

**Southwest Vermont Regional Technical School District Southwest Vermont  
Regional Technical School District**

**Financial Statements and  
Required Report as of and for the year ended  
June 30, 2016  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT**

February 21, 2017

To the Members of the Regional Governing Board of the  
Southwest Vermont Regional Technical School District:

### **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 the Southwest Vermont Regional Technical School District (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.

(Continued)

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### ***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 District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Required Supplementary Information**

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2017, on our consideration of the 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 the District's internal control over financial reporting and compliance.

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# SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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*The following is a discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2016. The section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.*

### **FINANCIAL HIGHLIGHTS**

- The District's fiscal year 2016 actual revenue was less than budgeted revenue by \$96,114. This is primarily due to variances as follows:
  - Unfavorable variance of \$137,679 in tuition revenue primarily due to a refund required for fiscal year 2016 for the overcharged difference between the announced tuition and the allowable tuition rates.
  - Favorable variance of \$ 39,991 in other revenue due to the inclusion of program revenues not budgeted for.
- The District's fiscal year 2016 expenditures were under expended by \$248,422. This is primarily due to significant variances as follows:
  - Favorable variance of \$204,879 in direct instruction primarily due to vacancy savings and salary shrinkage.
  - Favorable variance of \$33,034 in general and administrative primarily due to vacancy savings.
  - Favorable variance of \$19,027 in plant maintenance and safety due to under spending on direct building expenses.
  - Favorable variance of \$37,567 in support services due to vacancy savings. Unfavorable variance of \$53,030 in transportation due to purchase of new bus
- General fund balance for fiscal year 2016 is \$996,707. The fund balance is comprised of the following: \$95,134 for voter approved reserve funds for capital improvements, \$231,040 for voter approved reserve funds for equipment, \$61,999 is non-spendable due to prepaid expenses, and \$312,313 is appropriated to balance the 2017 budget as a revenue offset, and \$296,221 is the unassigned fund balance available for revenue (tuition offset) for 2018.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: Management's Discussion & Analysis (MD&A) (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operation in *more detail* than the government-wide statements.
- The *governmental fund statements* tell how basic services, such as instruction and support functions, were financed in the short-term, as well as what remains for future spending.
- *The fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that provide additional information about the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Table A-1 shows how the various parts of this annual report are arranged and related to one another.

**Table A-1** Organization of the District's Annual Financial Report

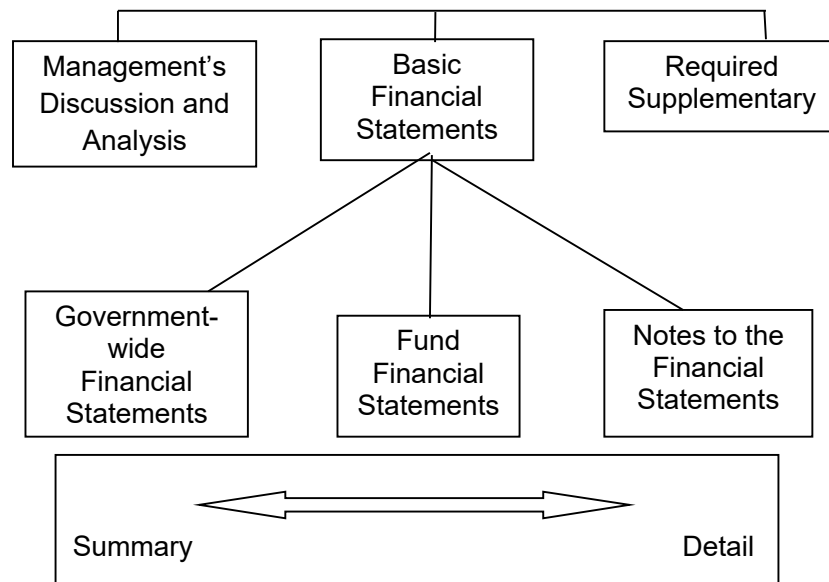


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

**Table A-2** Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements	
	Government-wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the District, such as instruction and special education.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and change in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of change in net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of asset/deferred outflows of resources & liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term.	Current assets and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

### Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Government-wide Statements (Continued)

The two Government-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets/deferred outflows of resources and liabilities/deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional nonfinancial factors, such as the impact of certain legislative changes to technical education regulations and the condition of buildings and other facilities, should be considered.

Net position of the governmental activities differs from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources, dollars, are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balance.

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
  - Net investment in capital assets.
  - Restricted net position has constraints placed on use by external sources or imposed by law.
  - Unrestricted net position does not meet any of the above restrictions.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law.
- Other funds are established to control and manage money for particular purposes (such as repayment of long-term debts) or to show that it is properly using certain revenue (such as federal grants).



## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Fund Financial Statements (Continued)

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the School Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental funds statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General Fund, Carl Perkins Fund, Adult Education Funds, Equipment Grant Fund, and VEHI Grant Fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and change in fund balance.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Table A-3** Condensed Statement of Net Position

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change	Percent Change
Cash and other current assets	\$ 1,309,795	\$ 1,618,441	\$ (308,646)	-19.07%
Capital assets - net	854,414	790,241	64,173	8.12%
<b>Total assets</b>	<b>2,164,209</b>	<b>2,408,682</b>	<b>(244,473)</b>	<b>-10.15%</b>
Deferred outflows of resources	30,777	-	30,777	N/A
Current liabilities	262,392	618,141	(355,749)	-57.55%
Long-term liabilities	197,752	108,487	89,265	82.28%
<b>Total liabilities</b>	<b>460,144</b>	<b>726,628</b>	<b>(266,484)</b>	<b>-36.67%</b>
Deferred inflows of resources	5,818	33,931	(28,113)	-82.85%
Net position:				
Net investment in capital assets	854,414	764,621	89,793	11.74%
Restricted	326,174	333,105	(6,931)	-2.08%
Unrestricted	548,436	550,397	(1,961)	-0.36%
<b>Total net position</b>	<b>\$ 1,729,024</b>	<b>\$ 1,648,123</b>	<b>\$ 80,901</b>	<b>4.91%</b>

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Cash and other current assets decreased by approximately \$309,000. This is due to an increase in various receivables at year end for grant proceeds and other amounts owed to the District as well as a liabilities increase of approximately \$178,000 as a result of the an increase in payables and accrued liabilities as a result of the timing of payments at year end.

#### Changes in Net Position

The District's fiscal year 2016 revenue totaled \$3,777,963 (see Table A-4). State aid and tuition accounted for most of the District's revenue by contributing 60% and 26% respectively (see Table A-5). The remainder came from other miscellaneous sources.

The total cost of all programs and services totaled \$3,697,062 for 2016. The majority of this amount is used to support regular programs (see Table A-6).

Net position increased during the year by \$80,901.

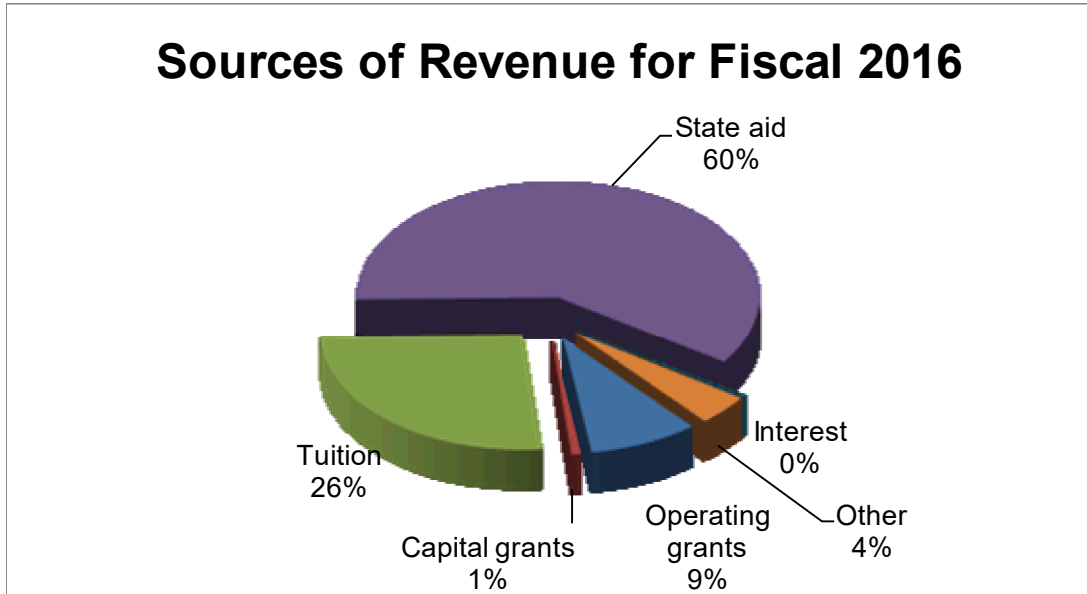
**Table A-4** Changes in Net Position from Operating Results:

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change	Percent Change
Revenue:				
Charges for services	\$ 992,851	\$ 856,063	\$ 136,788	15.98%
State aid	2,258,858	2,269,347	\$ (10,489)	-0.46%
Operating grants	333,761	278,470	55,291	19.86%
Capital grants	27,941	25,298	2,643	10.45%
General revenue:				
Interest	1,813	1,664	149	8.95%
Other	162,739	211,732	(48,993)	-23.14%
Total revenue	<u>3,777,963</u>	<u>3,642,574</u>	<u>135,389</u>	3.72%
Expenses:				
Direct instruction	2,176,864	2,093,584	83,280	3.98%
General and administrative	546,259	485,263	60,996	12.57%
Support services - students	243,796	251,713	(7,917)	-3.15%
Support services - technology	204,332	208,136	(3,804)	-1.83%
Plant maintenance and safety	418,632	366,943	51,689	14.09%
Pupil transportation	50,848	36,527	14,321	39.21%
Board of education	44,269	40,046	4,223	10.55%
Student organization	11,378	8,777	2,601	29.63%
Debt service - interest	684	-	684	N/A
Total expenses	<u>3,697,062</u>	<u>3,490,989</u>	<u>206,073</u>	5.90%
Increase in net position	<u>\$ 80,901</u>	<u>\$ 151,585</u>	<u>\$ (70,684)</u>	46.63%

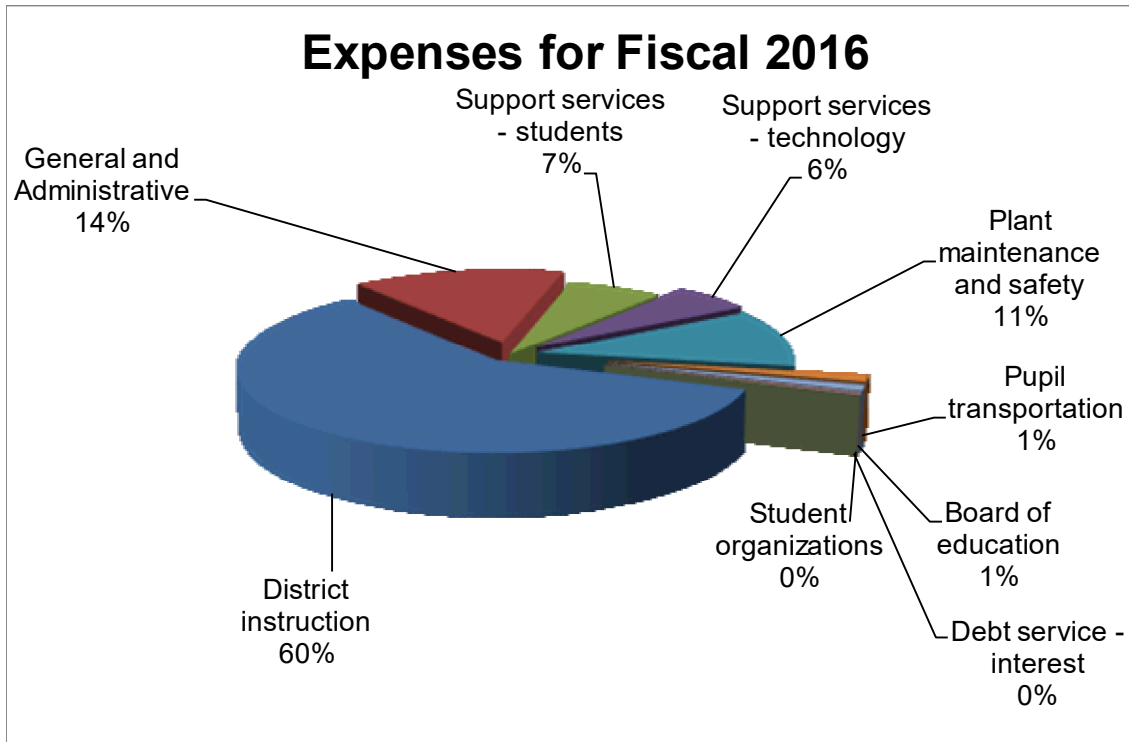
**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

- Direct Instruction decreased primarily due to addition of a program.
- General and administrative decreased due to position vacancy.

**Table A-5** Sources of Revenue for 2016



**Table A-6** Sources of Expenses for 2016



## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

### Governmental Activities

Revenue for the District's governmental activities totaled \$3,777,963 while total expenses equaled \$3,697,062 resulting in a positive change in net position of \$80,901.

Table A-7 presents the cost of all of the District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and aid provided for specific programs). The net cost shows the effects of these functions.

**Table A-7** Net Cost of Governmental Activities:

	Total Cost Of Services 2016	Total Cost Of Services 2015	Percent Change	Net Cost Of Services 2016	Net Cost Of Services 2015	Percent Change
<b>Functions:</b>						
District instruction	\$ 2,176,864	\$ 2,093,584	3.98%	\$ 822,311	\$ 933,753	-11.93%
General and administrative	546,259	485,263	12.57%	546,259	485,263	12.57%
Plant maintenance and safety	418,632	366,943	14.09%	418,632	366,943	14.09%
Support services	448,128	459,849	-2.55%	448,128	459,849	-2.55%
Pupil transportation	50,848	36,527	39.21%	50,848	36,527	39.21%
Board of education	44,269	40,046	10.55%	44,269	40,046	10.55%
Student organizations	11,378	8,777	29.63%	11,378	8,777	29.63%
Debt service - interest	684	-	N/A	684	-	N/A
Total	<u>\$ 3,697,062</u>	<u>\$ 3,490,989</u>	5.90%	<u>\$ 2,342,509</u>	<u>\$ 2,331,158</u>	0.49%

- The cost of all governmental activities for the year was \$3,697,062.
- Charges to users, primarily tuition, amounted to \$992,851 for the year ended June 30, 2016, compared to \$856,063 in the prior year.
- The federal and state government financed \$2,620,560 of the costs through operating and capital grants.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variations between years for the governmental fund financial statement are not the same as variations between years for the School Government-wide financial statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

### Governmental Funds Highlights

General Fund – The District ended June 30, 2016 with a \$152,308 net favorable budget variance.

Carl Perkins Fund – Perkins Funds grant revenue was \$36,041 in FY 2016, and \$143,981 in FY 2015.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

### Governmental Funds Highlights (Continued)

Adult Education Fund – Adult Education expenses were \$110,646 in FY 2016 and \$150,767 in FY 2015.

Equipment Grant Fund – Equipment Funds were \$27,941 and \$25,298 in FY 2016 and FY 2015, respectively.

### General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the general fund.

#### Results vs. Budget

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:				
Tuition	\$ 1,130,530	\$ 1,130,530	\$ 992,851	\$ (137,679)
State aid	2,256,596	2,256,596	2,258,858	2,262
Interest income	2,500	2,500	1,812	(688)
Other revenue	<u>1,600</u>	<u>1,600</u>	<u>41,591</u>	<u>39,991</u>
Total revenue	<u>3,391,226</u>	<u>3,391,226</u>	<u>3,295,112</u>	<u>(96,114)</u>
Expenditures:				
Direct instruction	1,895,491	1,873,828	1,668,949	204,879
General and administrative	591,951	575,245	542,211	33,034
Plant maintenance and safety	429,161	435,703	416,676	19,027
Support services - students	305,252	281,147	243,580	37,567
Support services - technology	194,345	211,275	208,905	2,370
Pupil transportation	30,880	41,056	94,086	(53,030)
Board of education	44,200	46,722	44,269	2,453
Student organizations	13,500	13,500	11,378	2,122
Debt service	<u>-</u>	<u>26,304</u>	<u>26,304</u>	<u>-</u>
Total expenditures	<u>3,504,780</u>	<u>3,504,780</u>	<u>3,256,358</u>	<u>248,422</u>
Change in fund balance	(113,554)	(113,554)	38,754	<u>\$ 152,308</u>
Fund balance - beginning of year	<u>957,953</u>	<u>957,953</u>	<u>957,953</u>	
Fund balance - end of year	<u>\$ 844,399</u>	<u>\$ 844,399</u>	<u>\$ 996,707</u>	

The general fund is the only fund for which a budget is legally adopted.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

### CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2016, the District had \$854,414 invested in a broad range of capital assets including, buildings, computers and other educational equipment.

**Table A-8 Capital Assets, Net**

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>
Leasehold improvements	\$ 141,778	\$ 79,356
Furniture and equipment	<u>712,636</u>	<u>710,885</u>
Total	<u>\$ 854,414</u>	<u>\$ 790,241</u>

As of June 30, 2016, the District had \$197,752 in other long-term liabilities outstanding consisting of capital lease obligation and net pension liability - VMERS. More detailed information about the District's long-term liabilities is included in the notes to the financial statements.

**Table A-9 Long-Term Liabilities**

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>
Capital lease obligation	\$ -	\$ 25,620
Compensated absences	125,157	86,448
Net Pension Liability - VMERS	<u>72,595</u>	<u>8,850</u>
Total	<u>\$ 197,752</u>	<u>\$ 120,918</u>

## **FACTORS BEARING ON THE FUTURE OF THE DISTRICT**

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Once again, the District was able to complete the fiscal year without having to borrow money. Not having the resulting interest expense allowed the District to fund other expenditures such as direct instruction.
- A decline in FTE's after Semester 2 – 2012 and Semesters 1 & 2 - 2013 has caused the tuition rates to rise.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate the District's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact:

Southwest Vermont Regional Technical School District  
Ms. Stephanie Mulligan, Business Manager  
321 Park Street  
Bennington, VT 05201

**SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

**STATEMENT OF NET POSITION  
JUNE 30, 2016**

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**ASSETS**

CURRENT ASSETS:

Cash	\$	784,126
Restricted cash		326,174
Accounts receivable		41,668
Inventory		1,433
Prepaid expenses		61,999
Due from other governments		63,499
Due from fiduciary funds		<u>30,896</u>

Total current assets 1,309,795

NONCURRENT ASSETS:

Capital assets, net		<u>854,414</u>
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Total assets 2,164,209

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources - VMERS		<u>30,777</u>
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**LIABILITIES**

CURRENT LIABILITIES:

Accounts payable		102,713
Unearned revenue		6,250
Accrued expenses		<u>153,429</u>

Total current liabilities 262,392

LONG-TERM LIABILITIES:

Net pension liability - VMERS		72,595
Compensated absences payable		<u>125,157</u>

Total long-term liabilities 197,752

TOTAL LIABILITIES 460,144

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources - VMERS		<u>5,818</u>
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**NET POSITION**

Net Investment in capital assets		854,414
Restricted		326,174
Unrestricted		<u>548,436</u>

TOTAL NET POSITION \$ 1,729,024

The accompanying notes are an integral part of these statements.



**SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Expenses</u>	<u>Program Revenue</u>			Net (Expense) Revenue and Change in Net Position
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
GOVERNMENTAL ACTIVITIES					
FUNCTIONS/PROGRAMS:					
Direct instruction	\$ 2,176,864	\$ 992,851	\$ 333,761	\$ 27,941	\$ (822,311)
General and administrative	546,259	-	-	-	(546,259)
Plant maintenance and safety	418,632	-	-	-	(418,632)
Support services - students	243,796	-	-	-	(243,796)
Support services - technology	204,332	-	-	-	(204,332)
Pupil transportation	50,848	-	-	-	(50,848)
Board of education	44,269	-	-	-	(44,269)
Student organizations	11,378	-	-	-	(11,378)
Debt service - interest	<u>684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(684)</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 3,697,062</u>	<u>\$ 992,851</u>	<u>\$ 333,761</u>	<u>\$ 27,941</u>	<u>(2,342,509)</u>
GENERAL REVENUE:					
Basic education spending					2,258,858
Interest income					1,813
Miscellaneous					<u>162,739</u>
TOTAL GENERAL REVENUE					<u>2,423,410</u>
CHANGE IN NET POSITION					80,901
TOTAL NET POSITION - beginning of year					<u>1,648,123</u>
NET POSITION - end of year					<u>\$ 1,729,024</u>

The accompanying notes are an integral part of these statements.

**SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO GOVERNMENT-WIDE NET POSITION  
JUNE 30, 2016**

	<b>Governmental Fund Types</b>						Total Governmental Funds
	General	Carl Perkins	Adult Education	VEHI Grant	Innovation Grant	School Store	
<b>ASSETS</b>							
Cash	\$ 722,407	\$ -	\$ 61,719	\$ -	\$ -	\$ -	\$ 784,126
Restricted cash	326,174	-	-	-	-	-	326,174
Accounts receivable	21,679	-	11,383	-	-	363	33,425
State and federal receivable	-	8,243	-	-	-	-	8,243
Prepaid expenditures	61,999	-	-	-	-	-	61,999
Inventory	-	-	-	-	-	1,433	1,433
Due from other governments	63,499	-	-	-	-	-	63,499
Due from other funds	51,479	-	-	6,250	-	7,790	65,519
<b>TOTAL ASSETS</b>	<b>\$ 1,247,237</b>	<b>\$ 8,243</b>	<b>\$ 73,102</b>	<b>\$ 6,250</b>	<b>\$ -</b>	<b>\$ 9,586</b>	<b>\$ 1,344,418</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES:</b>							
Accounts payable	\$ 97,101	\$ 3,262	\$ 2,122	\$ -	\$ -	\$ 228	\$ 102,713
Accrued liabilities	153,429	-	-	-	-	-	153,429
Unearned revenue	-	-	-	6,250	-	-	6,250
Due to other funds	-	4,981	29,642	-	-	-	34,623
<b>TOTAL LIABILITIES</b>	<b>250,530</b>	<b>8,243</b>	<b>31,764</b>	<b>6,250</b>	<b>-</b>	<b>228</b>	<b>297,015</b>
<b>FUND BALANCE:</b>							
Nonspendable:							
Prepaid expenditures	61,999	-	-	-	-	-	61,999
Inventory	-	-	-	-	-	1,433	1,433
Total nonspendable fund balance	61,999	-	-	-	-	1,433	63,432
Restricted:							
Capital improvements	95,134	-	-	-	-	-	95,134
Equipment	231,040	-	-	-	-	-	231,040
Total restricted fund balance	326,174	-	-	-	-	-	326,174
Assigned							
Unappropriated	-	-	41,338	-	-	7,925	49,263
Appropriated for subsequent years expenditures	312,313	-	-	-	-	-	312,313
Total assigned fund balance	312,313	-	41,338	-	-	7,925	361,576
Unassigned							
	296,221	-	-	-	-	-	296,221
<b>TOTAL FUND BALANCE</b>	<b>996,707</b>	<b>-</b>	<b>41,338</b>	<b>-</b>	<b>-</b>	<b>9,358</b>	<b>1,047,403</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,247,237</b>	<b>\$ 8,243</b>	<b>\$ 73,102</b>	<b>\$ 6,250</b>	<b>\$ -</b>	<b>\$ 9,586</b>	<b>\$ 1,344,418</b>

**SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	General	Carl Perkins	Adult Education	VEHI Grant	Innovation Grant	Equipment Grant	School Store	Total Government Funds
<b>REVENUE:</b>								
Tuition	\$ 992,851	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 992,851
State aid	2,258,858	-	24,710	-	46,879	27,941	-	2,358,388
Federal aid	-	36,041	15,771	-	-	-	-	51,812
Interest income	1,812	-	-	-	-	-	1	1,813
Other revenue	41,591	-	73,840	-	-	-	47,308	162,739
<b>Total revenue</b>	<b>3,295,112</b>	<b>36,041</b>	<b>114,321</b>	<b>-</b>	<b>46,879</b>	<b>27,941</b>	<b>47,309</b>	<b>3,567,603</b>
<b>EXPENDITURES:</b>								
Direct instruction	1,668,949	36,041	110,646	-	46,879	27,941	-	1,890,456
General and administrative	542,211	-	-	-	-	-	55,066	597,277
Plant maintenance and safety	416,676	-	-	-	-	-	-	416,676
Support services - students	243,580	-	-	-	-	-	-	243,580
Support services - technology	208,905	-	-	-	-	-	-	208,905
Pupil transportation	94,086	-	-	-	-	-	-	94,086
Board of education	44,269	-	-	-	-	-	-	44,269
Student organizations	11,378	-	-	-	-	-	-	11,378
Debt service	26,304	-	-	-	-	-	-	26,304
<b>Total expenditures</b>	<b>3,256,358</b>	<b>36,041</b>	<b>110,646</b>	<b>-</b>	<b>46,879</b>	<b>27,941</b>	<b>55,066</b>	<b>3,532,931</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>38,754</b>	<b>-</b>	<b>3,675</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,757)</b>	<b>34,672</b>
<b>FUND BALANCE - beginning of year</b>	<b>957,953</b>	<b>-</b>	<b>37,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,115</b>	<b>1,012,731</b>
<b>FUND BALANCE - end of year</b>	<b>\$ 996,707</b>	<b>\$ -</b>	<b>\$ 41,338</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,358</b>	<b>\$ 1,047,403</b>

The accompanying notes are an integral part of these statements.

## SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

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Net change in fund balance - Total governmental funds	\$ 34,672
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	221,431
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(157,258)
Pension expense resulting from the GASB 68 related actuary reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(4,855)
Pension expense related to the change in the net pension liability that is the responsibility of the State of Vermont under the special funding provision of GASB Statement No. 68	(210,360)
Support from the State of Vermont related to the change in the net pension liability under the special funding provision of GASB Statement No. 68	210,360
Repayment of capital lease obligation is recorded as an expenditure in the governmental funds but are recorded as payment of a liability in the statement of net position	25,620
Certain expenses in the statement of activities, such as compensated absences, do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	<u>(38,709)</u>
Change in net position - Governmental activities	<u>\$ 80,901</u>

The accompanying notes are an integral part of these statements.

**SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2016**

	Private Purpose Trust	<u>Agency</u>
<b>ASSETS:</b>		
Cash - unrestricted	\$ -	\$ 30,896
Cash - restricted	<u>26,007</u>	<u>33,238</u>
 Total assets	 <u>\$ 26,007</u>	 <u>\$ 64,134</u>
 <b>LIABILITIES:</b>		
Student activity balances	\$ -	\$ 30,609
Due to governmental funds	-	30,896
Child care liability	<u>-</u>	<u>2,629</u>
 Total liabilities	 <u>-</u>	 <u>\$ 64,134</u>
 <b>NET POSITION:</b>		
Reserved for scholarships	<u>\$ 26,007</u>	

**SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

**STATEMENT OF CHANGE IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Private Purpose Trust
<b>ADDITIONS:</b>	
Contributions	\$ 3,010
Interest income	211
Total additions	<u>3,221</u>
 <b>DEDUCTIONS:</b>	
Scholarships and awards	<u>2,000</u>
 CHANGE IN NET POSITION	 1,221
 NET POSITION - beginning of year	 <u>24,786</u>
 NET POSITION - end of year	 <u>\$ 26,007</u>

The accompanying notes are an integral part of these statements.

# **SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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### **1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Southwest Vermont Regional Technical School District (District) is a local government created in April 2003 by an act of the Vermont Legislature. The District provides technical education to junior and senior high school students from districts within the region consisting of the communities of Bennington, North Bennington, Pownal, Shaftsbury, Woodford, Arlington, Dorset, Glastonbury, Manchester, Readsboro, Sandgate, Searsburg, Stamford and Sunderland.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies utilized by the District are described below:

#### **Reporting Entity**

The District is governed by the laws of Vermont. The basic financial statements of Southwest Vermont Regional Technical School District include the financial activity of the general fund and special revenue funds because they are under the direct control of the Board of School Directors. Also included in these financial statements are trust and agency funds. These components are included because the board has fiduciary responsibility for such funds.

The reporting entity of the District is based upon criteria set forth by GAAP as prescribed by the Governmental Accounting Standards Board (GASB). The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of an entity included in the District's reporting entity.

#### **Basis of Presentation**

The District's financial statements consist of school government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund level financial statements which provide more detailed information.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Basis of Presentation (Continued)**

#### Government-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through tuition charges, state and federal aid, intergovernmental revenue, and other exchange and non-exchange transactions.

Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between program expenses and revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue includes charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

#### Fund Financial Statements

The District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The accounts of the District are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the District are as follows:

#### Governmental Fund Types

Governmental funds are those in which most governmental functions of the District are reported. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the fiduciary funds) are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position rather than upon determination of net income. The following are the District's governmental fund types:

- *General Fund*: The General Fund is used to account for all revenue and expenditures applicable to the general operations of the District. All general operating revenues which are not restricted as to use by sources external to the District are recorded in the General Fund.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Basis of Presentation (Continued)**

#### Governmental Fund Types (Continued)

- *Special Revenue Funds:* The Special Revenue Funds are operating funds for which the use of revenue is restricted, generally by federal and state governments. The District uses the following Special Revenue Funds: Carl Perkins, Adult Education, VEHI, Innovation Grant, Equipment Grant and School Store.

#### Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District as an agent for individuals, private organizations, other governmental units, and/or other funds.

- *Fiduciary Fund:* This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the Government-wide financial statements because their resources do not belong to the District and are not available to be used.

There are two types of fiduciary funds:

- *Private Purpose Trust Funds:* These funds are used to account for trust arrangements in which principal and income benefits individuals, private organizations, or other governments.
- *Agency Funds:* These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

### **Measurement Focus and Basis of Accounting**

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the District gives or receives value without directly receiving or giving equal value in exchange include assessments, grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.



1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus and Basis of Accounting (Continued)**

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**Cash**

The District's cash consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Vermont State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state.

Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of Vermont State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts.

**Receivables**

Receivables are shown gross. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**Capital Assets, Net**

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2002. For assets acquired prior to July 1, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 10,000	N/A	N/A
Leasehold improvements	\$ 25,000	SL	7-50
Furniture and equipment	\$ 2,500	SL	5-10
Motor vehicle	\$ 5,000	SL	8

**Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Deferred Outflows and Inflows of Resources (Continued)**

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

The government has the following items that qualify for reporting in this category;

The net amount of the District's balances of deferred inflows of resources related to pensions is reported in the government-wide Statement of Net Position as deferred inflows of resources. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

### **Budgetary Procedures and Budgetary Accounting**

Budget is managed annually on a basis consistent with generally accepted accounting principles.

The District follows these procedures in establishing the budgetary data for the general fund reflected in the general purpose financial statements:

1. The Business Manager and the Superintendent/Director prepares the annual operating budget for the District's year ending June 30. The finance committee reviews the budget and makes any changes that it deems appropriate. The operating budget includes proposed expenditures and the means of financing them. The budget is then submitted to the full school board for its approval.
2. After the budget is adopted, the District disseminates a copy of the operating budget and notice of the annual meeting of the District to discuss the budget.
3. In March, the annual District floor meeting is held for all eligible voters of the service region (Arlington, Bennington, Dorset, Glastenbury, Manchester, North Bennington, Pownal, Readsboro, Sandgate, Searsburg, Shaftsbury, Stamford, Sunderland, and Woodford) for the District. On the day following the floor meeting, the budget is legally enacted by voting which will take place at large by Australian ballot.
4. Budget revisions, which would increase or decrease the amount of total budgeted expenditures, must be approved by another vote from the entire service region.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget for the general fund is as adopted using the modified accrual basis. The total budgeted amount of expenditures is as originally adopted. Transfers between expenditure categories have occurred during the year.

### **Vested Employee Benefits**

#### Retirement Plans

*Vermont Municipal Employees' Retirement System:* Southwest Vermont Regional Technical School District funds accrued pension cost. Certain District employees are members of the state administered Vermont Municipal Employees' Retirement System. Under Vermont statutes, the District and its employees each contribute a statutory percentage of compensation to the system. Any remaining actuarial liability of the retirement system is funded by the State of Vermont.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Vested Employee Benefits (Continued)**

*State Teachers' Retirement System of Vermont:* Teachers who are full-time employees of the District are members of the State Teachers' Retirement System of Vermont. Under Vermont statutes, the District employees individually contribute a statutory percentage of compensation to the system. Any remaining actuarial liability of the retirement system is funded by the State of Vermont.

### Compensated Absences

The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the governmental funds inasmuch as it will be funded from current financial resources and the government-wide statements for amounts to be paid from future financial resources.

The District recognizes a liability for sick leave and additional salary related payments as the benefits are earned by the employees, based on the rendering of past service and the probability that the employees will be compensated for the benefits through pay or some other means. This includes sick leave that was earned but not used during the current or prior periods and for which employees can receive compensation in a future period. Amounts do not include leave that is expected to lapse and includes leave that employees will eventually qualify for but have not earned.

### Postretirement Benefits

In addition to providing pension benefits, the District offers health insurance coverage and survivor benefits to retired employees and their survivors. The respective retirees pay for this coverage, with no additional expense recognized by the District.

### **Unearned Revenue**

Unearned revenue is reported when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met or when the District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recorded.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Unearned revenue recorded in governmental funds is generally not recorded in the Government-wide statements.

### **Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities, and long-term obligations are reported in the Government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Net Position/Fund Balance Classifications**

#### Government-wide Statements

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets and unspent bond proceeds related to those debt issuances.

Restricted Net Position – Reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted net position consists of the following:

Unrestricted Net Position – Reports all other net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

#### Governmental Fund Statements

In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually are required to be maintained intact. Non-spendable fund balance includes the prepaid expenses recorded in the general fund.

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has available the following restricted fund balance:

#### Capital improvements

The capital improvements reserve is used to restrict the portion of fund balance that is used to finance future capital projects and is not available for appropriation. This reserve is accounted for in the general fund under restricted fund balance.

#### Equipment

The equipment reserve is used to restrict the portion of fund balance that is used to finance future equipment purchases and is not available for appropriation. This reserve is accounted for in the general fund under restricted fund balance.

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e. the Board of Education. The District has no committed fund balances as of June 30, 2016.

Assigned fund balance – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance – Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Net Position/Fund Balance Classifications (Continued)**

#### Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

### **Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

### **Explanation of Certain Differences between Fund Financial Statements and Government-Wide Statements**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and Government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities compared with the current financial resources focus of the governmental funds.

### **Total Fund Balance of Governmental Funds vs. Net position of Governmental Activities**

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

### **Statement of Revenue, Expenditures, and Change in Fund Balance vs. Statement of Activities**

Differences between the governmental funds statement of revenue, expenditures, and change in fund balance and the statement of activities fall into one of three broad categories.

#### Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used for the statement of activities.

#### Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Statement of Revenue, Expenditures, and Change in Fund Balance vs. Statement of Activities (Continued)**

Long-Term Liabilities Transaction Differences

Long-term liability transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred and principal payments are recorded as a reduction of liabilities in the statement of net position.

**2. CUSTODIAL CREDIT, CONCENTRATION OF CREDIT RISKS**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, Vermont State statues govern the District's investment policies, as discussed previously in these Notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	\$ 1,292,580	\$ 1,200,441
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 880,047	
Covered by FDIC insurance	<u>412,533</u>	
Total	<u>\$ 1,292,580</u>	

## 2. CUSTODIAL CREDIT, CONCENTRATION OF CREDIT RISKS (Continued)

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash consists of the following:

### General Fund:

Capital improvements	\$ 95,134
Equipment	<u>231,040</u>
	<u>\$ 326,174</u>

### Fiduciary Funds:

Private Purpose Memorial Funds	<u>\$ 26,007</u>
Childcare account	\$ 2,629
Student activities accounts	<u>30,609</u>
Total activities accounts	<u>\$ 33,238</u>

## 3. CAPITAL ASSETS, NET

Capital asset balances and activity for the year ended June 30, 2016, were as follows:

	July 1, 2015			June 30, 2016
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental activities:				
Capital assets that are depreciated:				
Leasehold improvements	\$ 103,940	\$ 70,101	\$ -	\$ 174,041
Furniture and equipment	<u>2,360,246</u>	<u>151,330</u>	<u>3,940</u>	<u>2,507,636</u>
Total depreciable historical cost	<u>2,464,186</u>	<u>221,431</u>	<u>3,940</u>	<u>2,681,677</u>
Less accumulated depreciation:				
Leasehold improvements	24,584	7,679	-	32,263
Furniture and equipment	<u>1,649,361</u>	<u>149,579</u>	<u>3,940</u>	<u>1,795,000</u>
Total accumulated depreciation	<u>1,673,945</u>	<u>157,258</u>	<u>3,940</u>	<u>1,827,263</u>
Total cost, net	<u>\$ 790,241</u>	<u>\$ 64,173</u>	<u>\$ -</u>	<u>\$ 854,414</u>

### 3. CAPITAL ASSETS, NET (Continued)

Depreciation expense for the year ended June 30, 2016, was allocated to specific functions as follows:

Direct instruction	\$ 132,654
Support services - students	216
Support services - technology	6,622
General and administrative	4,048
Plant maintenance and safety	1,956
Pupil transportation	<u>11,762</u>
Total	<u>\$ 157,258</u>

### 4. LONG-TERM LIABILITIES

A summary statement of changes in long-term debt for the fiscal year ended June 30, 2016, is as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Long-term liabilities:					
Capital lease obligation	\$ 25,620	\$ -	\$ 25,620	\$ -	\$ -
Compensated absences (A)	86,448	38,709	-	125,157	\$ -
Net pension liability (A)	<u>8,850</u>	<u>63,745</u>	<u>-</u>	<u>72,595</u>	<u>-</u>
Total	<u>\$ 120,918</u>	<u>\$ 102,454</u>	<u>\$ 25,620</u>	<u>\$ 197,752</u>	<u>\$ -</u>

(A) Additions and deletions are shown net because it is impractical to determine these amounts separately.

### 5. PENSION PLANS

The District participates in the Vermont Municipal Employees' Retirement System (VMERS) and the State Teachers' Retirement System of Vermont (STRSV). The VMERS is a cost-sharing, multiple public employer retirement system, while the STRSV is a multiple public employer retirement system with noncontributing employer provisions. Vermont statutes and Social Security Law govern obligations of employers and employees to contribute and benefits to employees. The systems offer a wide range of plans and benefits that are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. All benefits generally vest after ten years of credited service.



## 5. PENSION PLANS (Continued)

The District participates in the Vermont Municipal Employees' Retirement System (VMERS) and the State Teachers' Retirement System of Vermont (STRSV). The VMERS is a cost-sharing, multiple public employer retirement system, while the STRSV is a multiple public employer retirement system with noncontributing employer provisions. Vermont statutes and Social Security Law govern obligations of employers and employees to contribute and benefits to employees. The systems offer a wide range of plans and benefits that are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. All benefits generally vest after ten years of credited service.

The total payroll for all employees of the District for the year ended June 30, 2016, was \$1,713,417 of which \$416,123 and \$1,297,294 were attributable to the VMERS and STRSV, respectively. Contributions payable to the VMERS are calculated on the basis of salaries paid during the system's fiscal year ended June 30 and are made in accordance with funding requirements determined by the system's actuaries.

The employer contributions made and percentages of covered payroll for VMERS for 2016 and the preceding two years are as follows:

	Amount Paid	Percentage
2016	\$ 14,272	4%
2015	\$ 13,162	4%
2014	\$ 12,508	4%

The District funds its portion of the retirement contribution from the general fund. Contributions are made on behalf of District employees participating in the STRSV by the State of Vermont.

The pension benefit obligation (PBO) of credited projected benefits is a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employees service to date. The retirement systems do not make separate measurements for individual employers. Information regarding the PBO of credited projected benefits and net position available to pay benefits as of June 30, 2016, will be available from the two systems when their annual financial reports are issued.

Historical trend information showing the progress in accumulating sufficient assets to pay benefits when due will be presented in the June 30, 2016 annual financial reports of the two systems when they are issued. Additional detailed information concerning the systems will also be available in these reports. Further information on these plans is available at [www.vermonttreasurer.gov/retirement](http://www.vermonttreasurer.gov/retirement).

**5. PENSION PLANS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Vermont State Employee Retirement System

At June 30, 2016, the School District reported a liability of \$72,595 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2016, the school district's proportion was 0.0970000%, which was an increase of 0.0002280% from its proportion measured June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2016, the School District recognized pension expense of \$11,682. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 2,295	\$ -
Changes of Assumptions	14,457	-
Net difference between projected and actual earnings on pension plan investments	14,025	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	5,818
	<u>\$ 30,777</u>	<u>\$ 5,818</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ 4,168
2017	4,168
2018	4,168
2019	12,454
	<u>\$ 24,958</u>

## 5. PENSION PLANS (Continued)

### Vermont State Employee Retirement System (Continued)

#### **Actuarial Assumptions**

The total pension liability at June 30, 2014 was determined by using an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by using an actuarial valuation as of June 30, 2012, with update procedures used to roll forward the total pension liability to June 30, 2013.

These actuarial valuations used the following actuarial assumptions:

Interest rate	A select-and-ultimate interest rate set. The interest rate set is restated every year: Year 1: 6.25%      Year 10: 8.50% Year 2: 6.75%      Year 11: 8.50% Year 3: 7.00%      Year 12: 8.50% Year 4: 7.50%      Year 13: 8.50% Year 5: 7.75%      Year 14: 8.50% Year 6: 8.25%      Year 15: 8.50% Year 7: 8.25%      Year 16: 8.75% Year 8: 8.25%      Year 17 and later: 9.00% Year 9: 8.50%
Salary increases	5% per year
Actuarial cost method	Entry age normal - level percentage of pay
Inflation	Annual inflation rate of 3.00% to 3.25% per year.
Salary scale	4.9 percent indexed by service
Projected COLAs	1.5% compounded annually for Group A members and 1.8% compounded annually for Group B, C, and D members
Decrement	RP-2000 Mortality Tables for Employees and Healthy Annuitants projected with Scale AA to 2010
Mortality improvement	RP-2000 Table for Employees using Scale AA to 2016

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2005, through June 30, 2010.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic

Assumptions for measuring pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

## 5. PENSION PLANS (Continued)

### Vermont State Employee Retirement System (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2014 and June 30, 2013 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Type</u>	<u>Long Term Expected Real Rate</u>	
	<u>2015</u>	<u>2014</u>
Equity	8.61%	6.70%
Fixed Incomes	1.91%	2.94%
Alternatives	6.93%	6.26%
Multi-Strategy	4.88%	5.98%

### **Discount Rate**

The discount rate used to calculate the total pension liability was 8.23%. 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, through the fiscal year ending June 30, 2019. Therefore, a blended rate incorporating a municipal bond rate is not needed. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 67.

### **Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 8.23 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (7.23%) or 1 percent higher (9.23%) than the current rate:

	<u>1 % Decrease</u> <u>(6.95%)</u>	<u>Current Assumption</u> <u>(7.95%)</u>	<u>1% Increase</u> <u>(8.95%)</u>
Proportionate Share of Net Pension liability	\$ 145,004	\$ 72,595	\$ 11,896

### **Pension Plan Fiduciary Net Position**

The components of the current-year net pension (asset) of the employers as June 30, 2014, were as follows:

	<u>Pension Plan's</u> <u>Fiduciary Net</u> <u>Position</u>	<u>District's</u> <u>proportionate</u> <u>share of Plan's</u> <u>Fiduciary Net</u> <u>Position</u>	<u>District's</u> <u>allocation</u> <u>percentage as</u> <u>determined by</u> <u>the Plan</u>
Total pension liability	\$ 612,999,552	\$ 577,200	0.0941600%
Net position	(535,903,742)	(504,605)	0.0941600%
Net pension liability	<u>\$ 77,095,810</u>	<u>\$ 72,595</u>	0.0941600%
Fiduciary net position as a percentage of total pension liability	87.42%	87.42%	

**5. PENSION PLANS (Continued)**

Vermont State Teachers Retirement System

The School District participates in the Vermont State Teachers' Retirement System (VSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The Vermont State Teachers' Retirement Board administers VSTRS. The system provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of Vermont. VSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. Additional information regarding the State Teachers' Retirement System of Vermont is available upon request from the State of Vermont.

*Contributions*

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the School District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group.

Employee contribution rates by Plan group follow:

VSTRS	Group A	Group C- Group #1	Group C- Group #2
Employee Contributions	2.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

Employee contributions totaled \$64,688 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees covered under this plan was \$1,297,294 for the year ended June 30, 2016.

**5. PENSION PLANS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore the employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as nonemployer to VSTRS. Because the District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2016. The State's portion of the collective net pension liability that was associated with the District was as follows (as of June 30, 2014, the most recent valuation):

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		<u>1,772,583</u>
Total	\$	<u>1,772,583</u>

The State of Vermont's proportionate share of the net pension liability associated with the District is equal to the collective net pension liability, actuarially measured as of June 30, 2014, multiplied by the District's proportionate share percentage. The District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2014, the District's proportion was .1849%, which was a decrease of .0178% from its proportion measured as of June 30, 2013.

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five year period ending June 30, 2010

## 5. PENSION PLANS (Continued)

### Vermont State Teachers Retirement System (Continued)

#### **Actuarial Assumptions**

The total pension liability at the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013 to June 30, 2014. These assumptions were selected on the basis of the experience study that was performed for the five-year period ending June 30, 2010. Total pension liability at the June 30, 2013 measurement date, was determined by an actuarial valuation as of June 30, 2012, with update procedures used to roll forward the total pension liability to June 30, 2013.

These actuarial valuations used the following actuarial assumptions:

Interest rate	A select-and-ultimate interest rate set. The interest rate set is restated every year:		
	Year 1: 6.25%	Year 10: 8.50%	
	Year 2: 6.75%	Year 11: 8.50%	
	Year 3: 7.00%	Year 12: 8.50%	
	Year 4: 7.50%	Year 13: 8.50%	
	Year 5: 7.75%	Year 14: 8.50%	
	Year 6: 8.25%	Year 15: 8.50%	
	Year 7: 8.25%	Year 16: 8.75%	
	Year 8: 8.25%	Year 17 and later: 9.00%	
	Year 9: 8.50%		
Service Retirements	Occur between ages 62 and 70, the assumed rates of service retirement are as follows:		
	Annual Rate of Retirement		
	Age	Grandfathered	Nongrandfathered
	62	25.0%	20.0%
	63	20.0%	20.0%
	64	20.0%	20.0%
	65	30.0%	30.0%
	66	30.0%	30.0%
	67	30.0%	30.0%
	68	20.0%	20.0%
	69	30.0%	30.0%
	70	100.0%	100.0%
Salary Increases	Age	Annual Rate of Salary Increase	
	25	8.40%	
	30	7.05%	
	35	6.15%	
	40	5.45%	
	45	6.95%	
	50	4.60%	
	55	4.35%	
	60	4.25%	
	64	4.25%	
Inflation	Salary increases and costs of living adjustments are consistent with an expected annual inflation of 3.00% to 3.25% per year		
Projected COLAs	3.0% for Group A members and 1.5% for Group C members		
Mortality improvement	RP-2000 Table for Employees using Scale AA to 2016		

## 5. PENSION PLANS (Continued)

### Vermont State Teachers Retirement System (Continued)

#### **Actuarial Assumptions (Continued)**

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale AA.

The actuarial assumptions used in the June 30, 2014 and 2013 valuations were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2013 and June 30, 2012 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Type</u>	<u>Long Term Expected Real Rate</u>	
	<u>2015</u>	<u>2014</u>
Equity	8.61%	6.70%
Fixed Incomes	1.91%	2.94%
Alternatives	6.93%	6.26%
Multi-Strategy	4.88%	5.98%

#### **Discount Rate**

The discount rate used to measure the total pension liability was 8.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.



## 5. PENSION PLANS (Continued)

### Vermont State Teachers Retirement System (Continued)

#### **Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following presents the net pension liability of the school districts calculated using the discount rate of 8.15 percent, as well as what the school districts' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.15 percent) or 1-percentage-point higher (9.15 percent) than the current rate:

<b>Sensitivity of the Proportionate Share of the net Pension Liability to the Discount Rate Assumption</b>			
	1 % Decrease <u>(6.95%)</u>	Current Assumption <u>(7.95%)</u>	1% Increase <u>(8.95%)</u>
Proportionate Share of Net Pension liability	\$ 3,017,316	\$ 2,376,176	\$ 1,838,318

#### **Pension Plan Fiduciary Net Position**

The components of the current-year net pension (asset) of the employers as June 30, 2014, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 2,839,621,294	\$ 5,686,910	0.2002700%
Net position	<u>(1,653,116,441)</u>	<u>(3,310,734)</u>	0.2002700%
Net pension liability (asset)	<u>\$ 1,186,504,853</u>	<u>\$ 2,376,176</u>	0.2002700%
Fiduciary net position as a percentage of total pension liability	58.22%	58.22%	

## 6. RELATED PARTIES

The District leases the building it occupies from Mount Anthony Union High School District #14. The lease is for 30 years beginning on July 1, 2007, and ending June 30, 2037. The lease agreement is for \$1, annually.

There is currently one member of the District Board of School Directors who is also a member of the Shaftsbury Board, Mount Anthony Union High School District #14 Board, and Southwest Vermont Supervisory Union Board. There is currently a second member of the District Board of School Directors who is also a member of the Mount Anthony Union High School District #14 Board and Southwest Vermont Supervisory Union Board. There is currently a third member of the District Board of School Directors who is also a member of the Shaftsbury Board and Southwest Vermont Supervisory Union Board.

## 7. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. The following is a summary of interfund activity:

	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 51,479	\$ -
Carl Perkins grant	-	4,981
VEHI grant	6,250	-
Innovation grant	-	-
School store	7,790	-
Adult education	-	29,642
Trust & Agency Fund	-	30,896
	<hr/>	<hr/>
Totals	<u>\$ 65,519</u>	<u>\$ 65,519</u>

## 8. CONTINGENCIES

### Grants

The District participates in various state and federal grant programs which are subject to program compliance audits by the grantors or their representatives. The audits of these programs are an on-going process and many have not been conducted or completed. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time, although the District anticipates such amounts, if any, to be immaterial.

### Litigation

The District has indicated that there is ongoing litigation involving the District, but it is impossible to determine at this time the extent of the liability, if any, of the District with respect to these cases.

## 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

## 10. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* – a replacement of GASB Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Also, it includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The objective of this Statement is to improve the effectiveness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local government OPEB plans. It provides for decision-useful information, supporting assessments of accountability and inter-period equity, and additional transparency. This statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet specified criteria. The District is required to adopt the provisions of this Statement for the year ending June 30, 2017.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – a replacement of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to establish standards for recognizing and measuring liabilities, expenditures and deferred inflows of resources related to other postemployment benefit plans (OPEB). In regards to defined benefit OPEB plans, this statement defines the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employment service. This Statement also details recognition and disclosure requirements for employers with payables to defined benefit OPEB plans administered through trusts and for employers whose employees are provided with defined contribution OPEB plans. The District is required to adopt the provisions of this Statement for the year ending June 30, 2019, with early adoption encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, which improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public presently. Users will be better equipped to understand 1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition. The District is required to adopt the provisions of this Statement for the year ending June 30, 2017.

The District has not assessed the impact of these statements on its future financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2016**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUE:</b>				
Tuition	\$ 1,130,530	\$ 1,130,530	\$ 992,851	\$ (137,679)
State aid	2,256,596	2,256,596	2,258,858	2,262
Interest income	2,500	2,500	1,812	(688)
Other revenue	<u>1,600</u>	<u>1,600</u>	<u>41,591</u>	<u>39,991</u>
Total revenue	<u>3,391,226</u>	<u>3,391,226</u>	<u>3,295,112</u>	<u>(96,114)</u>
<b>EXPENDITURES:</b>				
Direct instruction	1,895,491	1,873,828	1,668,949	204,879
General and administrative	591,951	575,245	542,211	33,034
Plant maintenance and safety	429,161	435,703	416,676	19,027
Support services - students	305,252	281,147	243,580	37,567
Support services - technology	194,345	211,275	208,905	2,370
Pupil transportation	30,880	41,056	94,086	(53,030)
Board of education	44,200	46,722	44,269	2,453
Student organizations	13,500	13,500	11,378	2,122
Debt service	<u>-</u>	<u>26,304</u>	<u>26,304</u>	<u>-</u>
Total expenditures	<u>3,504,780</u>	<u>3,504,780</u>	<u>3,256,358</u>	<u>248,422</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	<u>(113,554)</u>	<u>(113,554)</u>	<u>38,754</u>	<u>152,308</u>
FUND BALANCE - beginning of year	<u>957,953</u>	<u>957,953</u>	<u>957,953</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 844,399</u>	<u>\$ 844,399</u>	<u>\$ 996,707</u>	<u>\$ 152,308</u>

See independent auditor's report.

**SOUTHWESTERN VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2016**

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Proportion of the net pension liability (asset)	0.9416000%	0.0970000%								
Proportionate share of the net pension liability (asset)	\$ 72,595	\$ 8,850								
Covered-employee payroll	\$ 696,472	\$ 416,123								
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.42%	2.13%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	87.42%	98.32%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

VERMONT STATE TEACHER'S RETIREMENT SYSTEM	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Proportion of the net pension liability (asset)	0.2002700%	0.1849000%								
Proportionate share of the net pension liability (asset)	\$ 2,376,176	\$ 1,772,583								
Covered-employee payroll	\$ 1,116,905	\$ 1,048,374								
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.75%	169.08%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	58.22%	64.02%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**SOUTHWESTERN VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2016**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM</b>										
Contractually required contribution	\$ 14,272	\$ 13,162								
Contributions in relation to the contractually required contribution	<u>14,272</u>	<u>13,162</u>								
Contribution deficiency (excess)	\$ -	\$ -								
Covered-employee payroll	\$ 696,472	\$ 416,123								
Contributions as a percentage of covered-employee payroll	2.05%	3.16%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>VERMONT STATE TEACHER'S RETIREMENT SYSTEM</b>										
Contractually required contribution	\$ -	\$ -								
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>								
Contribution deficiency (excess)	\$ -	\$ -								
Covered-employee payroll	\$ 1,116,905	\$ 1,048,374								
Contributions as a percentage of covered-employee payroll	0.00%	0.00%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**OTHER REQUIRED REPORT**



**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**

February 21, 2017

To the Members of the Regional Governing Board of the  
Southwest Vermont Regional Technical School District:

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 Southwest Vermont Regional Technical School District (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 and have issued our report thereon dated February 21, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

(Continued)

**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**

(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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.

VT License #092.0048099

# SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2016

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### Section I – Summary of Auditor’s Results

Financial Statements

Type of independent auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  No

Noncompliance material to the financial statements noted?  Yes  No

### Section II - Financial Statement Findings

None.