

Waterville Town School District  
BASIC FINANCIAL STATEMENTS  
June 30, 2017

Waterville Town School District  
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June 30, 2017

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**Kittell Branagan & Sargent**

*Certified Public Accountants*

Vermont License # 167

## INDEPENDENT AUDITOR'S REPORT

To the School Board  
Waterville Town School District  
Waterville, 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 Waterville Town School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Waterville Town School District as of June 30, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### Required Supplementary Information



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on pages 24-25 and the schedule of proportionate share of the net pension liability on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Going Concern

As disclosed in Note 13, the voters of Belvidere Town School District, Eden Town School District, Hyde Park Town School District, Johnson Town School District, Lamoille Union High School District #18 and Waterville School District authorized the creation of a Unified School District, encompassing each of the districts. The pre-existing school districts halted governance operations and ceased to exist upon the close of business on June 30, 2017. All assets, debts, and liabilities of each district were transferred to the Unified School District as of June 30, 2017.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017, on our consideration of the Waterville Town School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterville Town School District's internal control over financial reporting and compliance.



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

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

Our discussion and analysis of Waterville School District financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements.

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

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

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

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

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

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

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

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

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

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

**Analysis of Overall Financial Information:**

<b>ASSETS</b>				
		FY16	FY17	% Change
Current Assets	\$	202,615	\$ 132,542	-34.58%
Capital Assets	\$	850,078	\$ 841,855	-.97%
TOTAL ASSETS	\$	1,052,693	\$ 974,397	-7.44%

<b>LIABILITIES</b>				
		FY16	FY17	% Change
Current Liabilities	\$	85,951	\$ 60,109	-30.07%
Long-Term Liabilities	\$	-	\$ -	
TOTAL LIABILITIES	\$	85,951	\$ 60,109	-30.07%

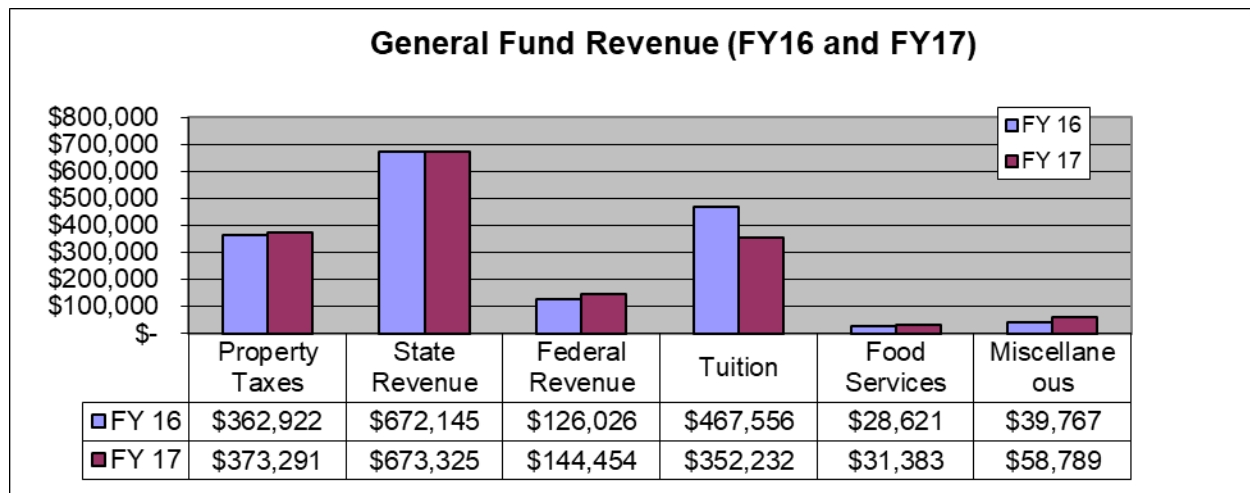
  

<b>NET ASSETS</b>				
		FY16	FY17	% Change
Invested in Capital	\$	800,078	\$ 841,855	5.22%
Unrestricted	\$	166,664	\$ 72,433	-55.54%
TOTAL NET ASSETS	\$	966,742	\$ 914,288	-5.43%

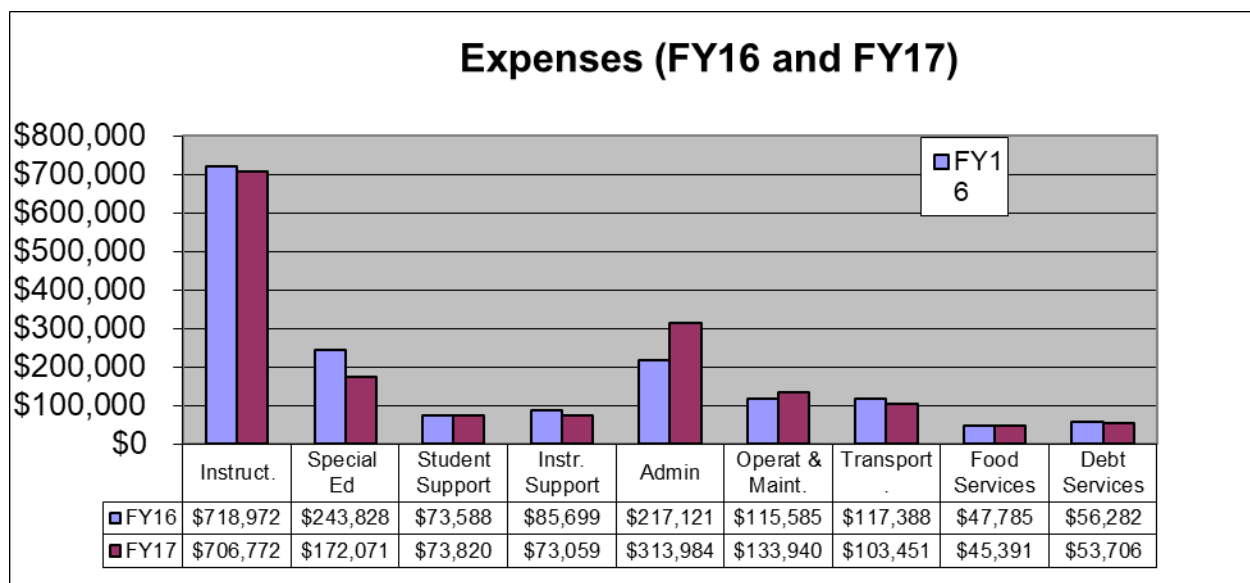
**FY 17 Revenues**

Revenues in FY17 were less than FY16 by \$63,563 and under budget by \$141,043. The primary reason for this decline in revenue is in the area of Tuition. Belvidere Central School District tuitions all of their elementary students to the Waterville Elementary School District. Belvidere student numbers came in lower than last year resulting in a \$115,324 decrease in tuition FY16 to FY17. FY17 tuition was under budget by \$101,530. This revenue short fall was known early in the school year and as a result a budget freeze went into effect.

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



**FY 17 Budget to Actual Expenditures**



The Schools' expenditures for FY17 of \$1,676,248 were lower than FY16 by \$54 and under-budget by \$11,367. While special education and transportation expenses decreased, because these services were consolidated to LNSU, administration costs increased due to the increased assessment as a result of these shifted costs. Operations and Maintenance also increased in FY17 due to much needed work on the boilers and repairs in the kitchen.

**Change in General Fund Balance:**

Beginning Fund Balance 6/30/16	Excess (Deficiency) of Revenues over Expenditures	Fund Balance – 6/30/17
\$166,664	(\$94,231)	\$72,433

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

The total accumulated fund balance reflects the following:

\$1,300 – Nonspendable for Prepaid expenses  
\$10,195 – Committed for FY 18 Expenses  
\$46,233 – Committed for FY 18 Capital Expenditures  
\$49,525 – Committed for Capital Projects Fund 401  
(\$34,820) - Unassigned

**Capital Assets:**

As required under Governmental Accounting Standards Board #34, the District is reporting its capital assets as part of the financial statements. The District has researched and documented the historical costs of the various assets owned by the District and applied appropriate charges against the cost to record depreciation. Note 10 of the Report details the status of the District's net capital assets.

Description	Beginning Balance 6/30/16	Increase/Decrease	Balance - 6/30/17
Land	\$67,000	\$0	\$67,000
Depreciable Assets	\$1,520,592	\$42,000	\$1,562,592
Accumulated Depreciation	(\$737,514)	(\$50,223)	(\$787,737)
Net Assets	\$850,078	(\$8,223)	\$841,855

**Long-Term Debt:**

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

At June 30, 2017 the District had no outstanding bond payments. The last payment of \$50,000 and interest was paid on 12/01/2016.

Teacher retirement has changed to a "cost-sharing" benefit between the district and the state retirement system. Note 5 outlines in detail that change, the actuarial assumptions used, and their impact on the district.

**Current Issues:**

- Collective Bargaining Agreements: All Collective Bargaining Agreements expired on 06/30/2017. New 2 year agreements have been ratified as of December 2017, set to expire June of 2019

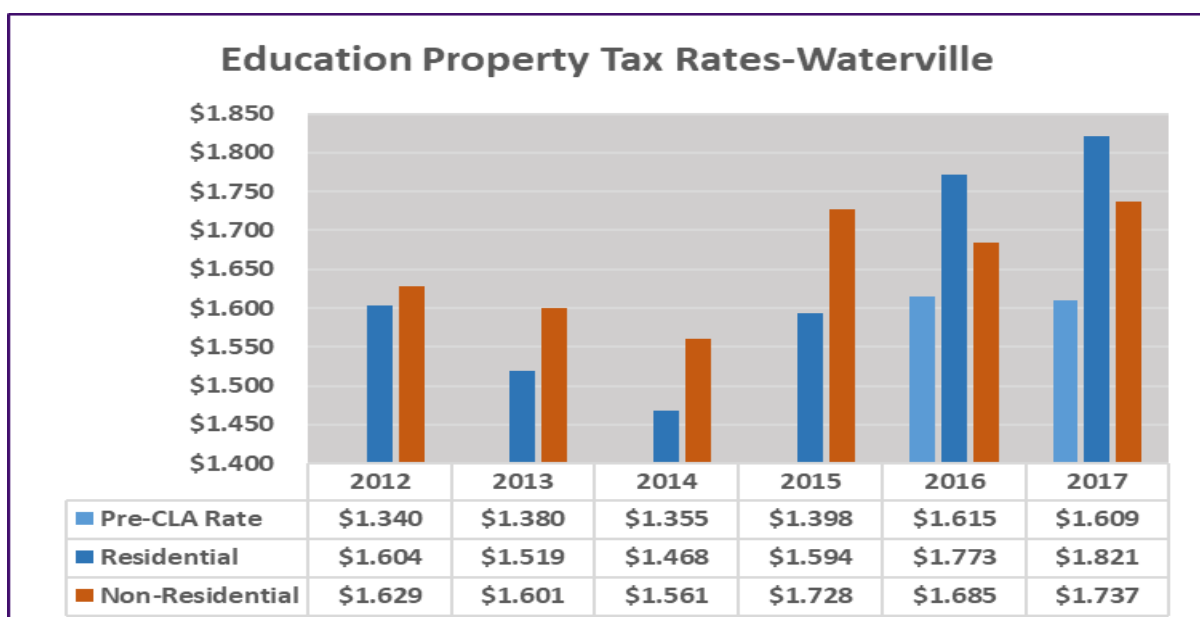


Waterville Town School District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

- **Consolidation Efforts:** Act 153 & Act 156 are provisions in laws that consolidate some functions to the Supervisory Union and offers incentives for districts to consolidate. Some of the consolidation implementations, such as those in special education and transportation took place July 1, 2016. Since Vermont law prohibits supervisory unions from borrowing or owning real estate, some of the more practical approaches to transferring areas of responsibility to the LNSU have been challenging. Subsequently, the legislature passed Act 46 in May, 2015 that provides incentives for consolidation that lowers the tax impact on districts if they voluntarily consolidate as a single district. LNSU established a committee to look at the possibility and impact of consolidating. A vote of its' citizenry was held on April 12, 2016. The towns of Eden, Belvidere, Johnson and Hyde Park voted to consolidate into one school district. The town of Waterville voted to join the consolidated district on April 25, 2017. Cambridge voted to not participate in the consolidation. Effective July 1, 2017, Waterville Elementary School will operate as a member of the Lamoille North Modified Unified Union School District.
- **Enrollment:** Like many of Vermont's school districts, the Waterville School District has experienced a decrease in student enrollment. Any decrease is of concern however as the state evaluates costs and numbers of students in their school systems. Waterville's equalized pupil count (EPC) for all resident students both elementary and secondary has decreased and is projected to continue to decrease in the near future.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY2016	FY2017
125.64	121.24	117.00	112.91	109.06	105.90	101.80	98.24

- Property taxes in Vermont are set by calculation of total budgeted cost per equalized pupil in each locale and then adjusted by the local common level of appraisal (CLA). A CLA of over 100% has the effect of lowering the tax rate and a CLA under 100% has the effect of increasing the tax rate. As property value increases, the CLA goes down until a locale does a property reassessment and this has the effect of increasing the property tax rate. A slowing economy started in the fall of 2008 and poor sales had the effect of raising the CLA and decreasing the tax rate.



Waterville Town School District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The effect of the Common Level of Appraisal (Vermont's adjustment factor to bring a town's appraised values to fair market values) on Waterville's final tax rate has greatly affected Waterville taxes as their real estate market tends to fluctuate dramatically due to the small sample size of the region.

Common Level of Appraisal C.L.A. FY09:	78.75%
Common Level of Appraisal C.L.A. FY10:	64.84%
Common Level of Appraisal C.L.A. FY11:	79.20%
Common Level of Appraisal C.L.A. FY12:	83.51%
Common Level of Appraisal C.L.A. FY13:	90.86%
Common Level of Appraisal C.L.A. FY14:	92.28%
Common Level of Appraisal C.L.A. FY15:	87.70%
Common Level of Appraisal C.L.A. FY16:	91.12%
Common Level of Appraisal C.L.A. FY17:	88.35%

- Statewide, since the economic downturn, Waterville has experienced less volatile fluctuations in unemployment than surrounding communities with levels reaching 8.7% in March 2010, and rebounding to 5.0% in June 2013. However, with an unemployment rate of 4.7% at November 2017, Waterville continues to lag behind Lamoille County at 3.7% and the State of Vermont at 2.7% as of November 2017.
- Due to space issues, the Waterville Elementary School leases space from Belvidere Central School for the Preschool program.
- The Waterville School District is a member of the Lamoille Union School District #18 (LUSD #18). Waterville sends all of its secondary students to LUSD #18. LUSD #18 includes the Green Mountain Technology & Career Center.

**Contact for Further Information:**

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

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

ASSETS

	<u>Governmental Activities</u>
CURRENT ASSETS	
Cash	\$ 79,637
Other Receivables	51,605
Prepaid expenses	<u>1,300</u>
TOTAL CURRENT ASSETS	<u>132,542</u>
CAPITAL ASSETS, net	<u>841,855</u>
TOTAL ASSETS	<u><u>\$ 974,397</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts Payable and Accrued Liabilities	\$ 13,976
Due to LNSU	39,435
Accrued Salaries and Taxes	2,685
Unearned Revenue	3,683
Due to Other Funds	<u>330</u>
TOTAL CURRENT LIABILITIES	<u>60,109</u>
NET POSITION	
Net Investment in Capital Assets	841,855
Unrestricted	<u>72,433</u>
TOTAL NET POSITION	<u>914,288</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 974,397</u></u>

See Accompanying Notes to Basic Financial Statements

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

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense)
			Operating Grants and Revenues	Capital Grants and Revenues	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
Instruction Services	\$ 607,453	\$ 363,944	\$ 998,401	\$ -	\$ 754,892
Special Education	114,568	18,240	144,759	-	48,431
Preschool Services	102,812	-	-	-	(102,812)
Guidance Services	36,412	-	-	-	(36,412)
Health and Psychological Services	19,677	-	-	-	(19,677)
Speech and Other Services	50,496	-	-	-	(50,496)
Improvement of Instruction	40,724	-	-	-	(40,724)
Educational Media Services	21,762	-	-	-	(21,762)
Board of Education Services	12,352	-	-	-	(12,352)
District Treasurer Services	1,706	-	-	-	(1,706)
Legal, Audit and Negotiation Services	1,192	-	-	-	(1,192)
Superintendent's Office	132,516	-	-	-	(132,516)
Principal's Office	165,525	-	-	-	(165,525)
Fiscal Services	5,428	-	-	-	(5,428)
Maintenance of Plant and Projects	143,451	-	-	-	(143,451)
Pupil Transportation	103,451	-	42,223	-	(61,228)
Food Service	45,391	12,688	18,694	-	(14,009)
Computer Technology	32,337	-	-	-	(32,337)
EEE Expenditure	172	-	6,937	-	6,765
Depreciation:					
Unallocated	50,223	-	-	-	(50,223)
Total governmental activities	\$ 1,687,648	\$ 394,872	\$ 1,211,014	\$ -	(81,762)
General revenues/expenses:					
Unrestricted investment earnings					6,408
Miscellaneous					22,900
Total general revenues/(expenses)					29,308
Change in net position					(52,454)
Net Position, beginning					966,742
Net Position, ending					\$ 914,288

See Accompanying Notes to Basic Financial Statements

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

		Governmental Fund Types		
		General Fund	Capital Projects Fund	Total
<u>ASSETS</u>				
ASSETS				
Cash	\$	79,637	\$ -	\$ 79,637
Due from Other Funds		-	49,525	49,525
Other Receivables		51,605	-	51,605
Prepaid Expenses		<u>1,300</u>	<u>-</u>	<u>1,300</u>
TOTAL CURRENT ASSETS		<u>\$ 132,542</u>	<u>\$ 49,525</u>	<u>\$ 182,067</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$	13,976	\$ -	\$ 13,976
Due to LNSU		39,435	-	39,435
Accrued Salaries and Taxes		2,685	-	2,685
Deferred Revenue		3,683	-	3,683
Due to Other Funds		<u>49,855</u>	<u>-</u>	<u>49,855</u>
TOTAL LIABILITIES		<u>109,634</u>	<u>-</u>	<u>109,634</u>
FUND BALANCES				
Nonspendable		1,300	-	1,300
Committed		56,428	49,525	105,953
Unassigned		<u>(34,820)</u>	<u>-</u>	<u>(34,820)</u>
TOTAL FUND BALANCE		<u>22,908</u>	<u>49,525</u>	<u>72,433</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 132,542</u>	<u>\$ 49,525</u>	<u>\$ 182,067</u>

See Accompanying Notes to Basic Financial Statements

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

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

<b>Total fund balances - governmental funds</b>	<b>\$ 72,433</b>
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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	1,629,592
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Accumulated Depreciation	<u>(787,737)</u>
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<b>Total net position - governmental activities</b>	<b><u>\$ 914,288</u></b>
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See Accompanying Notes to Basic Financial Statements

Waterville Town School District  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017

	Governmental Fund Types		Total
	General Fund	Capital Projects Fund	
REVENUES			
State Revenue	\$ 1,046,616	\$ -	\$ 1,046,616
Federal Revenue	141,068	-	141,068
Other Grants	1,250	-	1,250
Tuition	352,232	-	352,232
Services to Other LEA's	21,320	-	21,320
Medicaid Reimbursement	3,386	-	3,386
Food Service	31,383	-	31,383
Interest Income	6,408	-	6,408
Miscellaneous	29,811	-	29,811
TOTAL REVENUES	1,633,474	-	1,633,474
EXPENDITURES			
Instruction Services	534,064	-	534,064
Art	10,865	-	10,865
Physical Education	21,174	-	21,174
Music	37,857	-	37,857
Special Education - Elementary	114,568	-	114,568
Pre-School	102,812	-	102,812
Guidance Services	36,412	-	36,412
Health and Psychological Services	14,564	-	14,564
Speech and Other Services	54,919	-	54,919
Improvement of Instruction	40,722	-	40,722
Educational Media Services	21,762	-	21,762
Board of Education Services	12,352	-	12,352
District Treasurer Services	1,940	-	1,940
Co-Curricular	3,493	-	3,493
Legal, Audit and Negotiation Services	1,192	-	1,192
Superintendent's Office	132,284	-	132,284
Principal's Office	166,216	-	166,216
Fiscal Services	5,428	-	5,428
Maintenance of Plant and Projects	133,940	-	133,940
Pupil Transportation	103,451	-	103,451
Food Service	45,391	-	45,391
Computer Technology	32,337	-	32,337

See Accompanying Notes to Basic Financial Statements

Waterville Town School District  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017

	Governmental Fund Types		
	General Fund	Capital Projects Fund	Total
EXPENDITURES (continued)			
Debt Service	48,278	-	48,278
EEE Expenditure	173	-	173
Construction Costs	-	51,511	51,511
TOTAL EXPENDITURES	1,676,194	51,511	1,727,705
EXCESS/(DEFICIENCIES) OF REVENUES OVER/(UNDER) EXPENDITURES	(42,720)	(51,511)	(94,231)
OTHER FINANCING SOURCES/(USES)			
Transfers	(31,450)	31,450	-
NET CHANGE IN FUND BALANCE	(74,170)	(20,061)	(94,231)
FUND BALANCE, Beginning of Year	97,078	69,586	166,664
FUND BALANCE, End of Year	\$ 22,908	\$ 49,525	\$ 72,433

See Accompanying Notes to Basic Financial Statements



Waterville Town School District  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GENERAL FUND  
For the Year Ended June 30, 2017

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

<b>Total net change in fund balances - governmental funds</b>	<b>\$ (94,231)</b>
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Amounts reported for governmental activities in the statement of activities  
are different because:

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

Depreciation Expense	(50,223)
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Capital Outlays	42,000
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Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>50,000</u>
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<b>Change in net position of governmental activities</b>	<b><u><u>\$ (52,454)</u></u></b>
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See Accompanying Notes to Basic Financial Statements.

Fiduciary  
Fund Types  
Agency  
Funds

\$ 330

\$ 330

8

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

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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 assets) report information on all of the non-fiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements.

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

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

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

Measurement focus, basis of accounting, and financial statement presentation

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes (state education and local share) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the School District receives cash.

The School District reports the following major governmental funds:

- \* The general fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

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

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

Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted on a School District level for the trust fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. Annual operating budgets are adopted each fiscal year through the passage of an annual budget ordinance and amended as required.

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

Capital Assets

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Interfund Receivables and Payables

The district generally maintains one cash account in the General Fund to pay expenditures and receive payments for efficiency. All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) repayments between funds are made.

Long-term Obligations

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

Property Taxes

Property taxes are due and payable on October 5th. The Town prepares the bills and collects all taxes and then remits them to the School District.

Government Wide Net Position

Government-wide Net Position is divided into the following components:

Net Investment in Capital Assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position – consist of net assets that are restricted by the District's creditors, by enabling legislation, by grantors (both federal and state), and / or by contributors.

Unrestricted – all other net position reported in this category

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Balance

Effective July 1, 2010, the District adopted the provisions of GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

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

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

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

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

Estimates

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

Concentration of Risk

Waterville Town School District is a public school district located in the Town of Waterville. The District receives the majority of its revenues from property taxes assessed on residences of the Town. Additionally, the District receives revenues from the State of Vermont as Federal and State aid to education and as special education grants.

Inventories

Inventories consist of food and supplies for the food service program and are valued at cost on a first-in, first-out basis.

NOTE 2 CASH, INVESTMENTS AND CATEGORIES OF RISK

The District authorizes the Treasurer to invest excess cash in bank accounts (ex: certificates of deposits), obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

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

NOTE 2 CASH, INVESTMENTS AND CATEGORIES OF RISK (continued)

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

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 79,637	\$ 250,000
Collateralized	<u>-</u>	<u>69,847</u>
 TOTAL	 <u>\$ 79,637</u>	 <u>\$ 319,847</u>

The difference between the book balance and the bank balance is due to reconciling items such as deposits in transit and outstanding checks. As of June 30, 2017 all funds are fully insured by the FDIC.

NOTE 3 SHORT-TERM OBLIGATIONS

The School District's revenue anticipation note activity, including amount outstanding and interest rate, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2.8% Revenue Anticipation Note	<u>\$ -</u>	<u>\$ 194,405</u>	<u>\$ (194,405)</u>	<u>\$ -</u>

NOTE 4 LONG-TERM DEBT

The District had the following long-term debt at June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Vermont Municipal Bond Bank, annual principal payments of \$50,000 with interest due semi- annually on June 1st and December 1st, ranging from 3.993% to 6.093%, paid in full on Dec. 1, 2016	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTE 5 TEACHER 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 Waterville Town School District's proportional share of the overall amounts of the Vermont State Teachers' Retirement System (VSTRS) plan. Waterville Town School District's portion has been allocated based on Waterville Town School District's proportional share of employer contributions to the total contributions to VSTRS during the fiscal year.

Reporting Date, Measurement Date, and Valuation Date

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

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

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

Fiscal Year Ended June 30, 2015				
Allocated Contribution	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 64,780	0.08885%	\$ 2,523,035	\$ 1,468,812	\$ 1,054,223

Fiscal Year Ended June 30, 2015			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Increase (8.95% Disc Rate)
\$ 133,657	\$ (11,574)	\$ 1,338,673	\$ 815,594



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

NOTE 5 TEACHER RETIREMENT (continued)

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

Fiscal Year Ended June 30, 2016				
Portion of State Contribution	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 63,780	0.08710%	\$ 2,552,441	\$ 1,411,827	\$ 1,140,614

Fiscal Year Ended June 30, 2016			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Increase (8.95% Disc Rate)
\$ 174,887	\$ (24,734)	\$ 1,427,286	\$ 900,021

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

Deferred Outflows of Resources							
Employer Proportion	Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
0.08710%	\$ 1,140,614	\$ 11,072	\$ 25,037	\$ -	\$ 110,255	\$ 28,524	\$174,887

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

NOTE 5 TEACHER RETIREMENT (continued)

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
\$ -	\$ (4,719)	\$ -	\$ -	\$ (20,015)	\$ (24,734)

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
\$ 118,369	\$ 3,732	\$122,102

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

Fiscal Year Ending June 30,					
2017	2018	2019	2020	2021	Thereafter
\$43,414	\$49,201	\$38,460	\$19,078	\$ -	\$ -

**Schedule E – Covered Payroll**

FY 2016	FY 2015	FY 2014
\$ 564,241	\$ 495,530	\$ 472,922

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:

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

NOTE 5      TEACHER RETIREMENT (continued)

[http://finance.vermont.gov/reports\\_and\\_publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr)

Plan Description

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

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

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

The Pension Plan is divided into the following membership groups:

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

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:

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

NOTE 5 TEACHER 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, 2016 was determined by rolling forward the total pension liability as of June 30, 2015 to June 30, 2016 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five year period ending June 30, 2014. The recommended assumption changes based on this experience study were adopted by the Board at its October 29, 2015 Board meeting, and were effective for the actuarial valuation made as of June 30, 2015. The 7.95% expected rate of return on assets was adopted by the Board at a meeting on July 27, 2015.

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

NOTE 5      TEACHER RETIREMENT (continued)

Interest Rate: 7.95% per annum.

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

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

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

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

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

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

Inactive Members: A liability equal to 350% of accumulated contributions of inactive members is included in the valuation liabilities. Solely for the June 30, 2016 valuation, this percentage was reduced to 332.5% in recognition of the impact of the school district consolidation program on the demographics of the inactive population.

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

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

NOTE 5 TEACHER RETIREMENT (continued)

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

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

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

Long-term expected rate of return

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

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

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

Discount rate

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

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

NOTE 5      TEACHER RETIREMENT (continued)

During the year ended June 30, 2017 the state of Vermont contributed \$55,665 on behalf of Waterville Town School District.

NOTE 6      ASSESSMENTS

Supervisory Union Assessment

The District also pays for its proportionate share of expense relating to the Lamoille North Supervisory Union. The District paid \$132,516 of such expenses during the year ended June 30, 2017.

NOTE 7      NON-CASH TRANSACTIONS

The Waterville Town School District received Federal Commodities for use in food service in the amount of \$2,264. The value of the commodities received is not included in the food service budget and is not part of food service revenue or expenditures.

NOTE 8      RISK MANAGEMENT

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

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

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

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

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

NOTE 9 CONTINGENCY

The School District participates in a number of Federal and State assisted grant programs, which are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2017, have not been reviewed by the grantor agencies.

Accordingly, the Districts' compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time, although the Districts expects such amounts, if any, to be immaterial.

NOTE 10 CAPITAL ASSETS

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

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	<u>\$ 67,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,000</u>
Capital assets, being depreciated				
Buildings and improvements	1,390,534	42,000	-	1,432,534
Equipment and machinery	<u>130,058</u>	<u>-</u>	<u>-</u>	<u>130,058</u>
Total capital assets, being depreciated	<u>1,520,592</u>	<u>42,000</u>	<u>-</u>	<u>1,562,592</u>
Accumulated depreciation for				
Buildings and improvements	(640,432)	(40,949)	-	(681,381)
Equipment and machinery	<u>(97,082)</u>	<u>(9,274)</u>	<u>-</u>	<u>(106,356)</u>
Total accumulated depreciation	<u>(737,514)</u>	<u>(50,223)</u>	<u>-</u>	<u>(787,737)</u>
Total capital assets, being depreciated, net	<u>783,078</u>	<u>(8,223)</u>	<u>-</u>	<u>774,855</u>
Governmental activities capital assets, net	<u>\$ 850,078</u>	<u>\$ (8,223)</u>	<u>\$ -</u>	<u>\$ 841,855</u>

NOTE 11 OPERATING LEASE

The School District leases equipment under an operating lease which expired in June 2017 due to the merger of the districts noted in Note 13. The total rent expense for the year ended June 30, 2017 was \$9,096.



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

NOTE 11      OPERATING LEASE (continued)

The School District also leases a building from Belvidere Town School. The lease was not renewed in the current year due to the merger of the districts noted in Note 13. The total rent expense paid to Belvidere Town School for the year ended June 30, 2016 was \$24,588.

NOTE 12      FUND BALANCES

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

<u>General Fund:</u>	
Prepaid expenses	<u>\$    1,300</u>

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

<u>General Fund:</u>	
Committed for Capital Expenditures	\$ 46,233
Committed for FY18 Expenditures	<u>10,195</u>
	<u>\$ 56,428</u>

<u>Capital Projects Fund:</u>	
Committed for Capital Improvements	<u>\$ 49,525</u>

NOTE 13      UNIFIED DISTRICT

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

NOTE 14      SUBSEQUENT EVENTS

In accordance with Accounting Standards, the Association has evaluated subsequent events through October 20, 2017, which is the date these basic financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2017, have been incorporated into these basic financial statements herein.

## REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State Grants:				
Education Spending Grant	\$ 871,618	\$ 871,618	\$ 868,371	\$ (3,247)
Education Spending Grant - Transportation	-	42,223	42,223	-
Special Education Grant	123,065	123,065	129,085	6,020
Essential Early Education	6,937	6,937	6,937	-
Federal Grants:				
21st Century	21,248	23,642	17,070	(6,572)
School Improvement Grant	-	51,898	46,879	(5,019)
IDEA B Grant	9,428	15,674	15,674	-
Consolidated Grant	46,281	61,445	61,445	-
Other Grants	-	8,700	1,250	(7,450)
Tuition	453,762	453,762	352,232	(101,530)
Services to Other LEA's	20,581	20,581	21,320	739
EPSDT/Medicaid Reimbursement	6,325	8,114	3,386	(4,728)
Food Service	-	73,683	31,383	(42,300)
Interest Income	2,500	2,500	6,408	3,908
Miscellaneous	<u>21,256</u>	<u>10,675</u>	<u>29,811</u>	<u>19,136</u>
<b>TOTAL REVENUES</b>	<u>1,583,001</u>	<u>1,774,517</u>	<u>1,633,474</u>	<u>(141,043)</u>
<b>EXPENDITURES</b>				
Instruction - Elementary	552,133	574,820	534,064	40,756
Art	9,419	9,419	10,865	(1,446)
Physical Education	20,762	20,762	21,174	(412)
Music	36,386	36,386	37,857	(1,471)
Special Education - Elementary	130,997	121,569	114,568	7,001
Pre-School	104,721	104,721	102,812	1,909
Guidance Services	34,395	34,395	36,412	(2,017)
Health Services	11,079	10,854	12,153	(1,299)
Psychological Services	500	500	2,411	(1,911)
Speech Services	28,953	44,627	50,496	(5,869)
Occupational Therapy	-	-	-	-
Other Support Services	3,416	3,416	4,423	(1,007)
Improvement of Instruction	9,800	48,789	40,722	8,067

See Accompanying Notes to Basic Financial Statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (continued)				
Educational Media Services	21,854	21,854	21,762	92
Board of Education Services	4,475	4,475	12,352	(7,877)
District Treasurer Services	2,880	2,880	1,940	940
Co-Curricular	1,900	3,914	3,493	421
Legal, Audit and Negotiation Services	1,000	1,000	1,192	(192)
Superintendent's Office	134,160	134,160	132,284	1,876
Principal's Office	179,773	179,773	166,216	13,557
Fiscal Services - Interest	5,500	5,500	5,428	72
Maintenance of Plant	132,493	132,493	133,940	(1,447)
Pupil Transportation	67,826	110,470	103,451	7,019
Computer Technology	34,756	34,756	32,337	2,419
Debt Service - Principal	50,000	50,000	50,000	-
Debt Service - Interest	1,523	1,523	(1,722)	3,245
EEE Expenses	200	200	173	27
Food Service	<u>10,000</u>	<u>89,161</u>	<u>45,391</u>	<u>43,770</u>
TOTAL EXPENDITURES	<u>1,590,901</u>	<u>1,782,417</u>	<u>1,676,194</u>	<u>106,223</u>
EXCESS/(DEFICIENCIES) OF REVENUES OVER/(UNDER) EXPENDITURES	(7,900)	(7,900)	(42,720)	(34,820)
OTHER FINANCING SOURCES/(USES)				
Transfers	<u>-</u>	<u>-</u>	<u>(31,450)</u>	<u>(31,450)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (7,900)</u>	<u>\$ (7,900)</u>	<u>\$ (74,170)</u>	<u>\$ (66,270)</u>

See Accompanying Notes to Basic Financial Statements.

Waterville Town School District  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY- VSTRS  
For the Year Ended June 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.0871%	0.0889%	0.0834%	0.0857%
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>1,140,614</u>	<u>1,054,223</u>	<u>799,612</u>	<u>866,616</u>
Total	<u>\$ 1,140,614</u>	<u>\$ 1,054,223</u>	<u>\$ 799,612</u>	<u>\$ 866,616</u>
District's covered-employee payroll	<u>\$ 480,288</u>	<u>\$ 495,530</u>	<u>\$ 472,922</u>	<u>\$ 483,127</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	55.31%	58.22%	64.02%	60.59%

*Significant Actuarial Assumptions and methods are described in Note 5 to the financial statements. There were no changes in methods or assumptions during the year ended June 30, 2017.*

See Accompanying Notes to Basic Financial Statements.

## ADDITIONAL REPORTS



**Kittell Branagan & Sargent**

*Certified Public Accountants*

Vermont License #167

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of School Commissioners  
Waterville Town School District  
Waterville, 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 Waterville Town School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Waterville Town School District's basic financial statements, and have issued our report thereon dated October 20, 2017.

Internal Control Over Financial Reporting

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

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

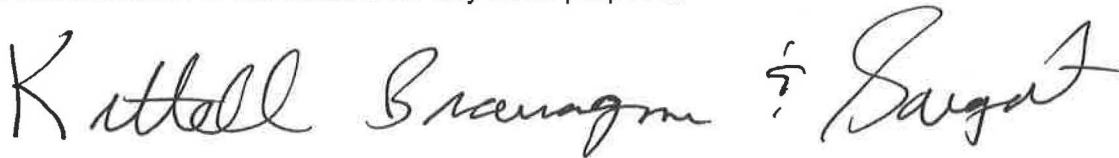
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, reading "Kaitell Brannagan". The signature is written in a cursive, flowing style. The first name "Kaitell" is written with a large, prominent "K". The last name "Brannagan" is written in a more compact, cursive script. The signature is positioned above the date and location text.

St. Albans, Vermont  
October 20, 2017