

Lamoille North Supervisory Union

FINANCIAL STATEMENTS

June 30, 2018

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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, 2018, 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, 2018, 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

Change in Accounting Principle

As described in Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on page 31, the schedule of proportionate share of the net pension liability on page 32 and the schedule of the proportionate share of the net OPEB liability on page 33 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 December 14, 2018, on our consideration of the Lamoille North Supervisory Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lamoille North Supervisory Union's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Kottell Brannan & Sargent". The signature is written in dark ink and is positioned above the typed name and date.

St. Albans, Vermont
December 14, 2018

Lamoille North Supervisory Union
DISTRICT-WIDE FINANCIAL STATEMENTS
June 30, 2018

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, 2018. 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.

Lamoille North Supervisory Union
DISTRICT-WIDE FINANCIAL STATEMENTS
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In the Statement of Net Position and the Statement of Revenues, Expenditures and Changes in Fund Balance, the Supervisory Union's activities are classified solely as governmental activities:

- Governmental activities – The Supervisory Union's basic services are reported here, including: instruction-regular education and special education; supporting education services; operation and maintenance; transportation; administration; and debt service. These activities are further broken down between General Fund and Special Revenue.
 - 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 34. 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.

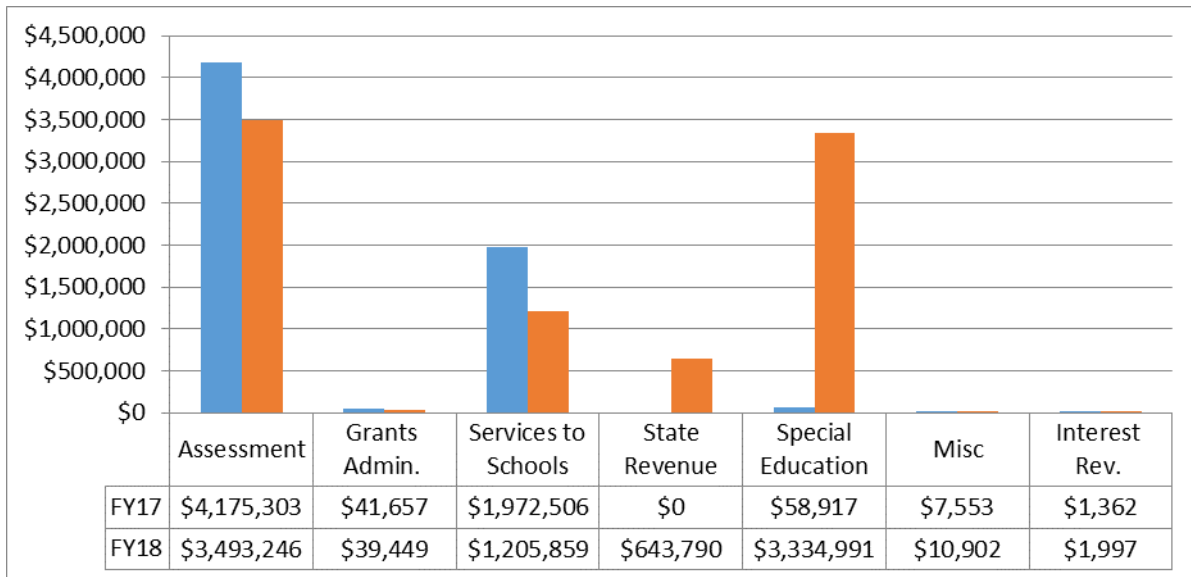
- Governmental funds – Most of the Supervisory Union's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual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

Lamoille North Supervisory Union
DISTRICT-WIDE FINANCIAL STATEMENTS
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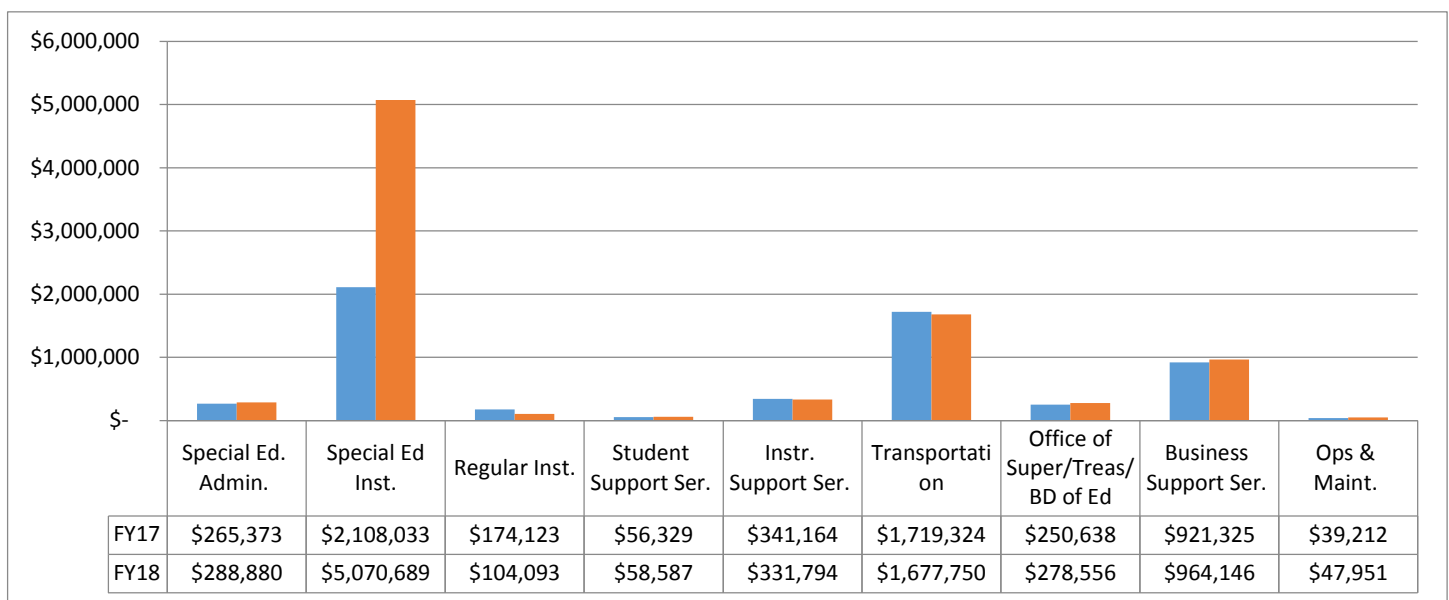
Analysis of Overall Financial Information – General Services – Revenue

General Fund revenues were higher in FY18 than FY17 by \$2,472,936. This is a direct result of the shifting of special education expenses to the supervisory union. As these expenses increased, the Special Education reimbursement also increased.



General Services: Expense

General Fund expenditures were greater in FY18 than FY17 by \$2,946,925, again as a direct result of special education expenses moving to the LNSU finance records.

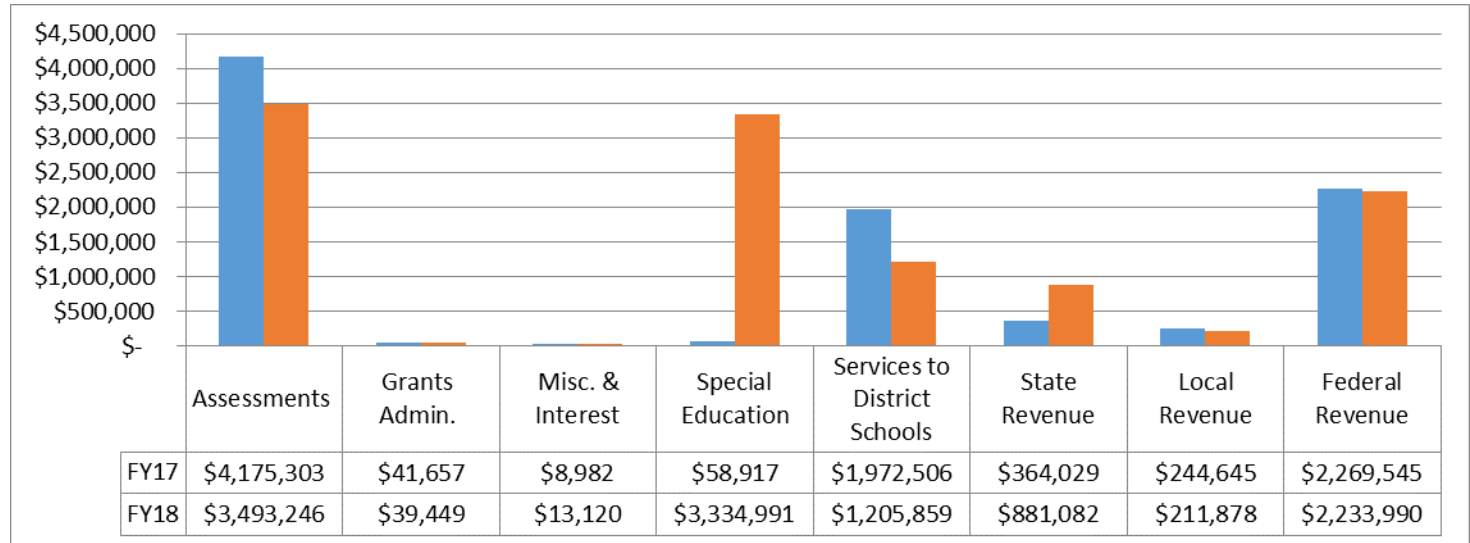


Lamoille North Supervisory Union
DISTRICT-WIDE FINANCIAL STATEMENTS
June 30, 2018

Analysis of Overall Financial Information – All Services: Revenue

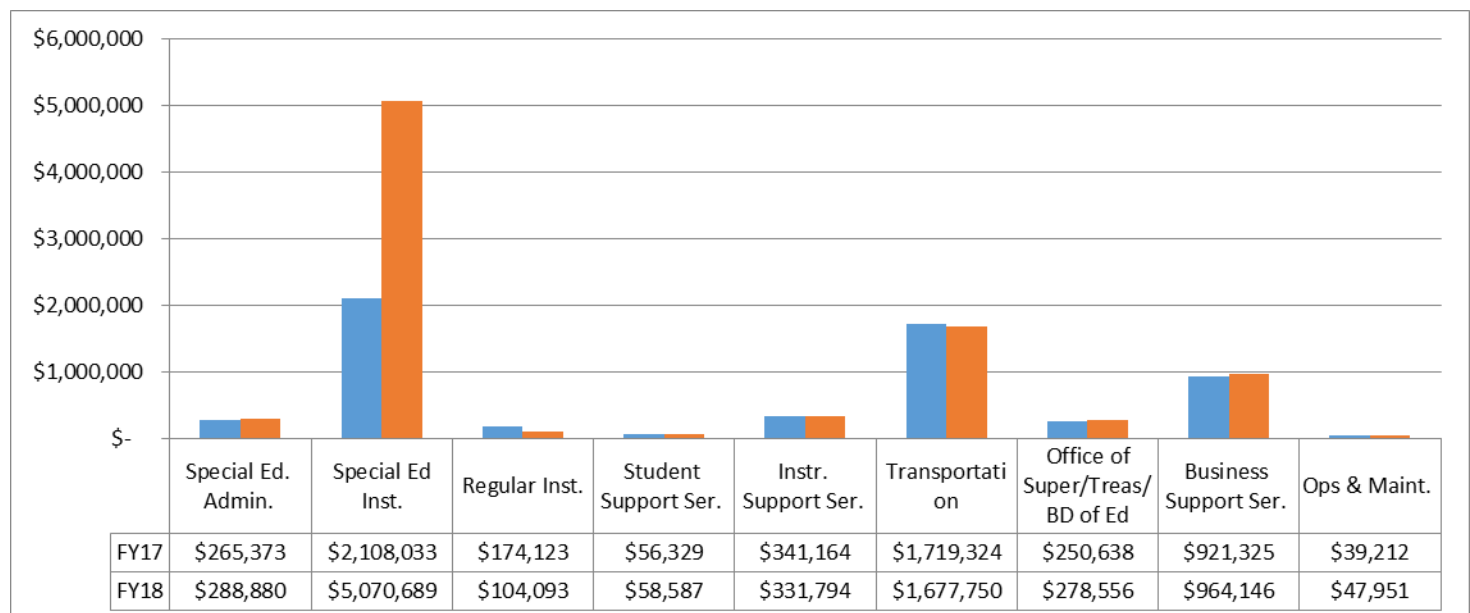
Revenues in the area of Assessment were down by \$682,057 to accommodate centralization of special education staff and other state mandated centralization of services.

While Federal Revenues were down by \$35,555 due to lower federal grant funding, State Revenues and Special Education revenues were higher due to increased state grants for transportation and special education flowing directly to LNSU in FY 18 instead of via the assessment. The following chart reflects differences in overall revenues between fiscal years.



All Services – Expense

Total expenses were greater than prior year by \$2,693,577. Special Education & student support services were greater than prior year by \$2,988,421 due to the continued increase of centralization of special education services.

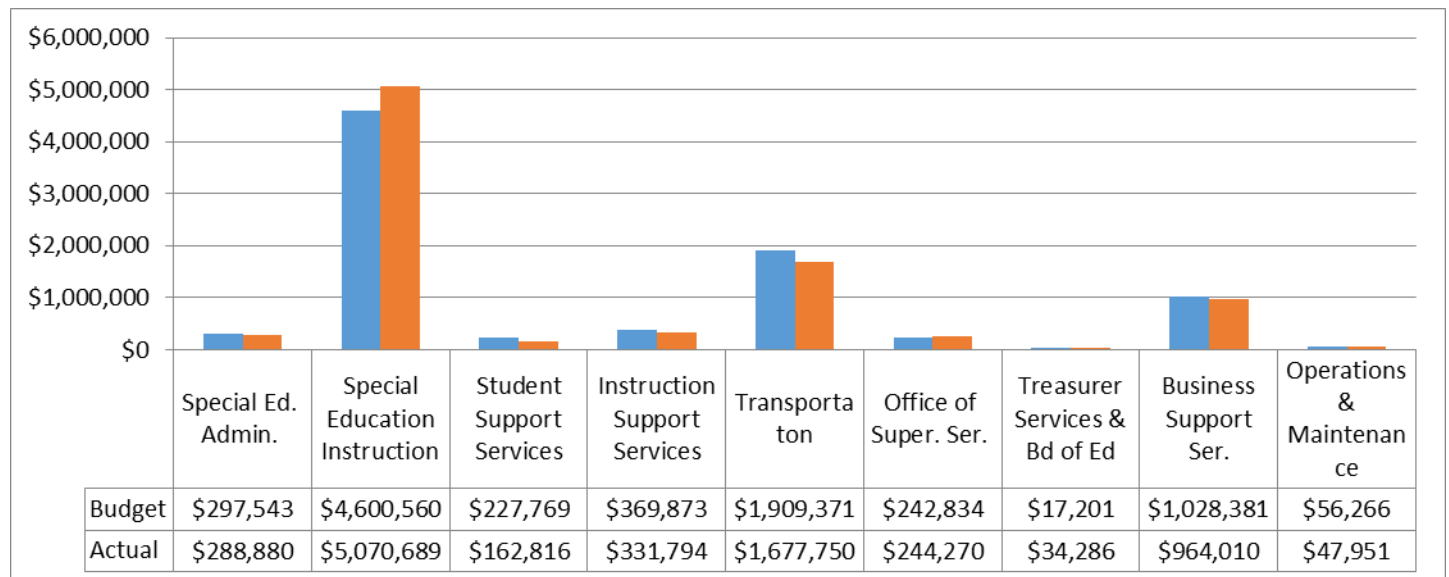


Lamoille North Supervisory Union
DISTRICT-WIDE FINANCIAL STATEMENTS
June 30, 2018

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.

Analysis of Budget Variations:

In comparisons of Budget to Actual, most areas were lower than or even with budget with the exception of Special Education Instruction. Special Education expenses were higher than budget due to the nature of special education services in that they are variable as students move in and out of our district and directly affected by a student's Individual Education Plan (IEP) changes. 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 – 7/1/17	Excess of Expenditures Over Revenue	Fund Balance – 6/30/18
\$740,567	\$(81,918)	\$658,649

The total accumulated fund balance reflects the following:

\$11,527 Non-spendable Fund Balance – Prepaid expenses
 \$87,347 Restricted for Future Special Revenue Fund – Grants & GMATV funds
 \$320,000 Committed Fund Balance – committed for FY 19 expenses
 \$45,003 Committed for Future Capital Expenditures
 \$194,772 Unassigned fund balance

Lamoille North Supervisory Union
DISTRICT-WIDE FINANCIAL STATEMENTS
June 30, 2018

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.

	Balance 7/1/17	Increases (Depreciation) of Assets	Retired Assets	Balance 6/30/18
Net Capital Assets	\$65,467	\$23,780	\$0	\$89,247

Retirement Benefits:

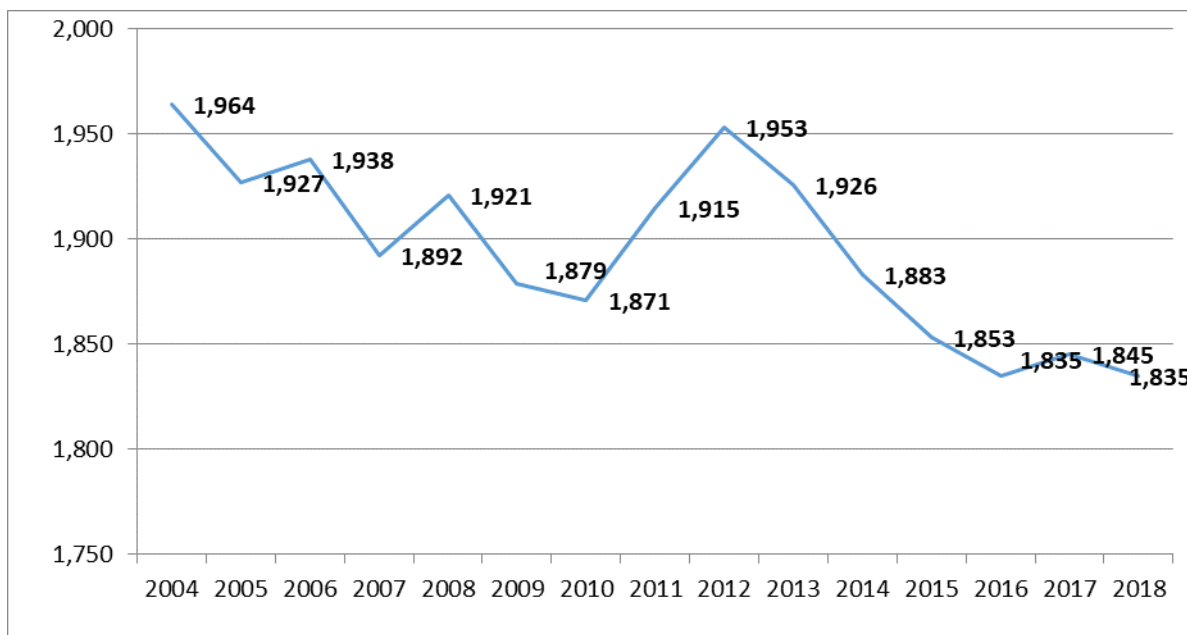
The Lamoille North Supervisory Union (LNSU) allows for employer retirement match in 403(b) contributions as well as special sick day benefit pay of unused sick-days upon retirement. Accrued liability at year-end for both combined was \$90,168.

Current Issues:

- Collective Bargaining Agreements: All Collective Bargaining Agreements have been ratified as of December 2017 and are 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, developed and presented 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. On 11/28/18 the State Board of Education issued its final report. As of July 1, 2019, Cambridge Elementary School will merge with Lamoille North Modified Unified Union School District.
- 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
DISTRICT-WIDE FINANCIAL STATEMENTS
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- **Enrollment:** Enrollment has fluctuated over the last fourteen years, as depicted in the graph below, with a high of 1,964 students in Fall 2004 and 1,953 in 2012 and a low of 1,835 students in fall 2018.



- **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@lnsu.org.

Lamoille North Supervisory Union
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
June 30, 2018

ASSETS

	<u>Governmental Activities</u>
CURRENT ASSETS	
Cash	\$ 508,915
Restricted Cash	238,004
Due from state of Vermont	106,876
Due from member schools	74,511
Other receivables	445,583
Prepaid expenses	<u>11,527</u>
TOTAL CURRENT ASSETS	1,385,416
CAPITAL ASSETS, net	<u>89,247</u>
TOTAL ASSETS	<u>\$ 1,474,663</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	\$ 197,390
Accrued salaries and benefits	357,488
Unearned Revenue	<u>171,889</u>
TOTAL CURRENT LIABILITIES	<u>726,767</u>
LONG-TERM LIABILITIES	
Accrued vacation	10,722
Retirement benefits payable	<u>59,722</u>
TOTAL LONG-TERM LIABILITIES	<u>70,444</u>
TOTAL LIABILITIES	<u>797,211</u>
NET POSITION	
Net investment in capital assets	89,247
Restricted for Grant Related Expenses	87,347
Unrestricted	<u>500,858</u>
TOTAL NET POSITION	<u>677,452</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,474,663</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, 2018

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	\$ 2,388,143	\$ 1,161,668	\$ 4,229,344	\$ -	\$ 3,002,869
Support services students	280,143	-	237,322	-	(42,821)
Support services instructional:					
Improvement of instruction	445,893	-	-	-	(445,893)
Instruction development services	-	-	199,404	-	199,404
Speech services	404,307	-	-	-	(404,307)
Guidance	40,634	-	-	-	(40,634)
Pupil transportation	1,471,681	-	-	-	(1,471,681)
Local standards board	111	-	-	-	(111)
Support services general administration:					
Board of Education services	136,915	-	-	-	(136,915)
Office of Superintendent services	244,645	3,493,246	-	-	3,248,601
Supervisory Union Treasurer services	6,176	39,449	-	-	33,273
Special education administration	5,086,031	159,485	1,864,910	-	(3,061,636)
Support services business:					
Legal services	541	-	-	-	(541)
Fiscal services	459,004	-	-	-	(459,004)
Personnel services	264,300	-	-	-	(264,300)
Technology services	143,393	-	-	-	(143,393)
Operation and maintenance	48,048	-	-	-	(48,048)
Depreciation - unallocated	26,210	-	-	-	(26,210)
Total governmental activities	<u>\$ 11,446,175</u>	<u>\$ 4,853,848</u>	<u>\$ 6,530,980</u>	<u>\$ -</u>	<u>(61,347)</u>
General revenues:					
Unrestricted investment earnings					2,218
Miscellaneous					<u>11,914</u>
Total general revenues					<u>14,132</u>
Change in net position					(47,215)
Net position, beginning					<u>724,667</u>
Net position, ending					<u>\$ 677,452</u>

See Accompanying Notes to Basic Financial Statements.

Lamoille North Supervisory Union
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

		Governmental Funds		
		General	Special	
		Fund	Revenue	Totals
		Fund	Fund	
<u>ASSETS</u>				
ASSETS				
Cash	\$	332,829	\$ 176,086	\$ 508,915
Restricted Cash		238,004	-	238,004
Due from State of Vermont		-	106,876	106,876
Due from member schools		251,789	-	251,789
Other receivables		443,654	1,929	445,583
Prepaid expense		11,527	-	11,527
Due from other funds		-	227,234	227,234
TOTAL CURRENT ASSETS	\$	<u>1,277,803</u>	\$ <u>512,125</u>	\$ <u>1,789,928</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$	130,470	\$ 66,920	\$ 197,390
Accrued payroll and related liabilities		348,797	8,691	357,488
Due to member school districts		-	177,278	177,278
Due to other funds		227,234	-	227,234
Unearned revenue		-	171,889	171,889
TOTAL LIABILITIES		<u>706,501</u>	<u>424,778</u>	<u>1,131,279</u>
FUND BALANCE				
Nonspendable		11,527	-	11,527
Restricted		-	87,347	87,347
Committed		365,003	-	365,003
Unassigned		194,772	-	194,772
TOTAL FUND BALANCE		<u>571,302</u>	<u>87,347</u>	<u>658,649</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u>1,277,803</u>	\$ <u>512,125</u>	\$ <u>1,789,928</u>

See Accompanying Notes to Basic Financial Statements.

Lamoille North Supervisory Union
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

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

Total fund balances - governmental funds	\$ 658,649
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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	410,079
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Accumulated Depreciation	(320,832)
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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>(70,444)</u>
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Total net position - governmental activities	<u>\$ 677,452</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, 2018

	Governmental Funds		
	General Fund	Special Revenue Fund	Total
REVENUES			
Assessments	\$ 3,493,246	\$ -	\$ 3,493,246
Grant administration	39,449	-	39,449
Federal revenue	-	2,233,990	2,233,990
State revenue	643,790	237,292	881,082
Local revenue	-	211,878	211,878
Services to District Schools	1,205,859	-	1,205,859
Special Education	3,334,991	-	3,334,991
Interest income	1,997	221	2,218
Miscellaneous	10,902	-	10,902
TOTAL REVENUES	8,730,234	2,683,381	11,413,615
EXPENDITURES			
Special education administration	288,880	-	288,880
Special education instruction	4,384,055	-	4,384,055
Support services students	-	134,663	134,663
Support services instructional:			
Improvement of instruction	109,299	-	109,299
Instruction development services	222,495	218,579	441,074
Regular Instruction	104,093	1,082,036	1,186,129
Student Support	-	982,990	982,990
Psychological Services	61,759	-	61,759
OT Services	118,807	-	118,807
PT Services	76,605	-	76,605
Speech Services	345,806	-	345,806
Essential Early Ed. & Early Ed. Initiative	83,657	-	83,657
Guidance Services	58,587	-	58,587
Transportation:			
Special Education Transportation	198,184	-	198,184
Regular Transportation	1,479,456	-	1,479,456
Co-Curricular Transportation	110	-	110
Support services general administration:			
Board of Education services	28,240	-	28,240
Office of Superintendent services	244,270	254,819	499,089
Supervisory Union Treasurer services	6,046	-	6,046

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, 2018

	Governmental Funds		
	General Fund	Special Revenue Fund	Total
Support services business:			
Legal services	541	-	541
Audit services	86,000	-	86,000
Fiscal services	458,968	-	458,968
Personnel services	261,563	-	261,563
Technology services	156,938	-	156,938
Other Support services	136	-	136
Operation and maintenance	<u>47,951</u>	<u>-</u>	<u>47,951</u>
 TOTAL EXPENDITURES	 <u>8,822,446</u>	 <u>2,673,087</u>	 <u>11,495,533</u>
 NET CHANGE IN FUND BALANCE	 (92,212)	 10,294	 (81,918)
 FUND BALANCE, Beginning of Year	 <u>663,514</u>	 <u>77,053</u>	 <u>740,567</u>
 FUND BALANCE, End of Year	 <u>\$ 571,302</u>	 <u>\$ 87,347</u>	 <u>\$ 658,649</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, 2018

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	\$ (81,918)
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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.

Capital Outlay	49,990
Depreciation Expense	(26,210)

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	10,111
Increase in accrued vacation	<u>812</u>

Change in net position of governmental activities	<u><u>\$ (47,215)</u></u>
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See Accompanying Notes to Basic Financial Statements.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018 consisted of the following:

	Book Balance	Bank Balance
Insured (FDIC)	\$ 251,000	\$ 251,000
Petty Cash	50	-
Collateralized	495,869	708,836
 TOTAL	 <u>\$ 746,919</u>	 <u>\$ 959,836</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, 2018

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Construction in Progress	<u>\$ 7,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,013</u>
Capital assets, being depreciated				
Land Improvements	24,186	-	-	24,186
Buildings and Improvements	18,447	-	-	18,447
Furniture and Equipment	<u>310,443</u>	<u>49,990</u>	<u>-</u>	<u>360,433</u>
Total capital assets, being depreciated	<u>353,076</u>	<u>49,990</u>	<u>-</u>	<u>403,066</u>
Accumulated depreciation for				
Land Improvements	(14,509)	(1,209)	-	(15,718)
Buildings and Improvements	(13,999)	(1,254)	-	(15,253)
Furniture and Equipment	<u>(266,114)</u>	<u>(23,747)</u>	<u>-</u>	<u>(289,861)</u>
Total accumulated depreciation	<u>(294,622)</u>	<u>(26,210)</u>	<u>-</u>	<u>(320,832)</u>
Total capital assets, being depreciated, net	<u>58,454</u>	<u>23,780</u>	<u>-</u>	<u>82,234</u>
Governmental activities capital assets, net	<u>\$ 65,467</u>	<u>\$ 23,780</u>	<u>\$ -</u>	<u>\$ 89,247</u>

NOTE 4 FUND BALANCES/NET POSITION

Fund Financial Statements:

Nonspendable Fund Balances at June 30, 2018 are as follows:

General Fund:

 Nonspendable for Prepaid Expenses \$ 11,527

Committed Fund Balances at June 30, 2018 are as follows:

General Fund:

 Committed for FY19 Expenditures \$ 320,000
 Committed for Future Capital Expenditures 45,003

 Total Committed Fund Balances \$ 365,003

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 FUND BALANCES/NET POSITION (continued)

Restricted Fund Balances at June 30, 2018 are as follows:

Special Revenue Fund:	
Restricted for Future Special Revenue Expenditures	\$ <u>87,347</u>

District-Wide Financial Statements:

General Fund	
Restricted for Future Special Revenue Expenditures	\$ <u>87,347</u>

NOTE 5 UNEARNED REVENUE

Unearned revenue consists of the following at June 30, 2018.

Special Revenue Fund:	
EPSDT	\$ 140,631
Joint School Analysis	<u>31,258</u>
	<u>\$ 171,889</u>

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 \$1,003,609. Contributions by the district during fiscal year June 30, 2018 were \$30,446.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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.

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, 2018 and for the Lamoille North Supervisory Union's reporting period (the year ended June 30, 2018). 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, 2018, the State has chosen to use the end of the prior fiscal year (June 30, 2017) as the measurement date, and the year ended June 30, 2017 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, 2016, to the measurement date of June 30, 2017.

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

Fiscal Year Ended June 30, 2016						
2016 Allocated Contribution	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Decrease (8.95% Disc Rate)
\$ 28,687	0.03918%	\$ 513,026	\$ 183,476	\$ (73,186)	\$ 641,966	\$ 404,812

Schedule B – Employers' Allocation as of June 30, 2017

Fiscal Year Ended June 30, 2017						
Portion of State Contribution	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.50% Disc Rate)	Net Pension Liability 1% Decrease (8.50% Disc Rate)
\$ 2,102,581	0.31818%	\$4,716,783	\$3,169,207	\$ 47,024	\$ 5,844,773	\$ 3,775,315

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 TEACHERS RETIREMENT (continued)

Schedule C- Employer's Allocation as of June 30, 2017

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
0.3182%	\$ 4,716,783	\$ 51,544	\$ 489,237	\$ -	\$ 198,181	\$ 2,430,245	\$ 3,169,207

Deferred Inflows of Resources					
Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows
\$ -	\$ 11,493	\$ -	\$ -	\$ 35,531	\$ 47,024

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
\$ 590,334	\$ 851,826	\$ 1,442,160

Schedule D – Employer's Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2017

Fiscal Year Ending June 30,					
2018	2019	2020	2021	2022	Thereafter
\$ 1,052,753	\$ 1,101,149	\$ 997,881	\$ (29,599)	\$ -	\$ -

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 TEACHERS RETIREMENT (continued)

Schedule E – Covered Payroll

FY 2017	FY 2016	FY 2015
\$2,102,581	\$ 253,785	\$ 187,343

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, 2017, the retirement system consisted of 266 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:

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 TEACHERS RETIREMENT (continued)

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

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

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

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

Significant Actuarial Assumptions and Methods

The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, using the following assumptions:

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 TEACHERS RETIREMENT (continued)

Investment rate of return: 7.50%, net of pension plan investment expenses, including inflation

Salary Increases: Ranging from 3.75% to 9.09%. Representative values of the assumed annual rates of future salary increases are as follows:

Age	Annual Rate of Salary Increase
20	9.09%
25	7.78%
30	6.47%
35	5.60%
40	4.92%
45	4.93%
50	4.09%
55	3.85%
60	3.75%

Mortality:

Pre-retirement: 98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017.

Healthy Post-retirement: 98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017.

Disabled Post-retirement: RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017.

Inflation: 2.5%

Spouse's Age: Females three years younger than males

Cost-of-Living Adjustments: Assumed to occur on January 1, following one year of retirement at the rate of 2.55% per annum for Group A members and 1.4% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement).

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 TEACHERS RETIREMENT (continued)

Inactive Members: Valuation liability equals 332.5% of accumulated contributions.

Actuarial Cost Method: Entry age Actuarial Cost Method. Entry Age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

Actuarial Value of Asset: 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.

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	16.00%	6.07%
Non-US Equity	16.00%	7.42%
Global Equity	9.00%	6.85%
Fixed Income	24.00%	2.41%
Real Estate	8.00%	4.62%
Private Market	15.00%	7.80%
Hedge Funds	8.00%	3.95%
Risk Parity	4.00%	4.84%

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 TEACHERS RETIREMENT (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will contribute to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is compromised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension 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 \$1,442,160 on behalf of the Lamoille North Supervisory Union.

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (OPEB)

The schedule of employer allocations and schedule of OPEB 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>.

Schedule A – Employers' Allocation

2016 Employer Proportion	2017 Employer Proportion	Net OPEB Liability	Total Deferred Outflows	Total Deferred Inflows	Net OPEB Liability - 1% Decrease in Discount Rate (2.58%)	Net OPEB Liability - 1% Increase in Discount Rate (4.58%)	Net OPEB Liability - 1% Decrease in Healthcare Cost Trend Rates	Net OPEB Liability - 1% Increase in Healthcare Cost Trend Rates
0.02699%	0.36943%	\$3,444,132	\$ -	\$ 94,366	\$ 3,957,006	\$ 3,020,089	\$ 2,955,498	\$ 4,061,919

Schedule B – Employers Allocation of OPEB Amounts as of June 30, 2017

Deferred Outflows of Resources						
Employer Proportion	Net OPEB Liability	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Changes in Assumptions	Difference Between Projected and Actual Investment Earnings	Difference Between Expected and Actual Experience	Total Deferred Outflows
0.36943%	\$3,444,132	\$ -	\$ -	\$ -	\$ -	\$ -

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Deferred Inflows of Resources				
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Changes in Assumptions	Difference Between Projected and Actual Investment Earnings	Difference Between Expected and Actual Experience	Total Deferred Inflows
\$ -	\$ 94,366	\$ -	\$ -	\$ 94,366

Pension Expense Recognized		
Proportionate Share of OPEB Expense	Net Amortization of Deferred Amounts from Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer OPEB Expense
\$ 189,321	\$ -	\$ 189,321

Schedule C – Employers’ Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2017

Fiscal Year					
2018	2019	2020	2021	2022	Thereafter
\$ 28,253	\$ 28,253	\$ 28,253	\$ 28,253	\$ 9,607	\$ -

Plan Description

The Vermont State Teachers' Retirement System provides postemployment benefits to eligible VSTRS employees who retire from the System through a cost-sharing, multiple-employer postemployment benefit (OPEB) plan (the Plan).

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

The plan 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, 2017, the plan consisted of 266 participating employers.

Vermont Statute Title 16 Chapter 55 assigns the authority to VSTRS to establish and amend the benefits provisions of the Plan and to establish maximum obligations of the Plan members to contribute to the Plan. Management of the Plan is vested in the Vermont State Teachers' Retirement System 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).

All assets of the Plan are held in a single trust and are available to pay OPEB benefits to all members.

Summary of Plan

Eligibility:

VSTRS retirees and their spouses are eligible for health coverage if the retiree is eligible for pension benefits. Pension eligibility requirements are below:

Group A – Public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A

- Retirement: Attainment of 30 years of creditable service, or age 55

Group C – Public school teachers employed within the State of Vermont on or after July 1, 1990. Teachers hired before July 1, 1990 and were Group B members in service on July 1, 1990 are now Group C members. Grandfathered participants are Group C members who were within five years of normal retirement eligibility as defined prior to July 1, 2010.

- Retirement Group C Grandfathered: Attainment of age 62, or 30 years creditable service, or age 55 with 5 years of creditable service.
- Retirement Group C Non-grandfathered: Attainment of age 65, or age plus creditable service equal to 90, or age 55 with 5 years of creditable service.

Vesting and Disability: 5 years of creditable service. Participants who terminate with 5 years of service under the age of 55 may elect coverage upon receiving pension benefits.

Benefit Types: Medical and prescription drug. Retirees pay the full cost for dental benefits.

Duration of Coverage: Lifetime.

Spousal Benefits: Same benefits as for retirees.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Spousal Coverage: Lifetime.

Retiree Contributions:

Retired before June 30, 2010:

Retirees with at least 10 years of service pay premium costs in excess of an 80% VSTRS subsidy. Retirees with less than 10 years of service do not receive any premium subsidy. Spouses do not receive any premium subsidy, regardless of the retiree's service.

Retired after June 30, 2010:

Retirees pay premium costs in excess of the following VSTRS subsidy, based on service:

<u>Retiree Subsidy Level</u>	<u>Subsidy</u>
Years of Service at June 30, 2010	
10 years or more	80%
Less than 10 years	
Less than 15 years at retirement	0%
15-19.99 years at retirement	60%
20-24.99 years at retirement	70%
25 or more years at retirement	80%

Spouses of retirees can receive an 80% subsidy, if they meet the following requirements:

Spouse Coverage with 80% Subsidy

<u>Years of Service at June 30, 2010</u>	<u>Required Years of Service at Retirement</u>
Less than 10 years	25 years of service at retirement
Between 10 and 14.99 years	25 years of service at retirement
Between 15 and 24.99 years	10 additional years from June 30, 2010
Between 25 and 29.99 years	35 years of service at retirement
30 or more years	5 additional years from June 30, 2010

Spouses of retirees who do not meet the above requirements for an 80% subsidy can receive unsubsidized coverage.

Premium Reduction Option:

Participants retiring on or after January 1, 2007 with a VSTRS premium subsidy have a one-time option to reduce the VSTRS subsidy percentage during the retiree's life so that a surviving spouse may continue to receive the same VSTRS subsidy for the spouse's lifetime. If the retiree elects the joint and survivor pension option but not the Premium Reduction Option, spouses are covered for the spouse's lifetime but pay 100% of the plan premium after the retiree's death.

Actuarial assumptions

The Total OPEB Liability used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate: 3.58% based on the short-term bond rate

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Salary Increase Rate: Varies by age. Representative values of the assumed annual interest rates of future salary increases as follows:

Age	Annual Rate of Salary Increase
25	7.78%
30	6.47%
35	5.60%
40	4.92%
45	4.43%
50	4.09%
55	3.85%
60	3.75%

Inflation: 2.75%

Healthcare Cost: Non-Medicare –7.50% graded to 4.50% over 12 years
Trend Rates: Medicare – 7.75% graded to 4.50% over 11 years

Retiree Contributions: Equal to health trend

Pre-retirement Mortality: 98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017

Post-retirement Mortality: 98% of RP-2014 With Collar Annuitant with generational projection using Scale SSA-2017

Disabled Mortality: RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017

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

Asset Valuation Method: Market Value

Measurement Date: June 30, 2017

Actuarial Valuation Date: June 30, 2016

Per Capita Cost Development:

Medical and Prescription Drug

Per capita claims costs were based on claims for the period July 1, 2015 through June 30, 2017. Claims were separated by non-Medicare and Medicare retirees, and by medical and prescription drug. Claims were separated by plan year, then adjusted as follows:

- Total claims were divided by the number of adult members to yield a per capita claim,
- The per capita claim was trended to the midpoint of the valuation year at assumed trend rates, and
- The per capita claim was adjusted for the effect of any plan changes.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Per capita claims for each plan year were then combined by taking a weighted average. The weights used in this average account for a number of factors including each plan year's volatility of claims experience and distance to the valuation year. Actuarial factors were then applied to the weighted average cost to estimate individual retiree and spouse costs by age and by gender.

Administrative Expenses

Per capita claims costs were based on claims for the period July 1, 2015 through June 30, 2017. Claims were separated by plan year, then adjusted as described above to yield a combined weighted average per capita claims cost.

Per Capita Health Costs:

Medical and prescription drug claims for the year beginning July 1, 2017 are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Age	Medical				Prescription Drugs			
	Retiree		Souse		Retiree		Souse	
	Male	Female	Male	Female	Male	Female	Male	Female
50	\$ 7,969	\$ 9,077	\$ 5,566	\$ 7,288	\$ 1,515	\$ 1,725	\$ 1,058	\$ 1,385
55	9,464	9,771	7,448	8,436	1,799	1,857	1,416	1,603
60	11,239	10,532	9,971	9,784	2,136	2,002	1,895	1,860
64	12,894	11,172	12,587	11,012	2,451	2,123	2,392	2,093
65	1,472	1,251	1,472	1,251	1,896	1,612	1,896	1,612
70	1,706	1,348	1,706	1,348	2,197	1,737	2,197	1,737
75	1,839	1,451	1,839	1,451	2,368	1,869	2,368	1,869

Administrative Expenses:

An annual administrative expense of \$526 per participant with health and welfare coverage increasing at 3.0% per year was added to projected incurred claim costs in developing the benefit obligations.

Health Care Cost Trend Rates:

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are "net" and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that is applied to that year's cost to yield the next year's projected cost.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Year Ending June 30,	Rate (%)	
	Pre-Medicare Health Costs	Medicare Health Costs
2018	7.50	7.75
2019	7.25	7.45
2020	7.00	7.15
2021	6.75	6.85
2022	6.50	6.55
2023	6.25	6.25
2024	6.00	5.95
2025	5.75	5.65
2026	5.50	5.36
2027	5.25	5.05
2028	5.00	4.75
2029	4.75	4.50
2030+	4.50	4.50

The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2018 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics.

Retiree Contribution Increase Rate:

Retiree contributions were assumed to increase with health trend. Retiree contribution rates were based on 2017 premiums. Plan premiums were weighted by actual retiree and dependent enrolment, separately for non-Medicare and Medicare.

Health Care Reform Assumption:

The Plan is assumed to be in compliance with the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 as of the valuation date. The valuation includes the projected effect of the Act's provision which imposes an excise tax on high cost employer-sponsored health coverage beginning in 2020. The excise tax limit is assumed to increase by 2.5% each year after 2018.

During the year ended June 30, 2017 the state of Vermont contributed \$189,321 on behalf of Lamoille North Supervisory Union.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 CONTINGENCY

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

NOTE 10 RISK MANAGEMENT

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

NOTE 11 INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual Fund Interfund Receivable and Payable balances are as follows at June 30, 2018:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ (227,234)
Title I Fund	18,390	-
Title II-A Fund	-	(1,128)
IDEA-B Fund	12,255	-
Consolidated Federal Grants	99,487	(341)
21st Century Learning	7,368	-
Other Federal Grants	2,663	-
EPSDT & Medicaid	-	(33,358)
Union School Analysis	31,258	-
Path Points	19,175	-
GMATV	70,379	-
Other Grants	<u>1,086</u>	<u>-</u>
 TOTAL	 <u>\$ 262,061</u>	 <u>\$ (262,061)</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.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 RETIREMENT BENEFITS PAYABLE

Upon retirement, an employee who has served the Lamoille North Supervisory Union for a minimum of 10 years and is at least 55 years of age shall be entitled to compensation for unused sick days at a rate of \$50 per unused accumulated sick day. The total liability to the Board per eligible employee will not exceed \$7,500. The benefits accrued at June 30, 2018 are \$59,722.

<u>Balance at 06/30/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 06/30/18</u>
\$ 69,833	\$ 717	\$ (10,828)	\$ 59,722

NOTE 13 ASSESSMENTS

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

	<u>Treasurer</u>	<u>Special Education</u>	<u>Other Supervisory Union</u>	<u>Total</u>
Belvidere School District	\$ 140	\$ 37,628	\$ 26,957	\$ 64,725
Cambridge School District	1,464	395,098	283,050	679,612
Eden School District	591	159,367	114,171	274,129
Hyde Park School District	1,005	271,146	194,250	466,401
Johnson School District	1,050	283,320	202,971	487,341
Waterville School District	230	61,976	44,400	106,606
Lamoille Union School District #18	<u>3,047</u>	<u>822,292</u>	<u>589,093</u>	<u>1,414,432</u>
 TOTAL ASSESSMENTS	 <u>\$ 7,527</u>	 <u>\$2,030,827</u>	 <u>\$1,454,892</u>	 <u>\$3,493,246</u>

NOTE 14 OPERATING LEASE

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

Year Ending June 30, 2019	\$ 3,955
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Total lease expense, which includes overage charges, for the year ending June 30, 2018 was \$10,294.

Lamoille North Supervisory Union
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 ADOPTION OF NEW ACCOUNTING POLICY

GASB 75 Accounting and Financial Reporting for OPEB other than Pensions became effective for fiscal years beginning after June 15, 2017. The Vermont State Teachers' Retirement System provides postemployment benefits to eligible VSTRS employees who retire from the System through a cost-sharing, multiple-employer postemployment benefit (OPEB) plan. The State has taken the position that the postemployment liability belongs to the State and not the district, therefore the only amounts included in the district's financial statements is the amount the State has contributed on behalf of the District. This is reflected as revenue and expense in the District-wide Statement of Activities and has no effect on the District's change in net position. The OPEB is disclosed in Note 8 of the financial statements.

NOTE 16 SUBSEQUENT EVENTS

In accordance with professional accounting standards, the Supervisory Union has evaluated subsequent events through December 14, 2018 which is the date the financial statement was available to be issued. All subsequent events requiring recognition as of June 30, 2018, 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, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Assessments	\$ 3,493,246	\$ 3,493,246	\$ 3,493,246	\$ -
Grant administration	44,669	44,717	39,449	(5,268)
Interest income	750	750	1,997	1,247
Services to District Schools	1,321,894	1,321,894	1,205,859	(116,035)
Special Education	-	3,092,869	3,334,991	242,122
State Revenues	-	711,609	643,790	(67,819)
Miscellaneous	716,609	5,000	10,902	5,902
TOTAL REVENUES	5,577,168	8,670,085	8,730,234	60,149
EXPENDITURES				
Special education administration	394,536	297,543	288,880	8,663
Special Education Instruction	3,867,730	3,852,146	4,384,055	(531,909)
Support services instructional:				
Improvement of instruction	108,800	138,800	109,299	29,501
Instruction development services	240,989	231,073	222,495	8,578
Regular Instruction	163,554	163,554	104,093	59,461
Psychological Services	67,200	67,200	61,759	5,441
OT Services	180,369	107,601	118,807	(11,206)
PT Services	69,893	69,893	76,605	(6,712)
Speech Services	351,326	347,653	345,806	1,847
Essential Early Ed. & Early Ed. Initiative	265,067	156,067	83,657	72,410
Guidance Services	64,215	64,215	58,587	5,628
Transportation:				
Special Education Transportation	77,201	77,201	198,184	(120,983)
Regular Transportation	1,832,170	1,832,170	1,479,456	352,714
Co-Curricular Transportation	-	-	110	(110)
Support services general administration:				
Board of Education services	9,675	9,675	28,240	(18,565)
Office of Superintendent services	242,834	242,834	244,270	(1,436)
Supervisory Union Treasurer services	7,526	7,526	6,046	1,480
Other Support Services	-	-	136	(136)
Support services business:				
Legal services	4,000	4,000	541	3,459
Audit services	87,125	87,125	86,000	1,125
Fiscal services	524,247	524,247	458,968	65,279
Personnel services	258,958	258,958	261,563	(2,605)
Technology services	152,908	154,051	156,938	(2,887)
Operation and maintenance	56,267	56,266	47,951	8,315
TOTAL EXPENDITURES	9,026,590	8,749,798	8,822,446	(72,648)
OTHER FINANCING SOURCES				
Reserve Transfer	79,713	79,713	-	(79,713)
NET CHANGE IN FUND BALANCE	\$ (3,369,709)	\$ -	\$ (92,212)	\$ (92,212)

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, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.3182%	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>4,716,783</u>	<u>513,026</u>	<u>398,565</u>	<u>451,428</u>	<u>187,269</u>
Total	<u>\$ 4,716,783</u>	<u>\$ 513,026</u>	<u>\$ 398,565</u>	<u>\$ 451,428</u>	<u>\$ 187,269</u>
District's covered-employee payroll	<u>\$ 2,102,581</u>	<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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	53.98%	55.31%	58.22%	64.02%	60.59%

Significant Actuarial Assumptions and methods are described in Note 13 to the financial statements. The following changes in assumptions and methods were effective June 30, 2017:

1. *Assumed inflation was lowered from 3% to 2.5%*
2. *The investment return assumption was lowered from 7.95% to 7.50%*
3. *Assumed COLA increases were lowered from 1.5% to 1.15% for Group A Members and from 1.8% to 1.3% for Groups B, C and D*
4. *The mortality tables were updated from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement.*

See Accompanying Notes to Basic Financial Statements

Lamoille North Supervisory Union
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
For the Year Ended June 30, 2018

2017

District's proportion of the net OPEB liability (asset)	0.3694%
District's proportionate share of the net OPEB liability (asset)	\$ -
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>3,444,132</u>
Total	<u>\$ 3,444,132</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-2.94%

*Significant Actuarial Assumptions and methods are described in Note 8 to the financial statements.
There were no changes in methods or assumptions during the year ended June 30, 2018.*

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, 2018

	Federal Grants							State and Local Grants					Non-Grant		Total All Grants	
	Title I	Title II-A	IDEA-B	Consolidated Federal Grants	21st Century Learning	Food Service	Other Federal	Total Federal	EPSDT & Medicaid	Union School Analysis	Path Points	Other Grants	Total State & Local	GMATV		Eliminations
<u>ASSETS</u>																
ASSETS																
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,571	\$ -	\$ 5,571	\$ 170,515	\$ -	\$ -	\$ -	\$ 170,515	\$ -	\$ -	\$ 176,086
Due from State of Vermont	-	26,131	758	-	-	44,164	10,503	81,556	25,320	-	-	-	25,320	-	-	106,876
Due from member school districts	-	-	-	4,111	9,521	-	-	13,632	-	-	-	-	-	-	-	13,632
Other receivables	-	-	-	341	-	-	-	341	-	-	-	1,588	1,588	-	-	1,929
Due from other funds	18,390		12,255	99,487	7,368	-	2,663	140,163	-	31,258	19,175	1,086	51,519	70,379	(34,827)	227,234
TOTAL ASSETS	<u>\$ 18,390</u>	<u>\$ 26,131</u>	<u>\$ 13,013</u>	<u>\$ 103,939</u>	<u>\$ 16,889</u>	<u>\$ 49,735</u>	<u>\$ 13,166</u>	<u>\$ 241,263</u>	<u>\$ 195,835</u>	<u>\$ 31,258</u>	<u>\$ 19,175</u>	<u>\$ 2,674</u>	<u>\$ 248,942</u>	<u>\$ 70,379</u>	<u>\$ (34,827)</u>	<u>\$ 525,757</u>
<u>LIABILITIES AND FUND BALANCE</u>																
LIABILITIES																
Accounts payable	\$ 18,390	\$ 22,374	\$ 11,162	\$ -	\$ 13,584	\$ -	\$ -	\$ 65,510	\$ -	\$ -	\$ 146	\$ 1,086	\$ 1,232	178	\$ -	\$ 66,920
Accrued payroll and related liabilities	-	2,629	115	-	3,305	-	-	6,049	-	-	-	-	-	2,642	-	8,691
Due to member school districts	-	-	1,736	103,598	-	49,370	10,502	165,206	24,116	-	-	1,588	25,704	-	-	190,910
Due to other funds	-	1,128	-	341	-	-	-	1,469	33,358	-	-	-	33,358	-	(34,827)	-
Unearned revenue	-	-	-	-	-	-	-	-	140,631	31,258	-	-	171,889	-	-	171,889
TOTAL LIABILITIES	<u>18,390</u>	<u>26,131</u>	<u>13,013</u>	<u>103,939</u>	<u>16,889</u>	<u>49,370</u>	<u>10,502</u>	<u>238,234</u>	<u>198,105</u>	<u>31,258</u>	<u>146</u>	<u>2,674</u>	<u>\$ 232,183</u>	<u>2,820</u>	<u>(34,827)</u>	<u>438,410</u>
FUND BALANCE																
Restricted	-	-	-	-	-	365	2,664	3,029	(2,270)	-	19,029	-	16,759	67,559	-	87,347
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 18,390</u>	<u>\$ 26,131</u>	<u>\$ 13,013</u>	<u>\$ 103,939</u>	<u>\$ 16,889</u>	<u>\$ 49,735</u>	<u>\$ 13,166</u>	<u>\$ 241,263</u>	<u>\$ 195,835</u>	<u>\$ 31,258</u>	<u>\$ 19,175</u>	<u>\$ 2,674</u>	<u>\$ 248,942</u>	<u>\$ 70,379</u>	<u>\$ (34,827)</u>	<u>\$ 525,757</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, 2018

	Federal Funds								State and Local Grants				Non-Grants		Total All Special Funds
	Consolidated								EPSDT & Medicaid	Union School Analysis	Other Grants	Path Points	Total State & Local	GMATV	
	Title I	Title II-A	IDEA-B	Federal Grants	21st Century	Food Service	Other Federal	Total Federal							
REVENUES															
Federal revenue	\$ 687,215	\$ 195,316	\$ 522,221	\$ -	\$ 210,823	\$ 571,631	\$ 46,784	\$ 2,233,990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,233,990
State revenue	-	-	-	-	-	18,665	-	18,665	184,253	28,384	5,990	-	218,627	-	237,292
Local sources	-	-	-	-	6,431	76,261	-	82,692	-	-	2,722	16,176	18,898	110,288	211,878
Interest income	-	-	-	-	-	34	-	34	187	-	-	-	187	-	221
TOTAL REVENUES	687,215	195,316	522,221	-	217,254	666,591	46,784	2,335,381	184,440	28,384	8,712	16,176	237,712	110,288	2,683,381
EXPENDITURES															
Instruction - services	572	-	235,022	10,509	139,215	666,557	27,550	1,079,425	-	-	2,611	-	2,611	-	1,082,036
Instruction - special programs	9,716	-	-	-	-	-	-	9,716	-	-	111	8,391	8,502	116,445	134,663
Support services:								-							
Students	-	-	113,659	678,391	-	-	19,788	811,838	165,163	-	5,989	-	171,152	-	982,990
Instructional Staff	-	177,712	12,483	-	-	-	-	190,195	-	28,384	-	-	28,384	-	218,579
General Administration	-	5,631	161,057	-	78,039	-	-	244,727	10,092	-	-	-	10,092	-	254,819
TOTAL EXPENDITURES	10,288	183,343	522,221	688,900	217,254	666,557	47,338	2,335,901	175,255	28,384	8,711	8,391	220,741	116,445	2,673,087
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	676,927	11,973	-	(688,900)	-	34	(554)	(520)	9,185	-	1	7,785	16,971	(6,157)	10,294
OTHER FINANCING SOURCES (USES)															
Interfund Transfers	(676,927)	(11,973)	-	688,900	-	-	-	-	-	-	(581)	581	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	-	-	34	(554)	(520)	9,185	-	(580)	8,366	16,971	(6,157)	10,294
FUND BALANCE, Beginning of Year	-	-	-	-	-	331	3,218	3,549	(11,455)	-	580	10,663	(212)	73,716	77,053
FUND BALANCE, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 365	\$ 2,664	\$ 3,029	\$ (2,270)	\$ -	\$ -	\$ 19,029	\$ 16,759	\$ 67,559	\$ 87,347

Lamoille North Supervisory Union

ADDITIONAL REPORTS REQUIRED BY
THE SINGLE AUDIT ACT

June 30, 2018

Lamoille North Supervisory Union
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2018

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-S025-18-01	84.010	\$ 687,215	\$ 650,502
Subtotal			<u>687,215</u>	<u>650,502</u>
IDEA B	4226-S025-18-01	84.027	508,828	65,870
IDEA B Proportionate Share	4223-S025-18-01	84.027	1,197	-
IDEA B Preschool	4228-S025-18-01	84.173	<u>12,196</u>	<u>-</u>
Cluster Subtotal			<u>522,221</u>	<u>65,870</u>
Title IV-B 21st Century Learning Communities	4611-S025-18-01	84.287	<u>196,164</u>	<u>126,676</u>
Title II A - Improving Teacher Quality	4651-S025-18-01	84.367	<u>195,316</u>	<u>11,973</u>
U.S. Department of Agriculture				
Passed through State of Vermont, Department of Education				
National School Lunch Program	4450-S025-18-00	10.555	383,973	383,973
National School Lunch Program	4452-S025-18-00	10.555	151,010	151,010
National School Lunch Program	4448-S025-18-00	10.555	3,274	3,274
Summer Food Service Program for Children	4455-S025-18-00	10.559	<u>14,659</u>	<u>12,539</u>
Cluster Subtotal			<u>552,916</u>	<u>550,796</u>
Fresh Fruit & Vegetable Program	4449-S025-18-01	10.582	<u>46,783</u>	<u>46,783</u>
Child and Adult Care Food Program	4453-S025-18-00	10.558	2,241	2,241
Child and Adult Care Food Program	4454-S025-18-00	10.558	<u>31,133</u>	<u>31,133</u>
Cluster Subtotal			<u>33,374</u>	<u>33,374</u>
			<u>\$ 2,233,989</u>	<u>\$ 1,485,974</u>

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, 2018. 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, 2018, 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 December 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Kattell Brannagan & Sargent".

St. Albans, Vermont
December 14, 2018



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, 2018. 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, 2018.

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.



St. Albans, Vermont
December 14, 2018

Lamoille North Supervisory Union
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

A. SUMMARY OF AUDIT RESULTS

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

CFDA #84.010 Title I
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.