No. 68

Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions requires employers participating in a cost-sharing, multiple-employer defined benefit pension plan to recognize their proportional share of total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The schedules below have been prepared to the Lamoille North Supervisory Union's proportional share of the overall amounts of the Vermont State Teachers' Retirement System (VSTRS) plan. Lamoille North Supervisory Union's portion has been allocated based on Lamoille North Supervisory Union'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 Lamoille North Supervisory Union's reporting date June 30, 2016 and for the Lamoille North Supervisory Union's reporting period (the year ended June 30, 2016). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2016, the State has chosen to use the end of the prior fiscal year (June 30, 2015) as the measurement date, and the year ended June 30, 2015 as the measurement period.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 TEACHERS RETIREMENT (continued)

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2014, to the measurement date of June 30, 2015.

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

Fiscal Year Ended June 30, 2014				
Reported Salaries	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 266,992	0.04710%	\$ 1,254,662	\$ 803,234	\$ 451,428

Fiscal Year Ended June 30, 2014			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (7.15% Disc Rate)	Net Pension Liability 1% Increase (9.15% Disc Rate)
\$ 216,688	\$ (44,115)	\$ 592,866	\$ 332,700

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

Fiscal Year Ended June 30, 2015				
Portion of State Contribution	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 24,491	0.03359%	\$ 953,873	\$ 555,308	\$ 398,565

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)
\$ 178,814	\$ (106,595)	\$ 506,107	\$ 308,348

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 TEACHERS RETIREMENT (continued)

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

Deferred Outflows of Resources							
Employer Proportion	Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
0.03359%	\$ 398,565	\$ 5,039	\$ 14,483	\$ -	\$ 14,833	\$ 144,459	\$ 178,814

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
\$ -	\$ -	\$ -	\$ -	\$ (106,595)	\$ (106,595)

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
\$ 35,285	\$ 36,698	\$ 71,983

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 TEACHERS RETIREMENT (continued)

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

Fiscal Year Ending June 30,					
2016	2017	2018	2019	2020	Thereafter
\$ 44,947	\$ 44,947	\$ (27,282)	\$ 9,607	\$ -	\$ -

Schedule E – Covered Payroll

FY 2015	FY 2014
\$ 187,343	\$ 266,992

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

[http://finance.vermont.gov/reports and publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr)

Plan Description

The Vermont State Teachers' Retirement System is a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2015, the retirement system consisted of 288 participating employers.

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

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

The Pension Plan is divided into the following membership groups:

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

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 TEACHERS RETIREMENT (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
VSTRS	GROUP A	GROUP C - GROUP #1*	Group C - Group #2++
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Member pays full premium	Member pays full premium	Member pays full premium
Employee Contributions	2.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14
Employer Contributions	Varies based on actuarial recommendation	Varies based on actuarial recommendation	Varies based on actuarial recommendation

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

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

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 TEACHERS RETIREMENT (continued)

Significant Actuarial Assumptions and Methods

The total pension liability as of June 30, 2015 was determined by rolling forward the total pension liability as of June 30, 2014 to June 30, 2015 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its May 24, 2011 Board meeting, and were effective for the June 30, 2011 actuarial valuation. The 7.95% expected rate of return on assets was adopted by the Board at a meeting on July 2, 2015.

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

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

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

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

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

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

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

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 TEACHERS RETIREMENT (continued)

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

Inactive Members: A liability equal to 350% of accumulated contributions of inactive members is included in the valuation liabilities.

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

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

Member Data: 344 members terminated on June 30, 2014 and retired on July 1, 2015 were included with a valuation status as members receiving benefits. 511 members who were active on June 30, 2014 and terminated on July 1, 2014, were included with a valuation status as inactive. For those terminated members with at least five years of service, the system will automatically vest them six years after their termination if they do not withdraw.

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

Long-term expected rate of return

The long-term expected rate of return on System investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

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

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

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 TEACHERS RETIREMENT (continued)

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

Discount rate

The discount rate used to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

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

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

During the year ended June 30, 2016 the state of Vermont contributed \$32,586 on behalf of the Lamoille North Supervisory Union.

NOTE 9 CONTINGENCY

The Supervisory Union 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 are subject to audit by the Supervisory Union'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 Supervisory Union Administration believes such disallowance, if any, would be immaterial.

NOTE 10 RISK MANAGEMENT

The Supervisory Union 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 Supervisory Union maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to Supervisory Union. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 INTERFUND RECEIVABLE AND PAYABLE BALANCES

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

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ (263,311)
Title I Fund	-	(40,960)
Title II-A Fund	-	(9,493)
IDEA-B Fund	70,588	-
Consolidated Federal Grants	7,758	-
21st Century Learning	24,977	-
Food Service	-	(235)
Other Federal Grants	6,132	-
EPSDT & Medicaid	-	(37,773)
Title II-D		(9,907)
Best ACT 230	6,340	-
Path Points	12,844	-
Other Grants	<u>133,656</u>	<u>-</u>
 TOTAL	 <u>\$ 262,295</u>	 <u>\$ (361,679)</u>

The Lamoille North Supervisory Union 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.

NOTE 12 RETIREMENT BENEFITS PAYABLE

Upon retirement, an employee who has served the Lamoille North Supervisory Union for a minimum of 10 years and is at least 55 years of age shall be entitled to compensation for unused sick days at a rate of \$50 per unused accumulated sick day. The total liability to the Board per eligible employee will not exceed \$7,500. The benefits accrued at June 30, 2016 are \$16,051.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 13 ASSESSMENTS

The Supervisory Union receives an assessment from each member school district to pay their proportionate share of the Supervisory Union's expenses. The assessments received are as follows:

	Treasurer	Special Education	Other Supervisory Union	Total
Belvidere School District	\$ 141	\$ 22,394	\$ 44,820	\$ 67,355
Cambridge School District	1,411	30,069	248,040	279,520
Eden School District	460	36,567	80,883	117,910
Hyde Park School District	935	60,451	164,462	225,848
Johnson School District	1,020	71,439	179,290	251,749
Waterville School District	215	4,311	37,745	42,271
Lamoille Union School District #18	<u>3,117</u>	<u>267,452</u>	<u>588,962</u>	<u>859,531</u>
 TOTAL ASSESSMENTS	 <u>\$ 7,299</u>	 <u>\$ 492,683</u>	 <u>\$ 1,344,202</u>	 <u>\$ 1,844,184</u>

NOTE 14 OPERATING LEASE

The Supervisory Union has entered into an operating lease for equipment with a monthly payment of \$791 which expires November 2018. Minimum future rental payments under non-cancelable operating lease having remaining terms in excess of one year as of June 30, 2016 for the next years is as follows:

Year Ending June 30,	
2017	\$ 9,492
2018	9,492
2019	3,955

Total lease expense, which includes overages charges, for the year ending June 30, 2016 was \$12,285.

NOTE 15 SUBSEQUENT EVENTS

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

SUPPLEMENTARY INFORMATION

Lamoille North Supervisory Union
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Assessments	\$ 4,177,932	\$ 4,177,932	\$ 1,844,184	\$ (2,333,748)
Grant administration	33,214	33,214	33,965	751
Interest income	750	750	2,509	1,759
Miscellaneous	<u>479,245</u>	<u>479,245</u>	<u>106,921</u>	<u>(372,324)</u>
 TOTAL REVENUES	 <u>4,691,141</u>	 <u>4,691,141</u>	 <u>1,987,579</u>	 <u>(2,703,562)</u>
EXPENDITURES				
Special education administration	1,981,878	1,981,878	159,732	1,822,146
Support services instructional:				
Improvement of instruction	124,819	109,838	70,997	38,841
Instruction development services	196,024	211,005	159,410	51,595
Regular Instruction	8,328	8,328	1,173	7,155
OT Services	167,916	167,916	125,672	42,244
PT Services	304,558	304,558	60,423	244,135
Health Services	-	-	60	(60)
Special Education Services	-	-	39,675	(39,675)
Special Education Transportation	467,316	467,316	39,037	428,279
Essential Early Ed. & Early Ed. Initiative	189,392	189,392	-	189,392
Guidance Services	17,507	17,507	15,111	2,396
Support services general administration:				
Board of Education services	10,875	10,875	39,800	(28,925)
Office of Superintendent services	243,229	243,229	192,928	50,301
Supervisory Union Treasurer services	7,300	7,300	6,693	607
Other Support Services	71,433	71,433	-	71,433
Support services business:				
Legal services	45,135	45,135	2,863	42,272
Audit services	81,920	81,920	80,000	1,920
Fiscal services	435,321	435,321	435,025	296
Personnel services	219,926	219,926	243,104	(23,178)
Technology services	150,302	150,302	179,662	(29,360)
Operation and maintenance	<u>46,362</u>	<u>46,362</u>	<u>34,190</u>	<u>12,172</u>
 TOTAL EXPENDITURES	 <u>4,769,541</u>	 <u>4,769,541</u>	 <u>1,885,555</u>	 <u>2,883,986</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ (78,400)</u>	 <u>\$ (78,400)</u>	 <u>\$ 102,024</u>	 <u>\$ 180,424</u>

See Accompanying Notes to Basic Financial Statements.

Lamoille North Supervisory Union
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.03359%	0.0471%	0.0185%
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>398,565</u>	<u>451,428</u>	<u>187,269</u>
Total	<u>\$ 398,565</u>	<u>\$ 451,428</u>	<u>\$ 187,269</u>
District's covered-employee payroll	<u>\$ 187,343</u>	<u>\$ 266,992</u>	<u>\$ 104,400</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.22%	64.02%	60.59%

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

See Accompanying Notes to Basic Financial Statements

OTHER SUPPLEMENTARY INFORMATION

Lamoille North Supervisory Union
OTHER SUPPLEMENTARY INFORMATION
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
June 30, 2016

	Federal Grants					
	Title I	Title II-A	IDEA-B	Consolidated Federal Grants	21st Century Learning	Food Service
<u>ASSETS</u>						
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,428
Due from State of Vermont	40,960	22,182	-	781	-	138,025
Due from other funds	-	-	70,588	7,758	24,977	-
 TOTAL ASSETS	 \$ 40,960	 \$ 22,182	 \$ 70,588	 \$ 8,539	 \$ 24,977	 \$ 147,453
 <u>LIABILITIES AND FUND BALANCE</u>						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 462	\$ -	\$ 4,413	\$ -
Accrued payroll and related liabilities	-	-	1,416	-	3,503	-
Due to member school districts	-	12,689	12,105	8,539	11,131	146,965
Due to State of Vermont	-	-	56,605	-	5,166	-
Due to other funds	40,960	9,493	-	-	-	235
Unearned revenue	-	-	-	-	764	-
 TOTAL LIABILITIES	 40,960	 22,182	 70,588	 8,539	 24,977	 147,200
FUND BALANCE						
Restricted	-	-	-	-	-	253
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 40,960	 \$ 22,182	 \$ 70,588	 \$ 8,539	 \$ 24,977	 \$ 147,453

Federal Grants			State and Local Grants					Total State & Local	Eliminations	Total All Grants
SIG	Other Federal	Total Federal	EPSDT & Medicaid	Union School Analysis	BEST Act 230	Other Grants	Path Points			
\$ -	\$ -	\$ 9,428	\$ 199,710	\$ -	\$ -	\$ -	\$ -	\$ 199,710	\$ -	\$ 209,138
-	11,923	213,871	65,990	9,907	-	-	-	75,897	-	289,768
99,384	6,132	208,839	-	-	6,340	133,656	12,844	152,840	(98,368)	263,311
<u>\$ 99,384</u>	<u>\$ 18,055</u>	<u>\$ 432,138</u>	<u>\$ 265,700</u>	<u>\$ 9,907</u>	<u>\$ 6,340</u>	<u>\$ 133,656</u>	<u>\$ 12,844</u>	<u>\$ 428,447</u>	<u>\$ 591,194</u>	<u>\$ 762,217</u>
\$ -	\$ -	\$ 4,875	\$ -	\$ -	\$ -	\$ 2,823	\$ 2,076	\$ 4,899	\$ -	\$ 9,774
-	-	4,919	2,116	-	-	2,227	-	4,343	-	9,262
34,527	11,923	237,879	65,637	-	-	3,185	-	68,822	-	306,701
64,857	-	126,628	-	-	6,340	-	-	6,340	-	132,968
-	-	50,688	37,773	9,907	-	-	-	47,680	(98,368)	-
-	-	764	148,746	-	-	26,597	2,203	177,546	-	178,310
<u>99,384</u>	<u>11,923</u>	<u>425,753</u>	<u>254,272</u>	<u>9,907</u>	<u>6,340</u>	<u>34,832</u>	<u>4,279</u>	<u>309,630</u>	<u>364,988</u>	<u>637,015</u>
-	6,132	6,385	11,428	-	-	98,824	8,565	118,817	-	125,202
<u>\$ 99,384</u>	<u>\$ 18,055</u>	<u>\$ 432,138</u>	<u>\$ 265,700</u>	<u>\$ 9,907</u>	<u>\$ 6,340</u>	<u>\$ 133,656</u>	<u>\$ 12,844</u>	<u>\$ 428,447</u>	<u>\$ 591,194</u>	<u>\$ 762,217</u>

Lamoille North Supervisory Union
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2016

	Federal Funds					
	Title I	Title II-A	IDEA-B	Consolidated Federal Grants	21st Century	Food Service
REVENUES						
Federal revenue	\$ 662,281	\$ 137,279	\$ 498,744	\$ -	\$ 229,450	\$ 538,088
State revenue	-	-	-	-	-	22,558
Local sources	-	-	-	-	12,880	69,664
Interest income	-	-	-	-	-	10
TOTAL REVENUES	<u>662,281</u>	<u>137,279</u>	<u>498,744</u>	<u>-</u>	<u>242,330</u>	<u>630,320</u>
EXPENDITURES						
Instruction - services	15,372	-	401,884	8,712	166,127	630,310
Instruction - special programs	-	-	-	-	-	-
Support services:						
Students	-	-	38,191	713,261	-	-
Instructional Staff	-	41,584	4,806	-	779	-
Transportation	-	-	-	-	3,937	-
General Administration	<u>19,664</u>	<u>967</u>	<u>53,863</u>	<u>-</u>	<u>71,487</u>	<u>-</u>
TOTAL EXPENDITURES	<u>35,036</u>	<u>42,551</u>	<u>498,744</u>	<u>721,973</u>	<u>242,330</u>	<u>630,310</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	627,245	94,728	-	(721,973)	-	10
OTHER FINANCING SOURCES (USES)						
Interfund Transfers	<u>(627,245)</u>	<u>(94,728)</u>	<u>-</u>	<u>721,973</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-	-	10
FUND BALANCE, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243</u>
FUND BALANCE, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253</u>

Federal Funds			State and Local Grants						
SIG	Other Federal	Total Federal	EPSDT & Medicaid	Union School Analysis	BEST Act 230	Other Grants	Path Points	Total State & Local	Total All Grants
\$ 180,121	\$ 44,751	\$ 2,110,593	\$ -	\$ -	\$ -	\$ 3,360	\$ -	\$ 3,360	\$ 2,113,953
-	-	22,558	210,557	19,713	1,151	23,635	-	255,056	277,614
-	-	82,544	-	-	-	104,360	8,576	112,936	195,480
-	-	10	57	-	-	-	-	57	67
<u>180,121</u>	<u>44,751</u>	<u>2,215,705</u>	<u>210,614</u>	<u>19,713</u>	<u>1,151</u>	<u>131,355</u>	<u>8,576</u>	<u>371,409</u>	<u>2,587,114</u>
180,121	30,199	1,252,604	-	19,713	-	24,546	-	44,259	1,296,863
-	-	-	-	-	-	116,500	8,576	125,076	125,076
-	17,217	768,669	188,744	-	-	-	-	188,744	957,413
-	-	47,169	-	-	1,151	-	-	1,151	48,320
-	-	3,937	-	-	-	-	-	-	3,937
-	-	145,981	19,764	-	-	-	-	19,764	165,745
<u>180,121</u>	<u>47,416</u>	<u>2,218,360</u>	<u>208,508</u>	<u>19,713</u>	<u>1,151</u>	<u>141,046</u>	<u>8,576</u>	<u>378,994</u>	<u>2,597,354</u>
-	(2,665)	(2,655)	2,106	-	-	(9,691)	-	(7,585)	(10,240)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(2,665)	(2,655)	2,106	-	-	(9,691)	-	(7,585)	(10,240)
-	8,797	9,040	9,322	-	-	108,515	8,565	126,402	135,442
<u>\$ -</u>	<u>\$ 6,132</u>	<u>\$ 6,385</u>	<u>\$ 11,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,824</u>	<u>\$ 8,565</u>	<u>\$ 118,817</u>	<u>\$ 125,202</u>

Lamoille North Supervisory Union

ADDITIONAL REPORTS REQUIRED BY
THE SINGLE AUDIT ACT

June 30, 2016

Lamoille North Supervisory Union
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass Through Grantor Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U. S. Department of Education				
Passed through State of Vermont, Department of Education				
Title I A	4250-S025-16-01	84.010	\$ 662,281	\$ 606,199
Title I- School Effectiveness	4255-S025-16-01	84.010	<u>180,121</u>	<u>180,121</u>
Subtotal			<u>842,402</u>	<u>786,320</u>
IDEA B	4226-S025-16-01	84.027	485,817	349,016
IDEA B Preschool	4228-S025-16-01	84.173	<u>12,927</u>	<u>12,664</u>
Cluster Subtotal			<u>498,744</u>	<u>361,680</u>
Title IV-B 21st Century Learning Communities	4611-S025-16-01	84.287	<u>208,197</u>	<u>141,918</u>
Title II A - Improving Teacher Quality	4651-S025-16-01	84.367	<u>137,280</u>	<u>94,728</u>
U.S. Department of Health and Human Services				
Assistance Programs for Chronic Disease Prevention and Control	4501-S025-16-01	93.945	<u>3,360</u>	<u>3,360</u>
U.S. Department of Agriculture				
Passed through State of Vermont, Department of Education				
National School Lunch Program	4450-S025-16-00	10.555	387,943	387,943
National School Lunch Program	4452-S025-16-00	10.555	127,232	127,232
National School Lunch Program	4448-S025-16-00	10.555	5,265	5,265
Summer Food Service Program for Children	4455-S025-16-00	10.559	<u>12,834</u>	<u>12,834</u>
Cluster Subtotal			<u>533,274</u>	<u>533,274</u>
Fresh Fruit & Vegetable Program	4449-S025-16-01	10.582	<u>44,751</u>	<u>44,517</u>
Child and Adult Care Food Program	4453-S025-16-00	10.558	1,267	1,267
Child and Adult Care Food Program	4454-S025-16-00	10.558	<u>16,382</u>	<u>16,382</u>
Cluster Subtotal			<u>17,649</u>	<u>17,649</u>
			<u>\$ 2,285,657</u>	<u>\$ 1,983,446</u>

Lamoille North Supervisory Union
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2016

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Lamoille North Supervisory Union, under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lamoille North Supervisory Union, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lamoille North Supervisory Union.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Lamoille North Supervisory Union has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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
Hyde Park, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamoille North Supervisory Union, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Lamoille North Supervisory Union's basic financial statements, and have issued our report thereon dated November 7, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Kestell Branagan & Sargent". The signature is written in a cursive, flowing style.

St. Albans, Vermont
November 7, 2016



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the School Board
Hyde Park, Vermont

Report on Compliance for Each Major Federal Program

We have audited the Lamoille North Supervisory Union's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Lamoille North Supervisory Union's major federal programs for the year ended June 30, 2016. Lamoille North Supervisory Union's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Lamoille North Supervisory Union's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lamoille North Supervisory Union's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Lamoille North Supervisory Union's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lamoille North Supervisory Union, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Lamoille North Supervisory Union, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Lamoille North Supervisory Union's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lamoille North Supervisory Union's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kuttell Brannigan & Sargent". The signature is written in a cursive, flowing style.

St. Albans, Vermont
November 7, 2016

Lamoille North Supervisory Union
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Lamoille North Supervisory Union.
2. There were no significant deficiencies disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Lamoille North Supervisory Union were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Lamoille North Supervisory Union expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for Lamoille North Supervisory Union.
7. The programs tested as major programs were:

CFDA #84.010 Title I Grants to Local Educational Agencies
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Lamoille North Supervisory Union was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

- There were no findings related to the financial statements audit.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- There were no findings or questioned costs related to the major federal award programs.