

Lamoille North Supervisory Union

FINANCIAL STATEMENTS

June 30, 2017

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, 2017, 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, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability on page 25 and budgetary comparison information on page 24 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, 2017, 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.

Kittell Brannagan $\frac{1}{2}$ Sargent

St. Albans, Vermont
November 7, 2017

Lamoille North Supervisory Union
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017. 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:

Lamoille North Supervisory Union
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

- 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.
 - 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 26. 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.

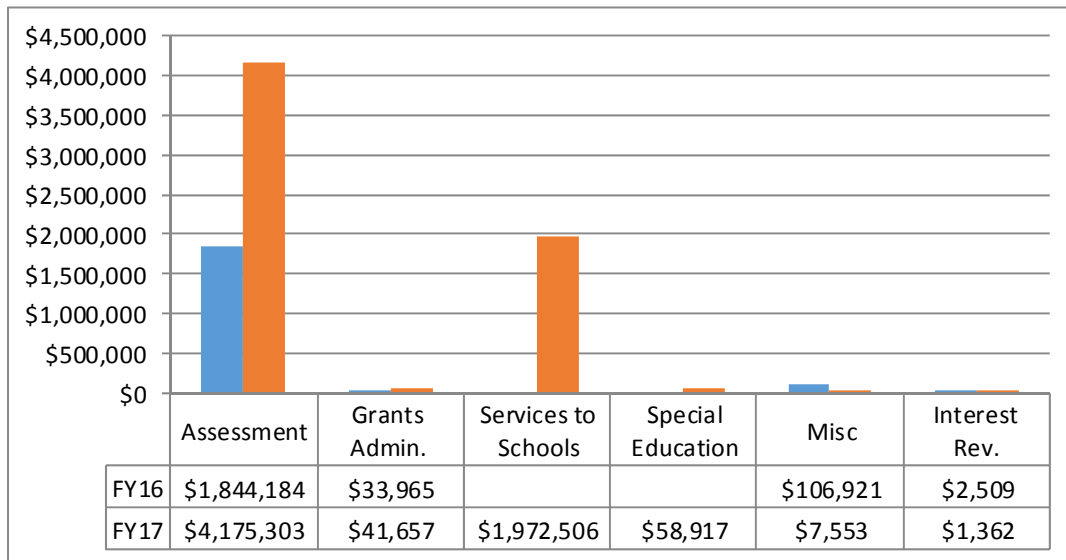
- Governmental funds – Most of the Supervisory Union's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual 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

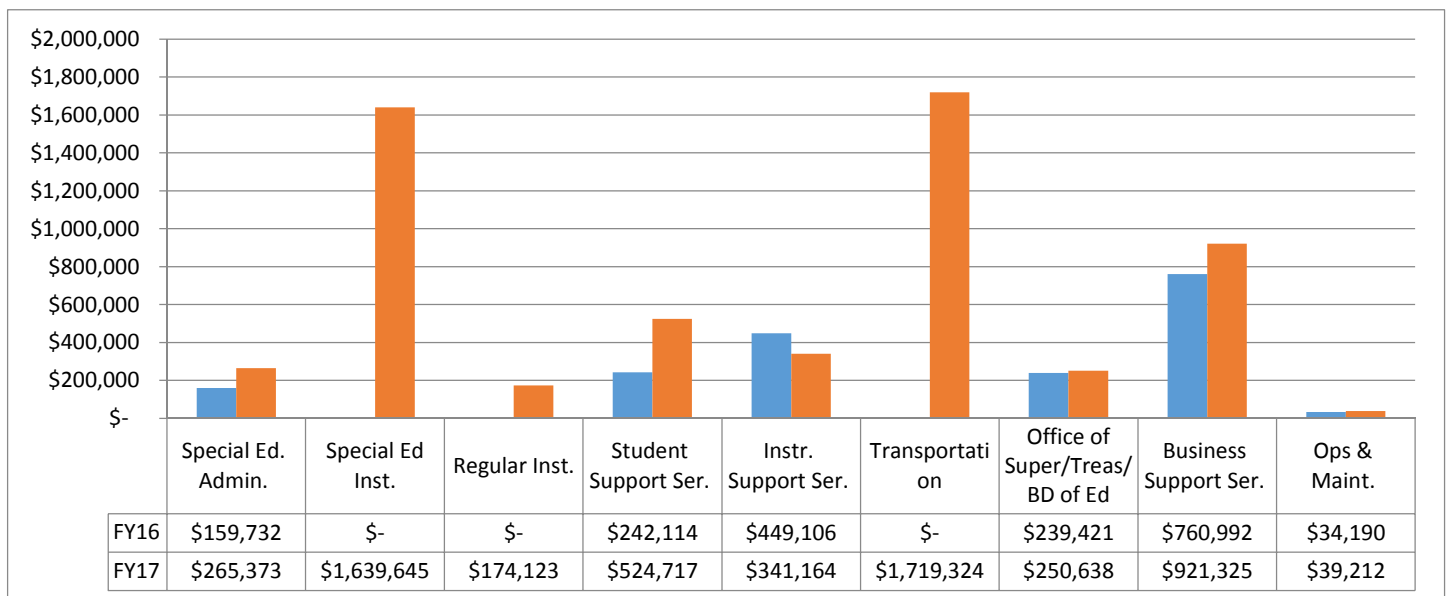
General Fund revenues were higher in FY17 than FY16 by \$4,269,719. This may seem significant but it is a direct result of the shifting of transportation and special education teacher salary and benefits moving to the LNSU finances (ACT153 & ACT156). As these expenses increased, the assessment had to increase to the district schools as did Services to Schools which represents the direct bill back to the schools for transportation expenses.

Lamoille North Supervisory Union
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017



General Services: Expense

General Fund expenditures were greater in FY17 than FY16 by \$3,989,966, again as a direct result of special education teacher salary and benefits and transportation expenses moving to the LNSU finance records. This shift directly affected Special Education Instruction, Special Education Administration, Student Support Services (auxiliary sped services such as OT and PT Services) and Transportation.

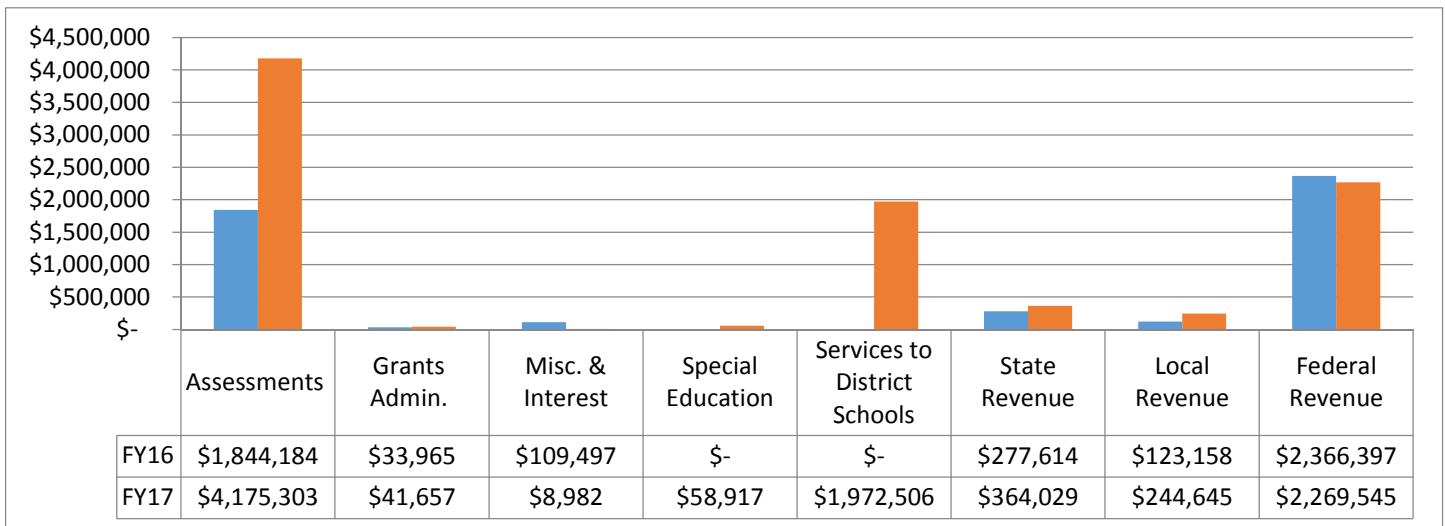


Analysis of Overall Financial Information - All Services: Revenue

Revenues in the area of Assessment were up by \$2,331,119 to accommodate centralization of special education staff and other state mandated centralization of services.

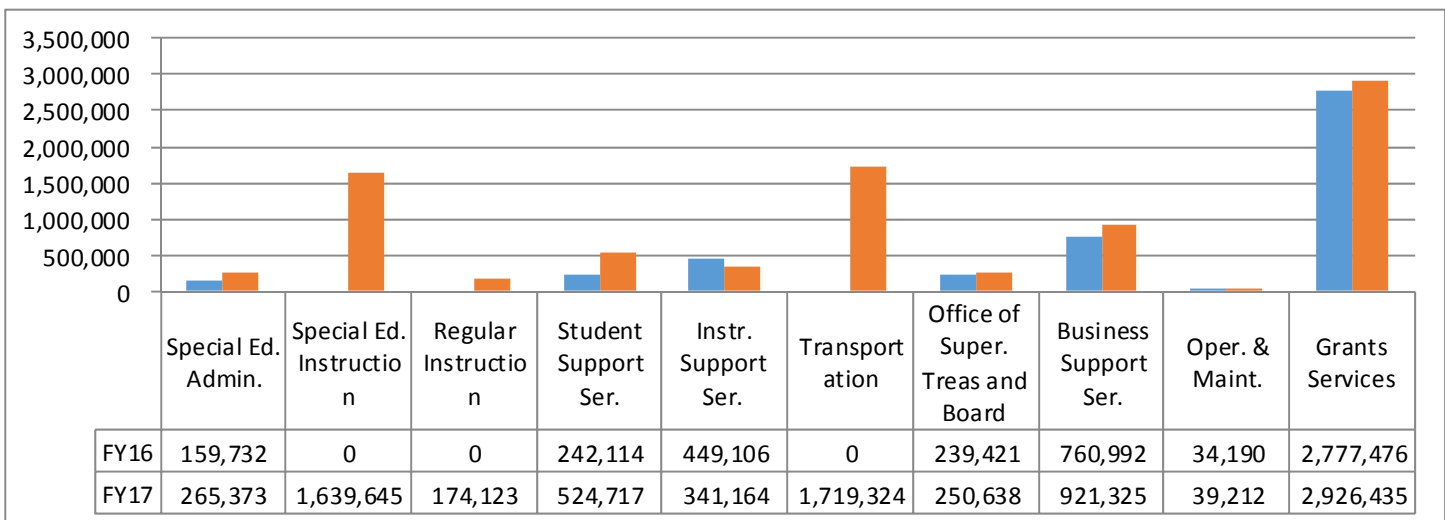
While Federal Revenues were down by \$96,852 due to lower federal grant funding, State Revenues were higher by \$86,415 due to increased state grants. The following chart reflects differences in overall revenues between fiscal years.

Lamoille North Supervisory Union
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017



All Services - Expense

Total service expenses were greater than prior year by \$4,138,925. Special Education, student support and transportation services were greater than prior year by \$3,747,213 due to an increase of centralization of special education services.

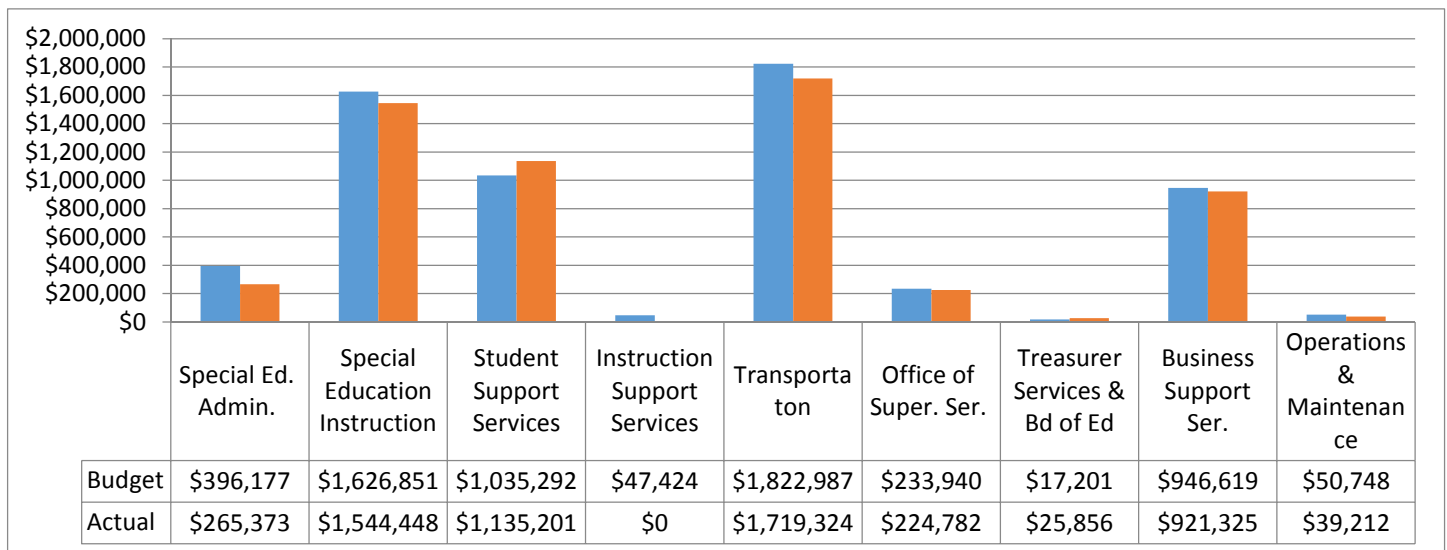


These additional expenditures, supported by assessment, were allowed in the provision of greater services to students in our member districts that saved our districts money overall by not contracting services out through more expensive means.

Lamoille North Supervisory Union
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Analysis of Budget Variations:

In comparisons of Budget to Actual, all areas were lower than budget with the exception of Student Support Services. Student support services were higher than budget due to Regular Instruction bill back to the district school. When the State mandated that special education teachers and transportation employees were to be centralized, the "whole" employee was moved to LNSU and work done in areas other than SPED or transportation, was billed back to the district school where that employee worked. In the smaller schools some special education teachers, especially in EEE were not 100% SPED, so their regular instruction work increased this LNSU expense line, even though there is offsetting revenue generated with the bill back. The chart below reflects fluctuation in this area.



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 – 7/1/16	Excess of Expenditures Over Revenue	Fund Balance – 6/30/17
\$281,737	\$381,777	\$663,514

The total accumulated fund balance reflects the following:

\$9,375 Non-spendable Fund Balance – Prepaid expenses
 \$77,053 Restricted for Future Special Revenue Fund – Grants & GMATV funds
 \$79,713 Committed Fund Balance – committed for FY 18 expenses
 \$45,003 Committed for Future Capital Expenditures
 \$529,423 Unassigned fund balance

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 3 of the Report details the status of the Supervisory Union's net capital assets.

Lamoille North Supervisory Union
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

	Balance 7/1/16	Increases (Depreciation) of Assets	Retired Assets	Balance 6/30/17
Net Capital Assets	\$98,460	-\$32,993	\$0	\$65,467

Decrease in assets was 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 \$9,722 in 2017. The lease ends in 2019.

Retirement Benefits:

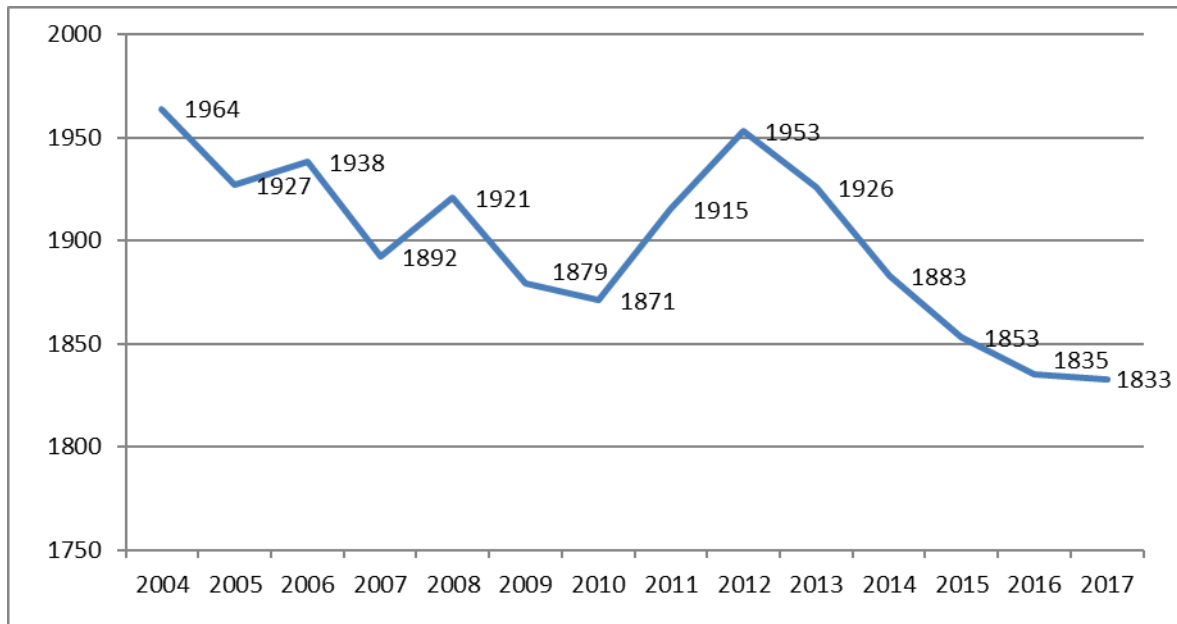
The Lamoille North Supervisory Union (LNSU) allows for employer retirement match in 403(b) contributions as well as special sick day benefit pay of unused sick-days upon retirement. Accrued liability at year-end was \$69,833. This increased greatly in FY17 due to Special Education Teachers and transportation employees' benefits moving to LNSU.

Current Issues:

- Collective Bargaining Agreements: All Collective Bargaining Agreements expired on 06/30/2017. New 2 year agreements have been ratified as of December 2017, set to expire June of 2019.
- Consolidation Efforts: Act 153 & Act 156 are provisions in laws that consolidate some functions to the Supervisory Union and offers incentives for districts to consolidate. Some of the consolidation implementations, such as those in special education and transportation took place July 1, 2016. Since Vermont law prohibits supervisory unions from borrowing or owning real estate, some of the more practical approaches to transferring areas of responsibility to the LNSU have been challenging. Subsequently, the legislature passed Act 46 in May 2015 that provides incentives for consolidation that lowers the tax impact on districts if they voluntarily consolidate as a single district. The LNSU established a committee to look at the possibility and impact of consolidating. A vote of its citizenry was held on April 12, 2016. The towns of Eden, Belvidere, Johnson and Hyde Park voted to consolidate into one school district. Waterville voted to join the consolidated on April 25, 2017. Cambridge Elementary School District voted to not participate in the consolidation. 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.
- 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.

Lamoille North Supervisory Union
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

- **Enrollment:** Enrollment has fluctuated over the last eleven years, as depicted in the graph below, with a high of 1964 students in 2005 and 1953 in 2013 and a low of 1833 students in October of 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), had accelerated some requirements of the Act, however school districts had some time before they needed to comply with all aspects of the new laws. LNSU and member districts purchase health coverage through the Vermont Education Health Initiative (VEHI) Trust. VEHI is recognized statewide as lower in cost for premiums when measured against comparable plans. Reforms to health care plans, through VEHI, were grandfathered for several years however in FY2018, due to mandated plan structures under the ACA, new plans developed by VEHI will take effect. Under the ACA the new plans developed by VEHI are significantly lower in premium cost than the plans currently in effect, with a corresponding out-of-pocket cost increase. To accommodate the increase in out-of-pocket costs these plans can be paired with a Health Savings Plan or Health Reimbursement Arrangement funded by employees and/or employers. During FY2017 and into FY2018 all school districts across the State have, and are, re-negotiating health benefits as a result of these new plans. Unfortunately, after many years of single digit increases in health care coverage, and in light of the significantly reduced cost for these new plans, it is expected that increases in double digits will be realized in the upcoming years.

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@Insu.org.

Lamoille North Supervisory Union
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
June 30, 2017

ASSETS

	<u>Governmental Activities</u>
CURRENT ASSETS	
Cash	\$ 926,904
Due from state of Vermont	244,157
Due from member schools	39,946
Other receivables	117,670
Prepaid expenses	<u>9,375</u>
TOTAL CURRENT ASSETS	1,338,052
 CAPITAL ASSETS, net	 <u>65,467</u>
 TOTAL ASSETS	 <u><u>\$ 1,403,519</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	\$ 179,835
Accrued salaries and benefits	268,904
Unearned Revenue	<u>148,746</u>
TOTAL CURRENT LIABILITIES	<u>597,485</u>
 LONG-TERM LIABILITIES	
Accrued vacation	11,534
Retirement benefits payable	<u>69,833</u>
TOTAL LONG-TERM LIABILITIES	<u>81,367</u>
 TOTAL LIABILITIES	 <u>678,852</u>
 NET POSITION	
Net investment in capital assets	65,467
Restricted for Grant Related Expenses	77,053
Unrestricted	<u>582,147</u>
TOTAL NET POSITION	<u>724,667</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 1,403,519</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, 2017

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	\$ 2,733,692	\$ 2,091,409	\$ 2,190,441	\$ -	\$ 1,548,158
Support services students	231,121	-	201,006	-	(30,115)
Support services instructional:					-
Improvement of instruction	398,940	-	-	-	(398,940)
Instruction development services	-	-	308,068	-	308,068
Speech services	348,305	-	-	-	(348,305)
Guidance	38,579	-	-	-	(38,579)
Pupil transportation	1,601,999	-	-	-	(1,601,999)
Local standards board	269	269	-	-	-
Support services general administration:					
Board of Education services	157,420	-	-	-	(157,420)
Office of Superintendent services	224,782	4,175,303	-	-	3,950,521
Supervisory Union Treasurer services	8,362	41,657	-	-	33,295
Special education administration	2,194,150	-	-	-	(2,194,150)
Support services business:					
Legal services	653	-	-	-	(653)
Fiscal services	454,976	-	-	-	(454,976)
Personnel services	248,841	-	-	-	(248,841)
Technology services	153,116	-	-	-	(153,116)
Operation and maintenance	39,212	-	-	95,010	55,798
Depreciation - unallocated	32,993	-	-	-	(32,993)
Total governmental activities	<u>\$ 8,867,410</u>	<u>\$ 6,308,638</u>	<u>\$ 2,699,515</u>	<u>\$ 95,010</u>	<u>235,753</u>
General revenues:					
Unrestricted investment earnings					1,430
Miscellaneous					<u>11,159</u>
Total general revenues					<u>12,589</u>
Change in net position					248,342
Net position, beginning					<u>476,325</u>
Net position, ending					<u>\$ 724,667</u>

See Accompanying Notes to Basic Financial Statements.

Lamoille North Supervisory Union
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

		Governmental Funds		
		General	Special	
		Fund	Revenue	Totals
		Fund	Fund	
<u>ASSETS</u>				
ASSETS				
Cash	\$ 698,449	\$ 228,455	\$ 926,904	
Due from State of Vermont	-	244,157	244,157	
Due from member schools	189,864	-	189,864	
Other receivables	80,680	36,990	117,670	
Prepaid expense	9,375	-	9,375	
Due from other funds	-	12,424	12,424	
TOTAL CURRENT ASSETS	\$ 978,368	\$ 522,026	\$ 1,500,394	
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 36,393	\$ 143,442	\$ 179,835	
Accrued payroll and related liabilities	266,037	2,867	268,904	
Due to member school districts	-	149,918	149,918	
Due to other funds	12,424	-	12,424	
Unearned revenue	-	148,746	148,746	
TOTAL LIABILITIES	314,854	444,973	759,827	
FUND BALANCE				
Nonspendable	9,375	-	9,375	
Restricted	-	77,053	77,053	
Committed	124,716	-	124,716	
Unassigned	529,423	-	529,423	
TOTAL FUND BALANCE	663,514	77,053	740,567	
TOTAL LIABILITIES AND FUND BALANCE	\$ 978,368	\$ 522,026	\$ 1,500,394	

See Accompanying Notes to Basic Financial Statements.

Lamoille North Supervisory Union
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

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

Total fund balances - governmental funds	\$ 740,567
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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	(294,622)
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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>(81,367)</u>
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Total net position - governmental activities	<u>\$ 724,667</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, 2017

	Governmental Funds		
	General Fund	Special Revenue Fund	Total
REVENUES			
Assessments	\$ 4,175,303	\$ -	\$ 4,175,303
Grant administration	41,657	-	41,657
Federal revenue	-	2,269,545	2,269,545
State revenue	-	364,029	364,029
Local revenue	-	244,645	244,645
Services to District Schools	1,972,506	-	1,972,506
Special Education	58,917	-	58,917
Interest income	1,362	67	1,429
Miscellaneous	7,553	-	7,553
TOTAL REVENUES	<u>6,257,298</u>	<u>2,878,286</u>	<u>9,135,584</u>
EXPENDITURES			
Special education administration	265,373	-	265,373
Special education instruction	1,544,448	-	1,544,448
Support services students	-	161,755	161,755
Support services instructional:			
Improvement of instruction	91,368	-	91,368
Instruction development services	249,796	104,163	353,959
Regular Instruction	174,123	1,436,104	1,610,227
Student Support	-	1,006,379	1,006,379
OT Services	122,253	-	122,253
PT Services	66,533	-	66,533
Speech Services	279,602	-	279,602
Essential Early Ed. & Early Ed. Initiative	95,197	-	95,197
Guidance Services	56,329	-	56,329
Transportation:			
Special Education Transportation	119,229	-	119,229
Regular Transportation	1,586,188	-	1,586,188
Co-Curricular Transportation	13,907	-	13,907
Support services general administration:			
Board of Education services	19,862	-	19,862
Office of Superintendent services	224,782	218,034	442,816
Supervisory Union Treasurer services	5,994	-	5,994
Support services business:			
Legal services	653	-	653
Audit services	81,500	-	81,500
Fiscal services	454,976	-	454,976
Personnel services	248,264	-	248,264
Technology services	135,932	-	135,932
Operation and maintenance	39,212	-	39,212
TOTAL EXPENDITURES	<u>5,875,521</u>	<u>2,926,435</u>	<u>8,801,956</u>

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, 2017

	Governmental Funds		
	General Fund	Special Revenue Fund	Total
NET CHANGE IN FUND BALANCE	381,777	(48,149)	333,628
FUND BALANCE, Beginning of Year	281,737	125,202	406,939
FUND BALANCE, End of Year	<u>\$ 663,514</u>	<u>\$ 77,053</u>	<u>\$ 740,567</u>

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, 2017

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	\$ 333,628
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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	(32,993)
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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:

Increase in retirement benefits	(53,782)
Decrease in accrued vacation	<u>1,489</u>

Change in net position of governmental activities	<u>\$ 248,342</u>
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See Accompanying Notes to Basic Financial Statements.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- * Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the 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.

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.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- (1) The asset is tangible and complete.
- (2) The asset is used in the operation of the 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.

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 District's 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.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 2 CASH

The cash deposits in the Supervisory Union accounts as of June 30, 2017 consisted of the following:

	Book Balance	Bank Balance
Insured (FDIC)	\$ 251,000	\$ 251,003
Petty Cash	50	-
Collateralized	675,854	773,450
 TOTAL	 <u>\$ 926,904</u>	 <u>\$1,024,453</u>

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

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
<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	310,443	-	-	310,443
Total capital assets, being depreciated	353,076	-	-	353,076
Accumulated depreciation for				
Land Improvements	(13,300)	(1,209)	-	(14,509)
Buildings and Improvements	(12,745)	(1,254)	-	(13,999)
Furniture and Equipment	(235,584)	(30,530)	-	(266,114)
Total accumulated depreciation	(261,629)	(32,993)	-	(294,622)
Total capital assets, being depreciated, net	91,447	(32,993)	-	58,454
Governmental activities capital assets, net	\$ 98,460	\$ (32,993)	\$ -	\$ 65,467

NOTE 4 FUND BALANCES/NET POSITION

Fund Financial Statements:

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

General Fund:

 Nonspendable for Prepaid Expenses \$ 9,375

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

General Fund:

 Committed for FY18 Expenditures \$ 79,713
 Committed for Future Capital Expenditures 45,003

 Total Committed Fund Balances \$ 124,716

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 FUND BALANCES/NET POSITION (Continued)

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

Special Revenue Fund:

Restricted for Future Special Revenue Expenditures \$ 77,053

District-Wide Financial Statements:

General Fund

Restricted for Future Special Revenue Expenditures \$ 77,053

NOTE 5 UNEARNED REVENUE

Unearned revenue consists of the following at June 30, 2017.

Special Revenue Fund:

EPSDT \$ 148,746

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

NOTE 6 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 \$883,613. Contributions by the district during fiscal year June 30, 2017 were \$29,161.

NOTE 7 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.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 TEACHERS RETIREMENT (continued)

Reporting Date, Measurement Date, and Valuation Date

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

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

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

Fiscal Year Ended June 30, 2015				
2015 Allocated Contribution	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 24,491	0.03359%	\$ 953,873	\$ 555,308	\$ 398,566

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, 2017

NOTE 7 TEACHERS RETIREMENT (continued)

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

Fiscal Year Ended June 30, 2016				
Portion of State Contribution	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 28,687	0.03918%	\$ 1,148,039	\$ 635,013	\$ 513,026

Fiscal Year Ended June 30, 2016			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Increase (8.95% Disc Rate)
\$ 183,476	\$ (73,186)	\$ 641,966	\$ 404,812

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

Deferred Outflows of Resources							
Employer Proportion	Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
0.03918%	\$ 513,026	\$ 4,980	\$ 11,261	\$ -	\$ 49,590	\$ 117,645	\$183,476

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
\$ -	\$ (2,123)	\$ -	\$ -	\$ (71,063)	\$ (73,186)

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 TEACHERS RETIREMENT (continued)

Pension Expense Recognized		
Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total
\$ 53,240	\$ 51,836	\$105,076

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

Fiscal Year Ending June 30,					
2017	2018	2019	2020	2021	Thereafter
\$ 69,684	\$ (2,545)	\$ 34,570	\$ 8,581	\$ -	\$ -

Schedule E – Covered Payroll

FY 2016	FY 2015	FY 2014
\$ 253,785	\$ 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>

Plan Description

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

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

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 TEACHERS RETIREMENT (continued)

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

The Pension Plan is divided into the following membership groups:

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

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

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

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 TEACHERS RETIREMENT (continued)

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

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

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

Significant Actuarial Assumptions and Methods

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

Interest Rate: 7.95% per annum.

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

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

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

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

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

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 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. Solely for the June 30, 2016 valuation, this percentage was reduced to 332.5% in recognition of the impact of the school district consolidation program on the demographics of the inactive population.

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

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

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

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

Long-term expected rate of return

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

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

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

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 TEACHERS RETIREMENT (continued)

Discount rate

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

During the year ended June 30, 2017 the state of Vermont contributed \$242,828 on behalf of the Lamoille North Supervisory Union.

NOTE 8 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 9 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.

NOTE 10 INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual Fund Interfund Receivable and Payable balances are as follows at June 30, 2017:

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 INTERFUND RECEIVABLE AND PAYABLE BALANCES (continued)

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ (12,424)
Title I Fund	26,749	-
Title II-A Fund	-	(30,872)
IDEA-B Fund	-	(79,979)
Consolidated Federal Grants	301	-
Reading First	3,722	
21st Century Learning	9,377	-
SIG	35,691	-
Other Federal Grants	3,218	-
EPSDT & Medicaid	-	(87,211)
Union School Analysis	38,099	-
Best ACT 230	232	-
Path Points	10,663	-
Other Grants	<u>8,719</u>	<u>-</u>
 TOTAL	 <u>\$ 136,771</u>	 <u>\$ (210,486)</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 11 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, 2017 are \$69,833.

<u>Balance at 06/30/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 06/30/17</u>
<u>\$ 16,051</u>	<u>\$ 55,082</u>	<u>\$ (1,300)</u>	<u>\$ 69,833</u>

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 12 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:

	<u>Treasurer</u>	<u>Special Education</u>	<u>Other Supervisory Union</u>	<u>Total</u>
Belvidere School District	\$ 157	\$ 60,540	\$ 29,144	\$ 89,841
Cambridge School District	1,414	544,844	262,297	808,555
Eden School District	522	201,293	96,904	298,719
Hyde Park School District	962	370,798	178,508	550,268
Johnson School District	1,001	385,931	185,794	572,726
Waterville School District	232	89,297	42,988	132,517
Lamoille Union School District #18	<u>3,012</u>	<u>1,160,826</u>	<u>558,839</u>	<u>1,722,677</u>
 TOTAL ASSESSMENTS	 <u>\$ 7,300</u>	 <u>\$2,813,529</u>	 <u>\$1,354,474</u>	 <u>\$4,175,303</u>

NOTE 13 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, 2017 for the next years is as follows:

<u>Year Ending June 30,</u>	
2018	\$ 9,492
2019	3,955

Total lease expense, which includes overages charges, for the year ending June 30, 2017 was \$9,722.

NOTE 14 SUBSEQUENT EVENTS

In accordance with professional accounting standards, the Supervisory Union has evaluated subsequent events through November 7, 2017 which is the date the financial statement was available to be issued. All subsequent events requiring recognition as of June 30, 2017, 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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Assessments	\$ 4,234,477	\$ 4,234,477	\$ 4,175,303	\$ (59,174)
Grant administration	34,313	34,313	41,657	7,344
Interest income	750	750	1,362	612
Services to District Schools	1,113,796	1,822,987	1,972,506	149,519
Special Education	-	-	58,917	58,917
Miscellaneous	714,191	5,000	7,553	2,553
TOTAL REVENUES	6,097,527	6,097,527	6,257,298	159,771
EXPENDITURES				
Special education administration	396,177	396,177	265,373	130,804
Special Education Instruction	1,608,851	1,626,851	1,544,448	82,403
Support services instructional:				
Improvement of instruction	106,619	106,619	91,368	15,251
Instruction development services	244,009	244,009	249,796	(5,787)
Regular Instruction	1,350	1,350	174,123	(172,773)
OT Services	124,677	124,677	122,253	2,424
PT Services	61,290	61,290	66,533	(5,243)
Speech Services	226,481	226,481	279,602	(53,121)
Essential Early Ed. & Early Ed. Initiative	253,116	253,116	95,197	157,919
Guidance Services	17,750	17,750	56,329	(38,579)
Transportation:				
Special Education Transportation	134,438	134,438	119,229	15,209
Regular Transportation	1,688,549	1,688,549	1,586,188	102,361
Co-Corricular Transportation	-	-	13,907	(13,907)
Support services general administration:				
Board of Education services	9,675	9,675	19,862	(10,187)
Office of Superintendent services	233,940	233,940	224,782	9,158
Supervisory Union Treasurer services	7,526	7,526	5,994	1,532
Other Support Services	65,424	47,424	-	47,424
Support services business:				
Legal services	8,500	8,500	653	7,847
Audit services	85,000	85,000	81,500	3,500
Fiscal services	453,255	453,255	454,976	(1,721)
Personnel services	245,973	245,973	248,264	(2,291)
Technology services	153,891	153,891	135,932	17,959
Operation and maintenance	50,748	50,748	39,212	11,536
TOTAL EXPENDITURES	6,177,239	6,177,239	5,875,521	301,718
NET CHANGE IN FUND BALANCE	\$ (79,712)	\$ (79,712)	\$ 381,777	\$ 461,489

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, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.0392%	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>513,026</u>	<u>398,565</u>	<u>451,428</u>	<u>187,269</u>
Total	<u>\$ 513,026</u>	<u>\$ 398,565</u>	<u>\$ 451,428</u>	<u>\$ 187,269</u>
District's covered-employee payroll	<u>\$ 2,095,155</u>	<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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	55.31%	58.22%	64.02%	60.59%

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

See Accompanying Notes to Basic Financial Statements

OTHER SUPPLEMENTARY INFORMATION

Lamoille North Supervisory Union
OTHER SUPPLEMENTARY INFORMATION
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
June 30, 2017

	Federal Grants							Federal Grants			State and Local Grants						Non-Grant		
	Title I	Title II-A	IDEA-B	Consolidated Federal Grants	Reading First	21st Century Learning	Food Service	SIG	Other Federal	Total Federal	EPSDT & Medicaid	Union School Analysis	BEST Act 230	Path Points	Other Grants	Total State & Local	GMATV	Eliminations	Total All Grants
<u>ASSETS</u>																			
ASSETS																			
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,247	\$ -	\$ -	\$ 4,247	\$ 224,208	\$ -	\$ -	\$ -	\$ -	\$ 224,208	\$ -	\$ -	\$ 228,455
Due from State of Vermont	-	30,872	77,623	-	-	3,465	103,197	-	17,853	233,010	11,147	-	-	-	-	11,147	-	-	244,157
Due from member school districts	-	-	4,327	-	-	2,364	-	18,373	-	25,064	-	-	-	-	-	-	-	-	25,064
Other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,990	36,990	-	-	36,990
Due from other funds	<u>26,749</u>	<u>-</u>	<u>-</u>	<u>301</u>	<u>3,722</u>	<u>9,377</u>	<u>-</u>	<u>35,691</u>	<u>3,218</u>	<u>79,058</u>	<u>-</u>	<u>38,099</u>	<u>232</u>	<u>10,663</u>	<u>8,719</u>	<u>57,713</u>	<u>73,715</u>	<u>(198,062)</u>	<u>12,424</u>
TOTAL ASSETS	<u>\$ 26,749</u>	<u>\$ 30,872</u>	<u>\$ 81,950</u>	<u>\$ 301</u>	<u>\$ 3,722</u>	<u>\$ 15,206</u>	<u>\$ 107,444</u>	<u>\$ 54,064</u>	<u>\$ 21,071</u>	<u>\$ 341,379</u>	<u>\$ 235,355</u>	<u>\$ 38,099</u>	<u>\$ 232</u>	<u>\$ 10,663</u>	<u>\$ 45,709</u>	<u>\$ 330,058</u>	<u>\$ 73,715</u>	<u>\$ (198,062)</u>	<u>\$ 547,090</u>
<u>LIABILITIES AND FUND BALANCE</u>																			
LIABILITIES																			
Accounts payable	\$ 26,749	\$ -	\$ 684	\$ -	\$ 3,722	\$ 14,000	\$ -	\$ 54,064	\$ -	\$ 99,219	\$ -	\$ 38,026	\$ 232	\$ -	\$ 5,965	\$ 44,223	\$ -	\$ -	\$ 143,442
Accrued payroll and related liabilities	-	-	1,287	301	-	1,206	-	-	-	2,794	-	73	-	-	-	73	-	-	2,867
Due to member school districts	-	-	-	-	-	-	107,113	-	17,853	124,966	10,853	-	-	-	39,163	50,016	-	-	174,982
Due to other funds	-	30,872	79,979	-	-	-	-	-	-	110,851	87,211	-	-	-	-	87,211	-	(198,062)	-
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,746</u>	<u>-</u>	<u>-</u>	<u>148,746</u>
TOTAL LIABILITIES	<u>26,749</u>	<u>30,872</u>	<u>81,950</u>	<u>301</u>	<u>3,722</u>	<u>15,206</u>	<u>107,113</u>	<u>54,064</u>	<u>17,853</u>	<u>337,830</u>	<u>246,810</u>	<u>38,099</u>	<u>232</u>	<u>-</u>	<u>45,128</u>	<u>330,269</u>	<u>-</u>	<u>(198,062)</u>	<u>470,037</u>
FUND BALANCE																			
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331</u>	<u>-</u>	<u>3,218</u>	<u>3,549</u>	<u>(11,455)</u>	<u>-</u>	<u>-</u>	<u>10,663</u>	<u>580</u>	<u>(212)</u>	<u>73,716</u>	<u>-</u>	<u>77,053</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 26,749</u>	<u>\$ 30,872</u>	<u>\$ 81,950</u>	<u>\$ 301</u>	<u>\$ 3,722</u>	<u>\$ 15,206</u>	<u>\$ 107,444</u>	<u>\$ 54,064</u>	<u>\$ 21,071</u>	<u>\$ 341,379</u>	<u>\$ 235,355</u>	<u>\$ 38,099</u>	<u>\$ 232</u>	<u>\$ 10,663</u>	<u>\$ 45,708</u>	<u>\$ 330,057</u>	<u>\$ 73,716</u>	<u>\$ (198,062)</u>	<u>\$ 547,090</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, 2017

	Federal Funds							Federal Funds			State and Local Grants					Non-Grants		Total
	Consolidated															Total		Total
	Title I	Title II-A	IDEA-B	Federal Grants	Reading First	21st Century	Food Service	SIG	Other Federal	Total Federal	EPSDT & Medicaid	Union School Analysis	BEST Act 230	Other Grants	Path Points	State & Local	GMATV	All Special Funds
REVENUES																		
Federal revenue	\$ 599,190	\$ 188,227	\$ 589,704	\$ -	\$ 1,276	\$ 215,015	\$ 542,858	\$ 90,360	\$ 42,915	\$ 2,269,545	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,269,545
State revenue	-	-	-	-	-	-	19,094	64,857	-	83,951	151,289	70,645	568	57,576	-	280,078	-	364,029
Local sources	-	-	-	-	-	13,461	69,462	-	-	82,923	-	-	-	37,258	16,349	53,607	108,115	244,645
Interest income	-	-	-	-	-	-	7	-	-	7	60	-	-	-	-	60	-	67
TOTAL REVENUES	<u>599,190</u>	<u>188,227</u>	<u>589,704</u>	<u>-</u>	<u>1,276</u>	<u>228,476</u>	<u>631,421</u>	<u>155,217</u>	<u>42,915</u>	<u>2,281,209</u>	<u>151,349</u>	<u>70,645</u>	<u>568</u>	<u>94,834</u>	<u>16,349</u>	<u>333,745</u>	<u>108,115</u>	<u>2,878,286</u>
EXPENDITURES																		
Instruction - services	15,990	5,946	331,487	31,471	1,276	149,353	631,343	155,217	29,060	1,351,143	-	-	263	84,698	-	84,961	-	1,436,104
Instruction - special programs	14,011	-	-	-	-	-	-	-	-	14,011	-	-	-	270	14,251	14,521	133,223	161,755
Support services:																		
Students	-	-	115,436	698,593	-	-	-	-	16,769	830,798	166,295	-	-	9,286	-	175,581	-	1,006,379
Instructional Staff	-	20,979	11,617	-	-	617	-	-	-	33,213	-	70,645	305	-	-	70,950	-	104,163
General Administration	-	427	131,164	-	-	78,506	-	-	-	210,097	7,937	-	-	-	-	7,937	-	218,034
TOTAL EXPENDITURES	<u>30,001</u>	<u>27,352</u>	<u>589,704</u>	<u>730,064</u>	<u>1,276</u>	<u>228,476</u>	<u>631,343</u>	<u>155,217</u>	<u>45,829</u>	<u>2,284,045</u>	<u>174,232</u>	<u>70,645</u>	<u>568</u>	<u>94,254</u>	<u>14,251</u>	<u>353,950</u>	<u>133,223</u>	<u>2,771,218</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	569,189	160,875	-	(730,064)	-	-	78	-	(2,914)	(2,836)	(22,883)	-	-	580	2,098	(20,205)	(25,108)	(48,149)
OTHER FINANCING SOURCES (USES)																		
Interfund Transfers	(569,189)	(160,875)	-	730,064	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-	78	-	(2,914)	(2,836)	(22,883)	-	-	580	2,098	(20,205)	(25,108)	(48,149)
FUND BALANCE, Beginning of Year	-	-	-	-	-	-	253	-	6,132	6,385	11,428	-	-	-	8,565	19,993	98,824	125,202
FUND BALANCE, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331</u>	<u>\$ -</u>	<u>\$ 3,218</u>	<u>\$ 3,549</u>	<u>\$ (11,455)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 580</u>	<u>\$ 10,663</u>	<u>\$ (212)</u>	<u>\$ 73,716</u>	<u>\$ 77,053</u>

Lamoille North Supervisory Union

ADDITIONAL REPORTS REQUIRED BY
THE SINGLE AUDIT ACT

June 30, 2017

Lamoille North Supervisory Union
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Grantor Number	Federal CFDA Number	Federal Expenditures	Expenditures to Subrecipients
U. S. Department of Education				
Passed through State of Vermont, Department of Education				
Title I A	4250-S025-17-01	84.010	\$ 599,190	\$ 520,468
Title I- School Effectiveness	4255-S025-17-01	84.010	188,226	166,821
Subtotal			787,416	687,289
IDEA B	4226-S025-17-01	84.027	576,917	170,313
IDEA B Proportionate Share	4223-S025-17-01	84.027	589	-
IDEA B Preschool	4228-S025-17-01	84.173	12,198	-
Cluster Subtotal			589,704	170,313
Title IV-B 21st Century Learning Communities	4611-S025-16-01	84.287	197,835	127,109
Title II A - Improving Teacher Quality	4651-S025-17-01	84.367	155,217	155,217
U.S Department of Energy				
Passed through to State of Vermont, Department of Education				
Race to the Top- Early Learning Challenge	4504-S025-17-01	84.412	1,276	1,276
U.S. Department of Agriculture				
Passed through State of Vermont, Department of Education				
National School Lunch Program	4450-S025-17-00	10.555	388,582	388,582
National School Lunch Program	4452-S025-17-00	10.555	122,475	122,475
National School Lunch Program	4448-S025-17-00	10.555	3,128	3,128
Summer Food Service Program for Children	4455-S025-17-00	10.559	19,829	16,364
Cluster Subtotal			534,014	530,549
Fresh Fruit & Vegetable Program	4449-S025-17-01	10.582	42,914	42,914
Child and Adult Care Food Program	4453-S025-17-00	10.558	1,945	1,651
Child and Adult Care Food Program	4454-S025-17-00	10.558	26,727	22,689
Cluster Subtotal			28,672	24,340
			<u>\$ 2,337,048</u>	<u>\$ 1,739,007</u>

Lamoille North Supervisory Union
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2017

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, 2017. 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, 2017, 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, 2017.

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.

The block contains two handwritten signatures. The first signature, on the left, is 'Kittell Branagan' written in a cursive script. To its right is a smaller, less legible signature that appears to be 'Sarah'.

St. Albans, Vermont
November 7, 2017



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, 2017. 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, 2017.

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, reading "K. Brannan & Sargent". The signature is written in a cursive, flowing style.

St. Albans, Vermont
November 7, 2017

Lamoille North Supervisory Union
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

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 #84.027	Idea B
CFDA #84.173	Idea B- Preschool
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.