

Lamoille Union High School District #18

BASIC FINANCIAL STATEMENTS

June 30, 2016

Lamoille Union High School District #18
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Certified Public Accountants

Vermont License # 167

INDEPENDENT AUDITOR'S REPORT

To the School Board
Lamoille Union High School District #18

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of Lamoille Union High School District #18 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the Lamoille Union High School District #18, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof 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 budgetary comparison information on pages 31 through 33 and the schedule of the proportionate share of the net pension liability on page 34 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2016, on our consideration of the Lamoille Union High School District #18 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 Union High School District #18's internal control over financial reporting and compliance.



St. Albans, Vermont
November 8, 2016

Lamoille Union High School District #18
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Our discussion and analysis of Lamoille Union School District #18 financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements.

Brief Discussion of the Basic Financial Statements:

Using This Annual Report

This annual Report consists of a series of financial statements. The Statement of Net Position and the Balance Sheet—Governmental Funds provide information about the activities of the District as a whole, and present a longer-term view of the District's finances. Fund financial statements such as the Statement of Activities follow under the Notes section of the Report.

For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

The Statement of Net Position - Proprietary Funds provides financial information about activities for which the District operates as an "Enterprise Fund". The activity that this Fund reports stems from the construction of a house by the Technical Center for sale to a private owner.

The Statement of Net Position - Fiduciary Funds provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

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

Reporting the District as a Whole

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

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

Lamoille Union High School District #18
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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

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

Analysis of Overall Financial Information:

The most significant change in Lamoille Union's current assets and liabilities from the prior years is due to improvements through capital funds and the GMTCC Construction project.

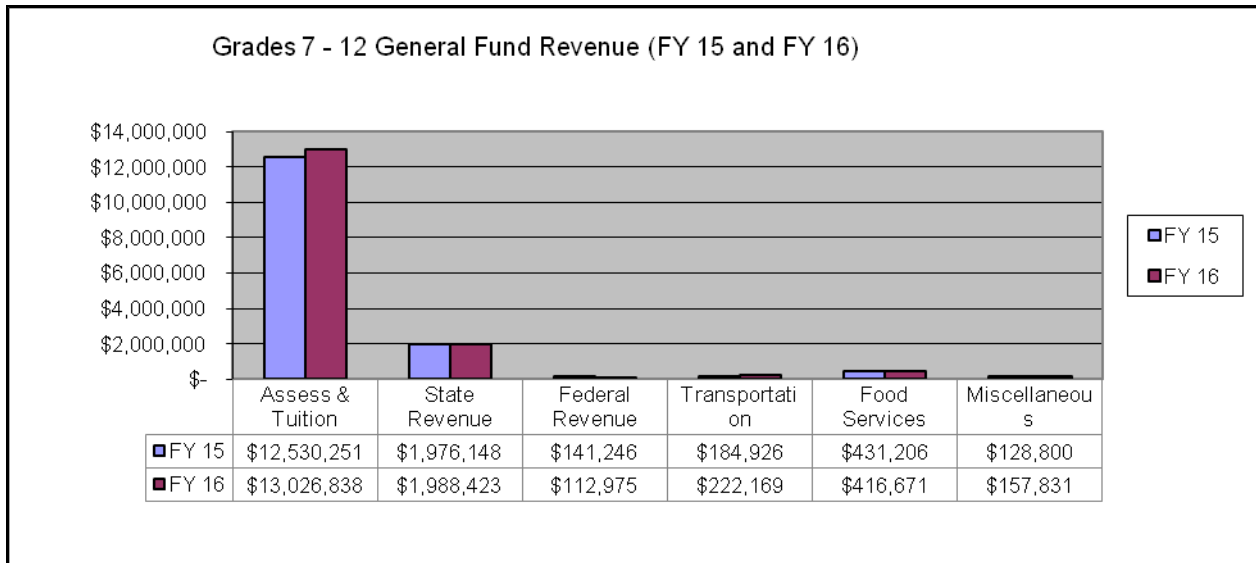
ASSETS							
	<u>General Fund</u>		<u>Proprietary Fund</u>		<u>Total</u>		<u>% Change</u>
	<u>FY 15</u>	<u>FY 16</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 15</u>	<u>FY 16</u>	
Current Assets	\$ 4,625,235	\$ 3,631,654	\$ 94,677	\$ 97,167	\$ 4,719,912	\$ 3,728,821	21.00%
Restricted Investments	561,831	639,742	-	-	561,831	639,742	-13.87%
Capital Assets, net	<u>22,313,009</u>	<u>21,403,214</u>	<u>-</u>	<u>-</u>	<u>22,313,009</u>	<u>21,403,214</u>	4.08%
Total Assets	<u>\$ 27,500,075</u>	<u>\$ 25,674,610</u>	<u>\$ 94,677</u>	<u>\$ 97,167</u>	<u>\$ 27,594,752</u>	<u>\$ 25,771,777</u>	6.61%

LIABILITIES							
	<u>General Fund</u>		<u>Proprietary Fund</u>		<u>Total</u>		<u>% Change</u>
	<u>FY 15</u>	<u>FY 16</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 15</u>	<u>FY 16</u>	
Current Liabilities	\$ 2,040,182	\$ 1,216,498	\$ 2,511	\$ 5,001	\$ 2,042,693	\$ 1,221,499	40.20%
Long-Term Liabilities	<u>8,098,811</u>	<u>7,223,280</u>	<u>-</u>	<u>-</u>	<u>8,098,811</u>	<u>7,223,280</u>	10.81%
Total Liabilities	<u>\$ 10,138,993</u>	<u>\$ 8,439,778</u>	<u>\$ 2,511</u>	<u>\$ 5,001</u>	<u>\$ 10,141,504</u>	<u>\$ 8,444,779</u>	16.73%

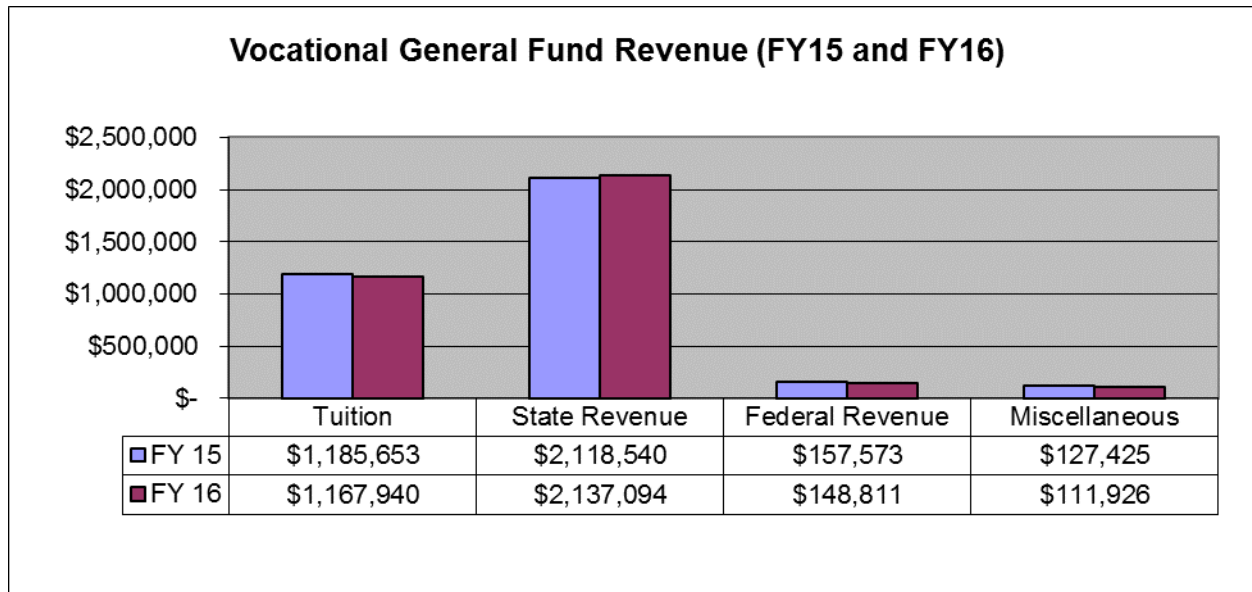
NET POSITION							
	<u>General Fund</u>		<u>Proprietary Fund</u>		<u>Total</u>		<u>% Change</u>
	<u>FY 15</u>	<u>FY 16</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 15</u>	<u>FY 16</u>	
Net Investment in							
Capital Assets	\$ 13,601,009	\$ 13,586,214	\$ -	\$ -	\$ 13,601,009	\$ 13,586,214	0.11%
Restricted	561,831	639,742	92,166	92,166	653,997	731,908	-11.91%
Unrestricted	<u>3,198,242</u>	<u>3,008,876</u>	<u>-</u>	<u>-</u>	<u>3,198,242</u>	<u>3,008,876</u>	5.92%
Total Net Position	<u>\$ 17,361,082</u>	<u>\$ 17,234,832</u>	<u>\$ 92,166</u>	<u>\$ 92,166</u>	<u>\$ 17,453,248</u>	<u>\$ 17,326,998</u>	-5.88%

Lamoille Union High School District #18
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

REVENUES



Lamoille Union District #18's Grade 7-12 total FY16 revenues were \$532,331 more than FY15 revenues. 93% of this increase is contributable to General State Support. State Special Ed Revenues have leveled off and Food Service revenues continue to fall off with the onset of federal regulations restricting portion size and reduction in enrollment.



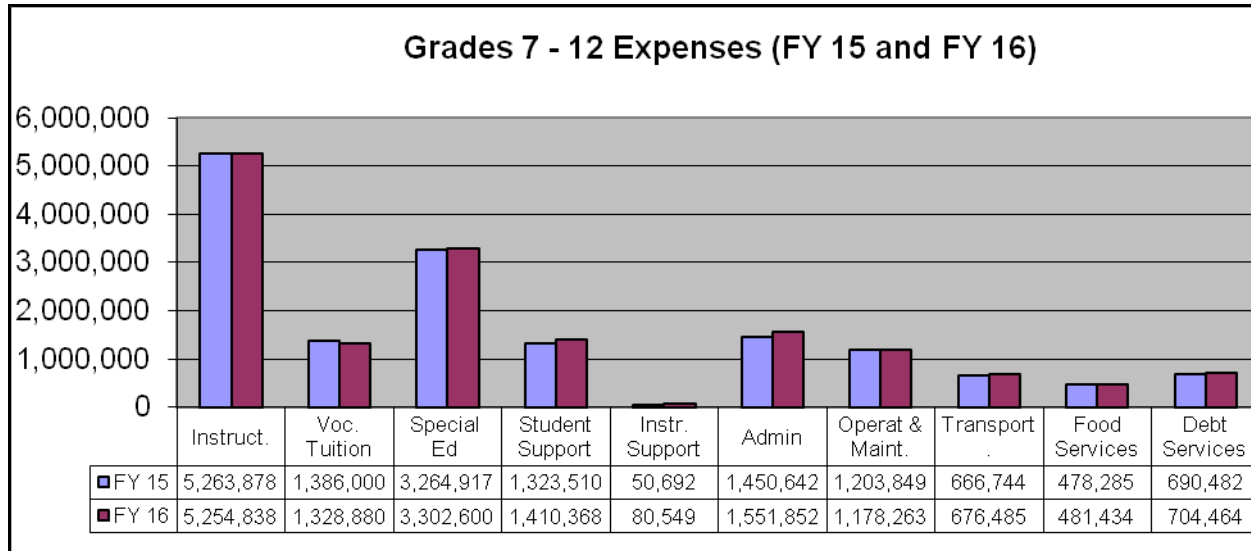
The GMTCC revenues were less than FY15 levels by \$23,420 overall, reflecting less tuition, Federal and miscellaneous revenue as enrollment continues to struggle. Use of audited fund balance helped to off-set tuition revenues as enrollment continues to lag.

The Capital Projects fund earned \$15,377 of interest income in FY 16 up from \$13,804 in FY 15 which also had \$622,980 in State construction aid revenues, no such funds were received in FY 16.

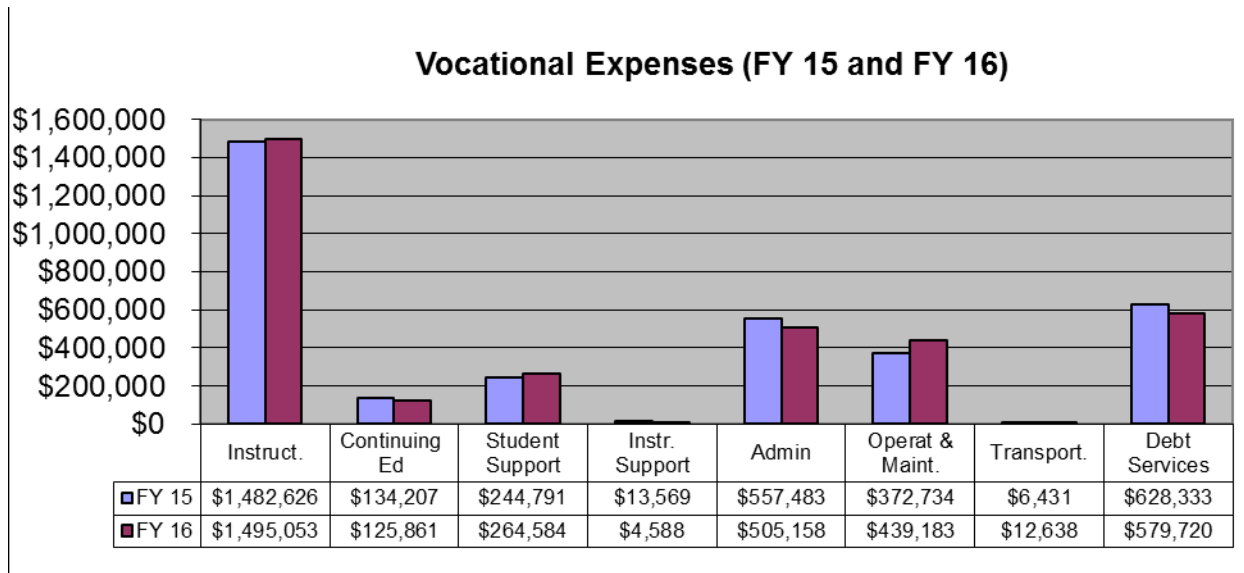
The proprietary fund had \$58,897 in revenues from a house that was sold during FY 16. There were no such revenues in FY 15. There was also interest income in the proprietary fund in FY 16 of \$74.

Lamoille Union High School District #18
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

EXPENDITURES



Lamoille Union’s total expenditures were higher than prior year by \$190,734 primarily in the areas of student support services, Supervisory Union assessment, special education and instruction support. These areas, as a result, generated greater revenue reimbursement.



The GMTCC expenditures were less than FY15 by \$13,389. Expenditure reduction was driven primarily by debt service reduction and lower administrative costs due to personnel changes.

The Capital projects fund incurred \$241,522 in expenses during FY 16 up from \$112,178 in FY 15.

The proprietary fund had \$58,971 in expenses from a house that was sold during FY 16. There were no such revenues in FY 15.

Lamoille Union High School District #18
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Change in General Fund Balance:

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

Fund Balance FY15	Excess of Expenditures Over Revenues	Fund Balance FY16
\$4,041,884	(\$131,985)	\$3,909,899

Of this, \$100,000 is committed for FY17 expenditures for GMTCC, and \$200,000 committed to the GMTCC Capitol Reserve. Another \$280,609 is committed for MS/HS FY17 Capital Fund, \$119,969 is committed for the Technology Lancer One Capital Fund, \$15,442 is committed for Cricket Hill trails, and \$585,529 previously voted MS/HS capital fund reserve with \$3,748 committed from the Middle School Construction. An unfavorable balance of (\$81,305) in Food Services and (\$7,577) in the Energy fund need to be covered by the general reserve. For the GMTCC, \$667,455 is reserved for construction, \$89,269 for GMTCC capital reserve, \$150,000 Reserve for Operation and Maintenance, and \$89,123 is restricted & pledged for Adult Education and Vocational House Expenses. The State provided final obligation for the GMTCC construction in FY15. This amount, coupled with other fund balance from construction, will offset the \$1,217,000 in future QZAB payments. When all is taken into consideration, there is Unreserved \$230,109 for HS/MS (\$175,306 after unfavorable balance offsets) and \$212,153 unreserved for GMTCC. Additionally, there is \$34,079 of non-spendable inventory and prepaid expenses.

LUSD#18 Fund Balances and Pledges 6/30/16

HS/MS

<i>Unreserved</i>	230,109.00	
<i>Non-Spendable</i>	34,079.00	
Capital (Middle School Construction)	3,748.00	
Reserved for Capital (403 - FY17 Expenses)	280,609.00	
Reserved (403 - 5 year Capital Plan)	585,529.00	
Reserved (404 - HS/MS Technology)	119,969.00	
Energy Efficiency (304)	(7,577.00)	
Food Services (500)	(81,305.00)	1,165,161.00
Cricket Hill (401 - Sweeney Property)		15,442.00

GMTCC

<i>Unreserved</i>	212,153.00	
Committed (FY2017 expenses)	100,000.00	
Committed (405 - Capital Fund transfer - FY17 Expenses)	200,000.00	
Reserved (200 - Construction)	667,455.00	
QZAB Payments (200 - Construction)	1,217,000.00	
Reserved (405 - Capital)	89,269.00	
Committed (406 - FY17 Transfer)	96,463.00	
Reserved (406 - Capital)	150,000.00	
Adult Education	(3,044.00)	2,729,296.00
	Fund Balances 6/30/16	3,909,899.00
Vocation House (Pledged Funds)		92,167.00
	Fund Balance and Pledges 6/30/16	4,002,066.00

Lamoille Union High School District #18
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Assets:

As required under Governmental Accounting Standards Board #34, the District is reporting its capital assets as part of the financial statements. The District has researched and documented the historical costs of the various assets owned by the District and applied appropriate charges against the cost to record depreciation. Note 3 of the Report details the status of the District's net capital assets.

Description	Balance - 7/1/15	Increase/Decrease	Balance - 6/30/16
Land	\$138,515	\$0	\$138,515
Depreciable Assets	\$35,223,646	(\$57,417)	\$35,166,229
Accumulated Depreciation	(\$13,049,152)	(852,378)	(\$13,901,530)
Capital Assets, Net	\$22,313,009	(\$909,795)	\$21,403,214

Long-Term Debt:

The District has three categories of long-term debt, defined as Bond Payables, Capital Leases and Termination Benefits Payable.

1. As of June 30, the district had \$7,817,000 in three outstanding bond principals. Two of the bonds are in connection with the GMTCC construction project. Bond principal and interest are being paid through the General Fund.
2. At June 30, the district had a \$0 balance in capital notes. Notes are for the purchase of certain school equipment. Note principal and interest payments are paid through the General Fund.
3. At June 30, the district had \$261,280 in termination benefits payable. This payable is from accrued employee vacation and sick leave.

Bond Type	Original Amount	6/30/16 Balance	FY '16 Payment	Final Pay. Date
Energy Improvements	\$750,000	\$0	\$40,000	12/1/2015
Addition & Renovation	\$9,270,000	\$2,300,000	\$460,000	12/1/2020
Tech Center Renovation & Addition	7,855,000	4,300,000	\$395,000	12/1/2026
Qualified Zone Bond – Tech Center Addition & Renovation	1,217,000	1,217,000	0	10/01/2021

Current Issues:

- Management: In September, 2016, the LNSU hired a new superintendent.

Lamoille Union High School District #18
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

- Consolidation Efforts:** Act 153 & Act 156 are provisions in laws that consolidate some functions in the central office and offers incentives for districts to consolidate. Some of the consolidation implementations, such as those in special education and transportation, have been delayed until July 1, 2014. However, this was delayed for the LNSU due to lack of a negotiated agreement with the union addressing some consolidation issues. Since Vermont law prohibits supervisory unions from borrowing or owning real estate, some of the more practical approaches to transferring areas of responsibility to the LNSU are difficult. Subsequently, the legislature passed Act 46 in May 2015 that provides incentives for consolidation that lowers the tax impact on districts if they voluntarily consolidate as a single district. The LNSU established a committee to look at the possibility and impact of consolidating. A vote of its' citizenry was held on April 12, 2016. Belvidere Central School District, Eden Central School District, Johnson Elementary School District and Hyde Park Elementary School District voted to consolidate into one school district. Waterville Elementary School District and Cambridge Elementary School District voted to not participate in the consolidation. Effective July 1, 2017, Lamoille Union school District #18 will operate as a member of the Lamoille North Modified Unified Union School District.
- Like many of Vermont's school districts, the Lamoille Union School District #18 has experienced a trend of decrease in student enrollment. This decrease is of concern as the state evaluates costs and numbers of students in their school systems. LUMS/HS's equalized pupil count (EPC) has decreased. This downward trend will dip in the 880's and continue until 2020 before benefitting from the increase in member districts. These lower weighted pupil counts scaled by poverty and other factors have the effect of increased tax rates.

FY 2010	FY 2011	FY 2012	FY2013	FY2014	FY2015	FY2016
932.07	919.86	921.77	911.9	889.77	866.62	854.01

- The student population at the Lamoille Union High and Middle Schools has shown some decrease in students over the past few years. 743 students were enrolled October 1, 2016. The enrollment is expected to decline for the next few years, and then is expected to begin increasing in 2020.
- The Green Mountain Technology & Career Center has seen recent decline in student enrollment. Six semester averaged pupil FTE counts hover around 155-170.

FY 2010	FY 2011	FY 2012	FY2013	FY2014	FY2015	FY2016
173.5	169.5	171.76	174.05	171.61	167.82	154.01

- Students eligible for special education services have an Individual Education Plan (IEP) developed based on the student's specific needs. Only expenses associated with IEPs are eligible to be classified as special education expenses.

The level and complexity of services provided through student IEPs has increased dramatically. The School is seeing IEP students with increasingly complex profiles – homelessness, mental health and emotional disturbance issues. These profiles are requiring the School to make greater use of special education consultants, professionals and tuitioning students to independent schools.

- The Lamoille Union School District #18 (LUSD) established a voter approved Capital Reserve Fund. The established fund has provided great stewardship in maintaining the investment that our citizens have placed in our facilities. Inclusive in the plan has been a significant investment in technology that is providing our students with adequate band-width and state-of-the art equipment in preparation for the world today.

Lamoille Union High School District #18
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

- The Green Mountain Technology & Career Center provides vocational educational opportunities to students attending six area high schools (Lamoille Union, People's Academy, Stowe, Hazen Union and Craftsbury). A bond vote was successfully passed on November 8th 2005 for expansion and renovation of the technology center. The construction project is now completed.
- The effect of the Common Level of Appraisal (Vermont's adjustment factor to bring a town's appraised values to fair market values) on all town's in LUSD's area has fluctuated in trend recently. With a soft real estate market, for the first time in over a decade, CLA levels have increased in their percentage. An increase in CLA has the effect of lowering tax equalized tax rates. Under Act 130, the LUSD establishes its own tax rate however, it is still influenced by the real estate market in each member town. The LUSD rate varies by town once equalized by the CLA and percentage of member town elementary to secondary students.
- Children qualifying for Free & Reduced lunches in the middle school and high school have reached 47.76% and 47.83% respectively, reflecting a much challenged economic region with a current average at 4625%.

Contact for Further Information:

This financial Report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this Report or additional financial information needs should be directed to Catherine Gallagher, Superintendent of Schools, 96 Cricket Hill Road, Hyde Park, VT 05655, at 802-851-1178 or cgallagher@lnsu.org.

Lamoille Union High School District #18
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 3,252,598	\$ 49,651	\$ 3,302,249
Due from LNSU	100,396	-	100,396
Other receivables	229,847	-	229,847
Due from other funds	14,734	-	14,734
Inventory	2,269	47,516	49,785
Prepaid expenses	31,810	-	31,810
TOTAL CURRENT ASSETS	3,631,654	97,167	3,728,821
NONCURRENT ASSETS			
Restricted investment	639,742	-	639,742
Capital assets, net	21,403,214	-	21,403,214
TOTAL NONCURRENT ASSETS	22,042,956	-	22,042,956
TOTAL ASSETS	\$ 25,674,610	\$ 97,167	\$ 25,771,777
<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 221,136	\$ 4,001	\$ 225,137
Deposit on House	-	1,000	1,000
Accrued salaries and taxes	101,658	-	101,658
Unearned Revenue	38,704	-	38,704
Current portion bonds payable	855,000	-	855,000
TOTAL CURRENT LIABILITIES	1,216,498	5,001	1,221,499
LONG-TERM LIABILITIES, net of current portion			
Bonds payable	6,962,000	-	6,962,000
Termination benefits payable	261,280	-	261,280
TOTAL LONG-TERM LIABILITIES, net of current portion	7,223,280	-	7,223,280
TOTAL LIABILITIES	8,439,778	5,001	8,444,779
NET POSITION			
Net investment in capital assets	13,586,214	-	13,586,214
Restricted	639,742	92,166	731,908
Unrestricted	3,008,876	-	3,008,876
TOTAL NET POSITION	17,234,832	92,166	17,326,998
TOTAL LIABILITIES AND NET POSITION	\$ 25,674,610	\$ 97,167	\$ 25,771,777

See Accompanying Notes to Basic Financial Statements.

Lamoille Union High School District #18
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Revenues	Capital Grants and Revenues	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Regular Instruction	\$ 15,491,557	\$ 761,425	\$ 15,082,802	\$ -	\$ 352,670	\$ -	\$ 352,670
Vocational Instruction	3,012,345	1,179,705	2,372,338	-	539,698	-	539,698
Depreciation/amortization - unallocated	<u>1,128,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,128,223)</u>	<u>-</u>	<u>(1,128,223)</u>
Total governmental activities	<u>19,632,125</u>	<u>1,941,130</u>	<u>17,455,140</u>	<u>-</u>	<u>(235,855)</u>	<u>-</u>	<u>(235,855)</u>
Business-type activities:							
Vocation Building Trades	<u>58,971</u>	<u>-</u>	<u>-</u>	<u>58,897</u>	<u>-</u>	<u>(74)</u>	<u>(74)</u>
Total government	<u>\$ 19,691,096</u>	<u>\$ 1,941,130</u>	<u>\$ 17,455,140</u>	<u>\$ 58,897</u>	<u>(235,855)</u>	<u>(74)</u>	<u>(235,929)</u>
General revenues:							
Unrestricted investment earnings					77,298	74	77,372
Restricted investment earnings					15,109	-	15,109
Gain on sale of asset					1,400	-	1,400
Miscellaneous					<u>15,798</u>	<u>-</u>	<u>15,798</u>
Total general revenues					<u>109,605</u>	<u>74</u>	<u>109,679</u>
Change in net position					(126,250)	-	(126,250)
Net position, beginning					<u>17,361,082</u>	<u>92,166</u>	<u>17,453,248</u>
Net position, ending					<u>\$ 17,234,832</u>	<u>\$ 92,166</u>	<u>\$ 17,326,998</u>

See Accompanying Notes to Basic Financial Statements.

Lamoille Union High School District #18
 FUND FINANCIAL STATEMENTS
 BALANCE SHEETS - GOVERNMENTAL FUNDS
 June 30, 2016

	Governmental Fund Types		
	General Fund	Capital Projects Fund	Total
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 2,079,137	\$ 1,173,461	\$ 3,252,598
Due from LNSU	100,396	-	100,396
Other Receivables	229,847	-	229,847
Due from Other Funds	-	1,039,277	1,039,277
Inventory	2,269	-	2,269
Prepaid Expenses	31,810	-	31,810
	<u>2,443,459</u>	<u>2,212,738</u>	<u>4,656,197</u>
TOTAL CURRENT ASSETS			
NONCURRENT ASSETS			
Restricted Investment	-	639,742	639,742
	<u>-</u>	<u>639,742</u>	<u>639,742</u>
TOTAL ASSETS			
	<u>\$ 2,443,459</u>	<u>\$ 2,852,480</u>	<u>\$ 5,295,939</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts Payable	\$ 217,069	\$ 4,067	\$ 221,136
Accrued Payroll and Related Liabilities	101,658	-	101,658
Due to Other Funds	1,024,543	-	1,024,543
Unearned Revenue	38,704	-	38,704
	<u>1,381,974</u>	<u>4,067</u>	<u>1,386,041</u>
TOTAL CURRENT LIABILITIES			
FUND BALANCES			
Nonspendable	34,079	-	34,079
Restricted	-	639,742	639,742
Committed	677,072	2,208,671	2,885,743
Unassigned	350,335	-	350,335
	<u>1,061,486</u>	<u>2,848,413</u>	<u>3,909,899</u>
TOTAL FUND BALANCE			
TOTAL LIABILITIES AND FUND BALANCE			
	<u>\$ 2,443,460</u>	<u>\$ 2,852,480</u>	<u>\$ 5,295,940</u>

See Accompanying Notes to Basic Financial Statements.

Lamoille Union High School District #18
FUND FINANCIAL STATEMENTS
BALANCE SHEETS - GOVERNMENTAL FUNDS
June 30, 2016

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

Total fund balances - governmental funds \$ 3,909,899

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 35,304,744

Accumulated Depreciation (13,901,530)

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported as liabilities
in the funds. Long-term liabilities at year-end consist of:

Bonds Payable (7,817,000)

Termination Benefits Payable (261,280)

Total net position - governmental activities \$ 17,234,833

See Accompanying Notes to Basic Financial Statements.

Lamoille Union High School District #18
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2016

	Governmental Fund Types		
	General Fund	Capital Projects Fund	Total
REVENUES			
Regular Education	\$ 15,861,857	\$ -	\$ 15,861,857
Vocational Education	3,551,791	-	3,551,791
Interest Income	77,030	15,377	92,407
TOTAL REVENUES	19,490,678	15,377	19,506,055
EXPENDITURES			
Regular Education	15,969,733	-	15,969,733
Vocational Education	3,426,785	-	3,426,785
Construction Costs	-	241,522	241,522
TOTAL EXPENDITURES	19,396,518	241,522	19,638,040
EXCESS/(DEFICIENCIES) OF REVENUES OVER/(UNDER) EXPENDITURES	94,160	(226,145)	(131,985)
OTHER FINANCING SOURCES (USES)			
Transfers In	20,000	350,000	370,000
Transfers Out	(350,000)	(20,000)	(370,000)
TOTAL OTHER FINANCING SOURCES (USES)	(330,000)	330,000	-
NET CHANGE IN FUND BALANCE	(235,840)	103,855	(131,985)
FUND BALANCE, Beginning of Year	1,297,326	2,744,558	4,041,884
FUND BALANCE, End of Year	\$ 1,061,486	\$ 2,848,413	\$ 3,909,899

See Accompanying Notes to Basic Financial Statements.

Lamoille Union High School District #18
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 June 30, 2016

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

Total net change in fund balances - governmental funds \$ (131,985)

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	(1,128,223)
Capital Outlays	218,428

Some expenses reported in the Statement of Activities do not require
 the use of current financial resources and therefore are not reported
 as expenditures in governmental funds:

Termination Benefits Paid	44,460
Termination Benefits Accrued	(23,929)

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:

Bond Payments	895,000
---------------	---------

Change in net position of governmental activities \$ (126,249)

See Accompanying Notes to Basic Financial Statements.

Lamoille Union High School District #18
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 June 30, 2016

		Proprietary Fund Types
		Vocational Building Trades
		<u> </u>
<u>ASSETS</u>		
ASSETS		
Cash	\$	49,651
Inventory		<u>47,516</u>
TOTAL ASSETS	\$	<u><u>97,167</u></u>
 <u>LIABILITIES AND NET POSITION</u>		
LIABILITIES		
Accounts Payable	\$	4,001
Deposit on House		<u>1,000</u>
TOTAL LIABILITIES		<u>5,001</u>
NET POSITION		
Restricted		<u>92,166</u>
TOTAL LIABILITIES AND NET POSITION	\$	<u><u>97,167</u></u>

See Accompanying Notes to Basic Financial Statements.

Lamoille Union High School District #18
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN NET POSITION - PROPRIETARY FUNDS
 For the Year Ended June 30, 2016

	<u>Proprietary Fund Types</u> Vocational Building Trades <u> </u>
OPERATING REVENUE	
Sale of Buildings	\$ 58,897
OPERATING EXPENSE	
Cost of Buildings	<u>58,971</u>
OPERATING LOSS	(74)
NON-OPERATING REVENUE	
Interest Income	<u>74</u>
INCREASE IN NET POSITION	-
NET POSITION, Beginning of Year	<u>92,166</u>
NET POSITION, End of Year	<u><u>\$ 92,166</u></u>

See Accompanying Notes to Basic Financial Statements.

Lamoille Union High School District #18
 FUND FINANCIAL STATEMENTS
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 For the Year Ended June 30, 2016

	<u>Proprietary Fund Types</u> Vocational Building Trades
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts	\$ 58,897
Cash receipts from interest	74
Cash payments for materials and services	<u>(45,100)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>13,871</u>
NET INCREASE IN CASH	13,871
CASH- BEGINNING OF YEAR	<u>35,780</u>
CASH- END OF YEAR	<u><u>\$ 49,651</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ -
Adjustment to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Inventory	(11,381)
Accounts Payable	(2,060)
Deposit on House	(1,000)
Due to Other Funds	<u>570</u>
Net cash (used) by operating activities	<u><u>\$ (13,871)</u></u>

See Accompanying Notes to Basic Financial Statements.

Lamoille Union High School District #18
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION - FIDUCIARY FUNDS
 June 30, 2016

		<u>Fiduciary Fund Type</u> Agency <u>Fund</u>
<u>ASSETS</u>		
ASSETS		
Cash	\$	<u>260,665</u>
<u>LIABILITIES AND NET POSITION</u>		
LIABILITIES		
Due to Other Funds	\$	14,734
Due to Student Groups and Others		<u>245,931</u>
TOTAL LIABILITIES AND NET POSITION	\$	<u>260,665</u>

See Accompanying Notes to Basic Financial Statements.

Lamoille Union High School District #18
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

All operations of the School District are controlled by a twelve member Board of School Directors, elected in Town-wide elections, and responsible for all of the School District's activities. The financial statements include all of the School District's operations controlled by the Board of School Directors. Based on criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments), the School District is considered to be an independent reporting entity and has no component units.

The District provides secondary education for the Towns of Belvidere, Cambridge, Eden, Hyde Park, Johnson and Waterville, Vermont. The District also operates a Vocational Center, which serves towns located in the Lamoille North Supervisory Union, the Lamoille South Supervisory Union and the Orleans Southwest Supervisory Union. The District is a member of the Lamoille North Supervisory Union (LNSU) from which is received superintendent and business services.

District-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

Lamoille Union High School District #18
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assessments, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the School District receives cash.

The School District reports the following major governmental funds:

- * The special revenue fund accounts for various state and federal grants
- * The general fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.
- * The capital projects fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the School District.

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

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed. For unrestricted amounts of fund balance, it is the district's policy to use the fund balance in the following order, (1) Committed, (2) Assigned, (3) Unassigned.

Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted on a School District level for the financial funds or the student activities agency fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- * During January of each year, the Principal and Vocational Director submit to the School 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.
- * Two public hearings are conducted to inform taxpayers of the budget. The first hearing is held at the Annual District Meeting which is held on the third Tuesday in February. The second hearing is held within 10 days prior to the ballot vote.
- * The District budget is voted on Town Meeting Day by Australian ballot. The proposed budget is distributed to the legal voters of the District 10 days before the Annual Meeting.

Lamoille Union High School District #18
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenues variances will be negative and overall fund expenditures variances will be positive.

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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.

Inventories

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

Capital Assets

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

Lamoille Union High School District #18
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Long-term Obligations

In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets.

Government-Wide and Proprietary Fund Net Position

Government-wide and Proprietary Fund Net Position is divided into the following 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 – consist of net position that are restricted by the District's creditors, by enabling legislation, by grantors (both federal and state), and/or by contributors.

Unrestricted – all other net position reported in this category.

Government Fund Balances

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

In the governmental fund statements, fund balances are classified as follows:

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

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

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

Unassigned – All amounts not included in other classifications.

Lamoille Union High School District #18
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Estimates

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

NOTE 2 CASH

The cash deposits in the School District accounts as of June 30, 2016 consisted of the following:

	Bank Balance	Book Balance
Insured (FDIC)	\$ 978,297	\$ 979,538
Collateralized *	4,941,410	1,147,439
Uninsured	1,435,936	1,435,937
TOTAL	\$ 7,355,643	\$ 3,562,914

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

* Cash deposits held by the School District at June 30, 2016 are secured through a repurchase agreement with Merchants Bank.

NOTE 3 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 138,515	\$ -	\$ -	\$ 138,515
Total capital assets, not being depreciated	138,515	-	-	138,515

Lamoille Union High School District #18
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Vehicles	315,997	-	-	315,997
Land improvements	325,870	-	-	325,870
Buildings and improvements	31,283,718	150,777	(112,407)	31,322,088
Furniture and equipment	<u>3,298,061</u>	<u>67,651</u>	<u>(163,438)</u>	<u>3,202,274</u>
Total capital assets, being depreciated	<u>35,223,646</u>	<u>218,428</u>	<u>(275,845)</u>	<u>35,166,229</u>
Accumulated depreciation for				
Vehicles	(253,429)	(12,304)	-	(265,733)
Land improvements	(33,081)	(16,293)	-	(49,374)
Buildings and improvements	(10,572,708)	(741,234)	112,407	(11,201,535)
Furniture and equipment	<u>(2,189,934)</u>	<u>(358,392)</u>	<u>163,438</u>	<u>(2,384,888)</u>
Total accumulated depreciation	<u>(13,049,152)</u>	<u>(1,128,223)</u>	<u>275,845</u>	<u>(13,901,530)</u>
Total capital assets, being depreciated, net	<u>22,174,494</u>	<u>(909,795)</u>	<u>-</u>	<u>21,264,699</u>
Governmental activities capital assets, net	<u>\$ 22,313,009</u>	<u>\$ (909,795)</u>	<u>\$ -</u>	<u>\$ 21,403,214</u>

NOTE 4 ACCRUED SALARIES AND BENEFITS

Encumbrance for summer payroll represents salaries due at June 30, 2016 but not disbursed until July and August of 2016.

NOTE 5 BONDS PAYABLE

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Vermont Municipal Bond Bank, 18 yr. bond, dated 6/15/97, 3.7% to 5.35% interest payable semi-annually, \$45,000 principal payable annually Dec. 1, 1998 to 2007, \$40,000 principal payable annually Dec. 1, 2007 to 2015.	\$ 40,000	\$ -	\$ (40,000)	\$ -	\$ -

Lamoille Union High School District #18
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 BONDS PAYABLE (continued)

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Vermont Municipal Bond Bank, 20 yr. bond, dated 7/10/00, 4.344% to 5.64% interest payable semi-annually, \$465,000 principal payable annually Dec. 1, 2001 to 2014, \$460,000 principal payable annually Dec.1, 2015 to 2020.	2,760,000	-	(460,000)	2,300,000	460,000
Vermont Municipal Bond Bank, 20 yr. bond dated 7/20/06, 3.835% to 4.665% interest payable semi-annually, \$395,000 principal payable annually Dec. 1, 2007 to 2025, \$350,000 principal payable Dec. 1, 2026.	4,695,000	-	(395,000)	4,300,000	395,000
Bank of America Qualified Zone Academy Bond, dated 10/1/06, at 0% interest. Principal payable in full at bond maturity on 10/1/21.	1,217,000	-	-	1,217,000	-
Total Bonds Payable	<u>\$ 8,712,000</u>	<u>\$ -</u>	<u>\$ (895,000)</u>	<u>\$ 7,817,000</u>	<u>\$ 855,000</u>

Maturities of bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Savings Alloc</u>	<u>Total</u>
2017	\$ 855,000	\$ 301,447	\$ -	\$ 1,156,447
2018	855,000	258,881	(14,930)	1,098,951
2019	855,000	215,866	(15,925)	1,054,941
2020	855,000	172,490	(15,925)	1,011,565
2021	855,000	128,819	(31,850)	951,969
2022-2026	3,192,000	308,950	(85,595)	3,415,355
2027	350,000	8,164	(7,962)	350,202
TOTALS	<u>\$ 7,817,000</u>	<u>\$ 1,394,617</u>	<u>\$ (172,187)</u>	<u>\$ 9,039,430</u>

The total interest expense paid on the bonds listed above for the year ended June 30, 2016 was \$293,807.

Lamoille Union High School District #18
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 SHORT-TERM DEBT

Short-term debt consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Revenue Anticipation Note	\$ -	\$ 3,406,335	\$ (3,406,335)	\$ -

Total interest expense paid on the revenue anticipation note during the year ended June 30, 2016 was \$95,377.

NOTE 7 TERMINATION BENEFITS

Grandfathered Teachers

Upon retirement, teachers with at least ten years of service by July 1, 2010 and have reached the age of 55 are entitled to reimbursement for unused sick leave at the rate of \$50 per day up to a maximum of \$9,250 per the contract with the Teachers' Association.

Non-Grandfathered Teachers

Upon retirement, teachers with at least fifteen years of service to the district and have reached the age of 55 are entitled to reimbursement for unused sick leave at the rate of \$50 per day up to a maximum of \$9,250 per the contract with the Teachers' Association.

Support Staff

Upon retirement, support staff with at least ten years of consecutive service to the district and have reached the age of 55 are entitled to reimbursement for unused sick leave at the rate of \$50 per day up to a maximum of \$7,500 per the contract for support staff. Also, upon termination all support staff are eligible to be paid up to 180 hours of accrued vacation time.

The total amount of these termination benefits accumulated as of June 30, 2016 is \$261,280.

	June 30, 2015 Balance	Additions	Principle Reductions	June 30, 2016 Balance
Termination Benefits	\$ 281,811	\$ 23,929	\$ 44,460	\$ 261,280

NOTE 8 DEFINED CONTRIBUTION PLAN

The Lamoille Union High School District #18 participates in the Lamoille North Supervisory Retirement Plan, which is a defined contribution plan. Employees not participating in the Vermont State Teachers' Retirement System Plan, who are at least 21 years of age and have completed one year of service (defined as 1,000 hours of service in a plan year) are eligible to participate in the plan. Employer contributions to the plan are discretionary and allocated among participants as a uniform percent of pay.

Lamoille Union High School District #18
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 DEFINED CONTRIBUTION PLAN (continued)

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 \$1,000,232 in fiscal year 2016. Contributions accrued at year end by the District to be paid in fiscal year 2017 were \$38,864.

NOTE 9 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 Union High School District #18's proportional share of the overall amounts of the Vermont State Teachers' Retirement System (VSTRS) plan. Lamoille Union High School District #18's portion has been allocated based on Lamoille Union High School District #18's proportional share of employer contributions to the total contributions to VSTRS during the fiscal year.

Reporting Date, Measurement Date, and Valuation Date

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the Lamoille Union High School District #18's reporting date (June 30, 2016) and for the Lamoille Union High School District #18's reporting period (the year ended June 30, 2016). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2016, the State has chosen to use the end of the prior fiscal year (June 30, 2015) as the measurement date, and the year ended June 30, 2015 as the measurement period.

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

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

Fiscal Year Ended June 30, 2014				
Reported Salaries	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 5,565,994	0.98190%	\$ 26,155,999	\$ 16,745,059	\$ 9,410,940

Lamoille Union High School District #18
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 TEACHERS RETIREMENT (continued)

Fiscal Year Ended June 30, 2014			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (7.15% Disc Rate)	Net Pension Liability 1% Increase (9.15% Disc Rate)
\$ -	\$ (1,102,750)	\$ 12,359,493	\$ 6,935,821

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

Fiscal Year Ended June 30, 2015				
Portion of State Contribution	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 789,986	1.08353%	\$ 30,768,022	\$ 17,911,939	\$ 12,856,083

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)
\$ 1,910,029	\$ (122,048)	\$ 16,324,909	\$ 9,946,049

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

Deferred Outflows of Resources							
Employer Proportion	Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
1.08353%	\$ 12,856,083	\$ 162,552	\$ 467,178	\$ -	\$ 478,436	\$ 801,862	\$ 1,910,029

Lamoille Union High School District #18
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 TEACHERS RETIREMENT (continued)

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

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
\$ -	\$ -	\$ -	\$ -	\$ (122,048)	\$ (122,048)

Pension Expense Recognized		
Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total
\$ 1,138,135	\$ 206,263	\$ 1,344,398

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

Fiscal Year Ending June 30,					
2016	2017	2018	2019	2020	Thereafter
\$ 472,354	\$ 472,354	\$ 533,378	\$ 309,895	\$ -	\$ -

Schedule E – Covered Payroll

FY 2015	FY 2014
\$ 6,042,912	\$ 5,565,994

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

Lamoille Union High School District #18
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 TEACHERS RETIREMENT (continued)

Plan Description

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

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

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

The Pension Plan is divided into the following membership groups:

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

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

Lamoille Union High School District #18
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 TEACHERS RETIREMENT (continued)

VSTRS	GROUP A	GROUP C - GROUP #1*	Group C - Group #2++
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%, minimum of 1% after 12 months of normal retirement or age 65
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Member pays full premium	Member pays full premium	Member pays full premium
Employee Contributions	2.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14
Employer Contributions	Varies based on actuarial recommendation	Varies based on actuarial recommendation	Varies based on actuarial recommendation

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

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

Significant Actuarial Assumptions and Methods

The total pension liability as of June 30, 2015 was determined by rolling forward the total pension liability as of June 30, 2014 to June 30, 2015 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five year period ending June 30, 2010.

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

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

Lamoille Union High School District #18
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 TEACHERS RETIREMENT (continued)

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

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

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

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

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

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

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

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

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

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

Lamoille Union High School District #18
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 TEACHERS RETIREMENT (continued)

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

Long-term expected rate of return

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

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

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

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

Discount rate

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

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

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

During the year ended June 30, 2016 the state of Vermont contributed \$802,721 on behalf of Lamoille Union High School District #18.

Lamoille Union High School District #18
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 10 NON-CASH TRANSACTIONS

The Lamoille Union High School District #18 received Federal Commodities for use in food service in the amount of \$20,125 for the cost of shipping. The value of the commodities received is not included in the food service budget and is not part of food service revenue or expenditures.

NOTE 11 ASSESSMENTS

Supervisory Union Assessment - The District pays for its proportionate share of expense relating to the Lamoille North Supervisory Union. The District paid \$859,532 of such expenses during the year ended June 30, 2016.

NOTE 12 COLLECTIVE BARGAINING AGREEMENT

The District has entered into three collective bargaining agreements with the Lamoille Union High School Education Association. The support staff, the para-educator and the teacher collective bargaining agreements all expire on June 30, 2017.

NOTE 13 TRANSPORTATION CONTRACT COMMITMENTS

The District has entered into the following student transportation contracts:

	Minimum Annual Payments <u>FY 2017</u>
Eden School District August 31, 2016 - June 30, 2017	<u>\$ 237,591</u>
Cambridge School District August 31, 2016 - June 30, 2017	<u>\$ 158,395</u>
Lamoille Valley Transportation, Inc. August 29, 2016 - June 30, 2017	<u>\$ 358,991</u>

NOTE 14 CONTINGENCY

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

Lamoille Union High School District #18
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 15 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries to employees. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

In addition, Lamoille Union High School District #18 is a member of the Vermont School Boards' Association Insurance Trust, Inc. (VSBIT) Medical Benefits Program and Unemployment Compensation Program. VSBIT is a nonprofit corporation formed in 1978 to provide insurance and risk management programs for Vermont school districts and is owned by the participating districts.

To provide health insurance coverage, VSBIT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants.

To provide unemployment coverage, VSBIT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and to provide excess reinsurance protection. Contributions are based on payroll expense and the previous two-year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the program will be terminated with each member assessed their proportioned share of the deficit.

NOTE 16 RESTRICTED INVESTMENTS/NET ASSETS

During the year ended June 30, 2006, Lamoille Union High School District #18 obtained a qualified zone academy bond in the amount of \$1,217,000. Under the terms of this bond, the School District is required to transfer monies annually into an investment account. These annual deposits, as well as any investment earnings, will be used towards the payment of principal at bond maturity in October 2021.

Investments at June 30, 2016 consisted of the following:

	Cost	Market Value
Uninvested Cash	\$ -	\$ -
Cash Equivalents - F H L M C Discount Note	632,099	639,742
	\$ 632,099	\$ 639,742

The investments are reported at fair market value.

Lamoille Union High School District #18
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 17 FUND BALANCES

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

General Fund:

Nonspendable for Inventory	\$ 2,269
Nonspendable for Prepaid Expenses	<u>31,810</u>
	<u>\$ 34,079</u>

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

General Fund:

Committed for FY17 Expenditures	\$ 100,000
Committed for FY17 Transfer to Capital Projects Fund	<u>577,072</u>
	<u>\$ 677,072</u>

Capital Projects Fund:

GMTCC Construction Project	\$ 1,244,713
Committed for Middle/High School Construction	3,748
Committed for Cricket Hill Trail	15,442
LUSD Technology	119,969
Capital Reserve	<u>824,799</u>
	<u>\$ 2,208,671</u>

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

Proprietary Fund:

Restricted for Vocational Building Trades	<u>\$ 92,166</u>
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Capital Projects Fund:

Restricted for Investments	<u>\$ 639,742</u>
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Lamoille Union High School District #18
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 18 FUND BALANCE/OPERATING TRANSFERS

Operating Transfers:

Operating transfers consist of the following at June 30, 2016:

	General Fund	Capital Reserve Fund
Debt Service	\$ (20,000)	\$ 20,000

NOTE 19 INTERFUND RECEIVABLE AND PAYABLE BALANCES

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

	Interfund Receivables	Interfund Payable
General Fund	\$ -	\$ 1,024,543
Capital Projects Fund	1,039,277	-
Student Agency Fund	-	14,734
Total Fund Statement Balances	1,039,277	1,039,277
Less: Agency Fund Balances	-	(14,734)
TOTAL GOVERNMENT WIDE BALANCES	\$ 1,039,277	\$ 1,024,543

NOTE 20 OPERATING LEASE

The School District leases equipment under three separate operating lease agreements. The total rent expense for the year ended June 30, 2016 was \$21,991. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2016 for future years is as follow:

2017	\$ 8,136
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Lamoille Union High School District #18
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 21 UNIFIED DISTRICT

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

NOTE 22 SUBSEQUENT EVENTS

On July 1, 2016 the School District obtained a revenue anticipation note with Community National Bank in the amount of \$3,033,032. The note is due on June 30, 2017 with 2.85% interest.

In accordance with professional accounting standards, the School District has evaluated subsequent events through November 8, 2016 which is the date the financial statement was available to be issued. All subsequent events requiring recognition as of June 30, 2016, have been incorporated into the financial statement herein.

REQUIRED SUPPLEMENTARY INFORMATION

Lamoille Union High School District #18
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
REVENUES				
Regular Education:				
Tuition	\$ 503,044	\$ 503,044	\$ 423,616	\$ (79,428)
Education Spending Grant:				
General Support Grant	12,598,866	12,603,222	12,603,222	-
Special Education Block Grant	284,330	284,330	284,330	-
Transportation Grant	222,169	222,169	222,169	-
Interest Income	50,000	50,000	63,050	13,050
Food Service	-	477,646	416,671	(60,975)
Driver Education	9,879	9,879	10,229	350
Care and Custody	612,222	612,222	550,257	(61,965)
Special Education Reimbursement	1,354,466	1,354,466	1,143,607	(210,859)
Federal Grants	34,340	56,841	56,709	(132)
Other Grants	-	902	130	(772)
EPSDT/Medicaid	52,800	52,800	56,266	3,466
Miscellaneous	<u>17,000</u>	<u>118,062</u>	<u>94,651</u>	<u>(23,411)</u>
Total Regular Education	<u>15,739,116</u>	<u>16,345,583</u>	<u>15,924,907</u>	<u>(420,676)</u>
Vocational Education:				
Tuition	1,174,532	1,174,532	1,167,940	(6,592)
Interest Income	10,000	10,000	13,980	3,980
Miscellaneous	-	-	853	853
State Aide and Grants	2,090,791	2,142,732	2,137,094	(5,638)
Federal Grants	134,748	152,636	148,811	(3,825)
Adult Continuing Education	<u>-</u>	<u>29,694</u>	<u>97,093</u>	<u>67,399</u>
Total Vocational Education	<u>3,410,071</u>	<u>3,509,594</u>	<u>3,565,771</u>	<u>56,177</u>
TOTAL REVENUES	<u>19,149,187</u>	<u>19,855,177</u>	<u>19,490,678</u>	<u>(364,499)</u>
EXPENDITURES				
Regular Education:				
Instruction Services	6,598,201	6,666,062	6,583,718	82,344
Special Education Services	2,066,288	2,066,288	2,535,010	(468,722)
Athletic Activities	321,880	321,880	314,838	7,042

See Accompanying Notes to Financial Statements

Lamoille Union High School District #18
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
EXPENDITURES (continued)				
Regular Education: (continued)				
Co-Curricular Activities	136,925	136,925	133,021	3,904
Guidance Services	735,941	735,941	666,791	69,150
Health Services	116,629	116,629	118,199	(1,570)
Psychological Services	24,000	24,000	14,293	9,707
Speech Services	61,083	61,083	75,406	(14,323)
Occupational Therapy	14,110	14,110	18,097	(3,987)
Physical Therapy	37,000	37,000	42,996	(5,996)
Instructional Staff Training Services	128,612	188,912	80,549	108,363
Media Services	187,006	187,006	177,519	9,487
Board of Education Services	29,239	29,239	41,342	(12,103)
Office of Treasurer	8,050	8,050	7,598	452
Office of Superintendent	489,641	489,641	489,641	-
Legal and Audit Services	14,200	14,200	717	13,483
Office of Principal	739,198	739,198	710,085	29,113
Special Education Administration	1,149,157	1,149,157	395,180	753,977
Fiscal Services	82,131	82,131	77,256	4,875
Operation and Maintenance	1,190,214	1,190,214	1,178,263	11,951
Pupil Transportation	678,764	678,526	676,485	2,041
Special Education Transportation	207,750	207,750	221,618	(13,868)
Technical Support/Network Service	293,327	293,327	302,469	(9,142)
Food Service	9,000	487,545	481,434	6,111
Debt Service	641,770	641,770	627,208	14,562
 Total Regular Education	 <u>15,960,116</u>	 <u>16,566,584</u>	 <u>15,969,733</u>	 <u>596,851</u>
Vocation Education:				
Instructional Services	1,537,397	1,583,227	1,495,053	88,174
Co-Operative Education	93,988	93,988	93,081	907
Co-Curricular Activities	28,265	28,265	31,291	(3,026)
Continuing Education	-	53,694	125,861	(72,167)
Guidance Services	138,959	138,959	119,472	19,487
Health Services	18,658	18,658	18,309	349
Staff In-service/Training	6,000	6,000	4,588	1,412
Media Services	2,500	2,500	2,431	69
Board of Education Services	5,921	5,921	5,963	(42)
Office of Treasurer	2,173	2,173	1,730	443

See Accompanying Notes to Financial Statements

Lamoille Union High School District #18
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
EXPENDITURES (continued)				
Vocation Education: (continued)				
Office of Superintendent	99,322	99,322	99,322	-
Office of Vocational Director	360,618	360,618	344,241	16,377
Technology Services	91,981	91,981	52,293	39,688
Fiscal Services	8,500	8,500	18,122	(9,622)
Legal/Audit	1,500	1,500	1,609	(109)
Operation and Maintenance	453,776	453,776	439,183	14,593
Transportation	18,500	18,500	12,638	5,862
Debt Service	597,797	597,795	561,598	36,197
Total Vocational Education	3,465,855	3,565,377	3,426,785	138,592
TOTAL EXPENDITURES	19,425,971	20,131,961	19,396,518	735,443
EXCESS/(DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(276,784)	(276,784)	94,160	370,944
OTHER FINANCING SOURCE/(USES)				
Transfers In	20,000	20,000	20,000	-
Transfers Out	-	-	(350,000)	(350,000)
TOTAL OTHER FINANCING SOURCES/(USES)	20,000	20,000	(330,000)	(350,000)
NET CHANGE IN FUND BALANCE	\$ (256,784)	\$ (256,784)	\$ (235,840)	\$ 20,944

See Accompanying Notes to Financial Statements

Lamoille Union High School District #18
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY- VSTRS
For the Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	1.0835%	0.9819%	1.0060%
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>12,856,083</u>	<u>9,410,940</u>	<u>10,171,184</u>
Total	<u>\$ 12,856,083</u>	<u>\$ 9,410,940</u>	<u>\$ 10,171,184</u>
District's covered-employee payroll	<u>\$ 6,042,912</u>	<u>\$ 5,565,994</u>	<u>\$ 5,670,302</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	58.22%	64.02%	60.59%

Significant Actuarial Assumptions and methods are described in Note 10 to the financial statements. There were no changes in methods or assumptions during the year ended June 30, 2016.

See Accompanying Notes to Financial Statements

Lamoille Union High School District #18

ADDITIONAL REPORTS

June 30, 2016



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
Lamoille Union High School District #18
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, business-type activities, and each major fund, and the aggregate remaining fund information of Lamoille Union High School District #18, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Lamoille Union High School District #18's basic financial statements, and have issued our report thereon dated November 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lamoille Union High School District #18'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 Lamoille Union High School District #18's internal control. Accordingly, we do not express an opinion on the effectiveness of Lamoille Union High School District #18'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 Union High School District #18's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Kittell Bravagan & Sargent

St. Albans, Vermont
November 8, 2016