

Southwest Vermont Regional Technical School District

**Financial Statements and
Required Report as of and for the year ended
June 30, 2017
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

March 16, 2018

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 (School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School 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 Southwest Vermont Regional Technical School District, as of June 30, 2017, 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 March 16, 2018, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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 School 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, 2017

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2017. The section is a summary of the School 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 School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District's fiscal year 2017 actual revenue was less than budgeted revenue by \$18,872. This is primarily due to variances as follows:
 - Favorable variance of \$36,108 in state aid.
 - Unfavorable variance of \$62,665 in tuition revenue due to a refund required for fiscal year 2017 for the difference between the announced tuition and allowable tuition rates.
 - Favorable variance of \$8,446 in other revenue including program revenue and sale of equipment
- The School District's fiscal year 2017 expenditures were under expended by \$232,546. This is primarily due to significant variances as follows:
 - Favorable variance of \$167,958 in direct instruction primarily due to vacancy savings and salary shrinkage.
 - Favorable variance of \$34,257 in support services due to vacancy savings.
- General fund balance for fiscal year 2017 is \$1,068,887. The fund balance is comprised of the following: \$73,390 for voter approved reserve funds for capital improvements, \$179,044 for voter approved reserve funds for equipment, \$60,004 is non-spendable due to prepaid expenses, and \$296,221 is appropriated to balance the 2018 budget as a revenue offset, and \$460,228 is the unassigned fund balance available for revenue (tuition offset) for 2019.

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 School District:

- The first two statements are government-wide financial statements that provide both *short-term* and *long-term* information about the School 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 School District, reporting the School 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 School 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 School 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 School District's Annual Financial Report

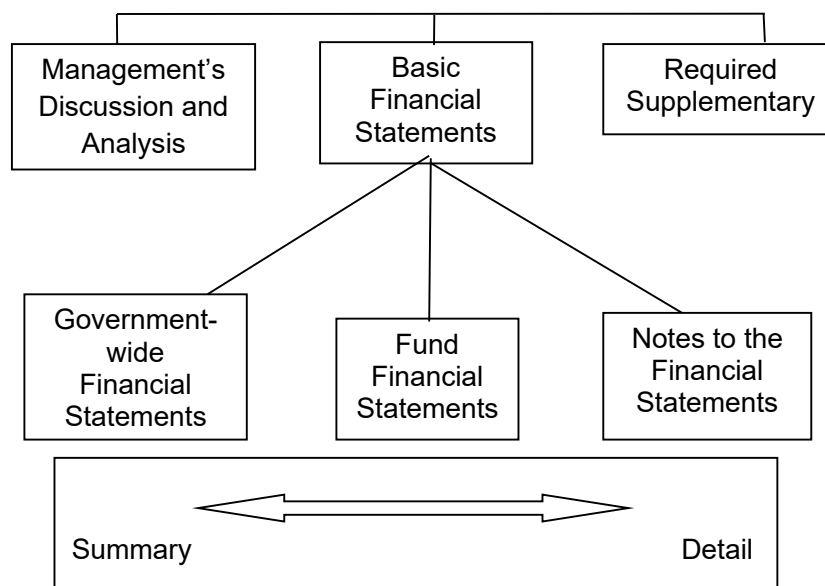


Table A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

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 School District, such as instruction and special education.	Instances in which the School 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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and change in fund balance 	<ul style="list-style-type: none"> • Statement of net position • Statement of change in net position
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 School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School 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 School District's *net position* and how it has changed. Net position – the difference between the School District's assets/deferred outflows of resources and liabilities/deferred inflows of resources – is one way to measure the School District's financial health or position.

- Over time, increases or decreases in the School 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 School 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 School District's funds – not the School District as a whole. Funds are accounting devices the School 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 School District has two kinds of funds:

- **Governmental Funds:** Most of the School 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 School 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 School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School 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 School District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Table A-3 Condensed Statement of Net Position

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Cash and other current assets	\$ 1,259,858	\$ 1,309,795	\$ (49,937)	-3.81%
Capital assets - net	<u>972,552</u>	<u>854,414</u>	<u>118,138</u>	13.83%
Total assets	<u>2,232,410</u>	<u>2,164,209</u>	<u>68,201</u>	3.15%
Deferred outflows of resources	<u>61,078</u>	<u>30,777</u>	<u>30,301</u>	98.45%
Current liabilities	152,439	262,392	(109,953)	-41.90%
Long-term liabilities	<u>247,898</u>	<u>197,752</u>	<u>50,146</u>	25.36%
Total liabilities	<u>400,337</u>	<u>460,144</u>	<u>(59,807)</u>	-13.00%
Deferred inflows of resources	<u>4,034</u>	<u>5,818</u>	<u>(1,784)</u>	-30.66%
Net position:				
Net investment in capital assets	972,552	854,414	118,138	13.83%
Restricted	252,434	326,174	(73,740)	-22.61%
Unrestricted	<u>664,131</u>	<u>548,436</u>	<u>115,695</u>	21.10%
Total net position	<u>\$ 1,889,117</u>	<u>\$ 1,729,024</u>	<u>\$ 160,093</u>	9.26%

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

Cash and other current assets decreased by approximately \$50,000. This is due to an increase in cash that partially offset decreases in various receivables, including amounts owed to the district at year end. Current liabilities decreased by approximately \$110,000 as a result of a decrease in payables and accrued liabilities as a result of the timing of payments at year end.

Changes in Net Position

The School District's fiscal year 2017 revenue totaled \$3,715,034 (see Table A-4). State aid and tuition accounted for most of the School District's revenue by contributing 58% and 27% respectively (see Table A-5). The remainder came from other miscellaneous sources.

The total cost of all programs and services totaled \$3,554,941 for 2017. The majority of this amount is used to support regular programs (see Table A-6).

Net position increased during the year by \$160,093.

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

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Revenue:				
Charges for services	\$ 1,006,766	\$ 992,851	\$ 13,915	1.40%
State aid	2,167,536	2,258,858	(91,322)	-4.04%
Operating grants	368,557	333,761	34,796	10.43%
Capital grants	27,647	27,941	(294)	-1.05%
General revenue:				
Interest	1,739	1,813	(74)	-4.08%
Other	142,789	162,739	(19,950)	-12.26%
Total revenue	<u>3,715,034</u>	<u>3,777,963</u>	<u>(62,929)</u>	-1.67%
Expenses:				
Direct instruction	1,928,190	2,176,864	(248,674)	-11.42%
General and administrative	656,114	546,259	109,855	20.11%
Support services - students	260,048	243,796	16,252	6.67%
Support services - technology	157,131	204,332	(47,201)	-23.10%
Plant maintenance and safety	425,402	418,632	6,770	1.62%
Pupil transportation	53,257	50,848	2,409	4.74%
Board of education	52,156	44,269	7,887	17.82%
Student organization	22,643	11,378	11,265	99.01%
Debt service - interest	-	684	(684)	N/A
Total expenses	<u>3,554,941</u>	<u>3,697,062</u>	<u>(142,121)</u>	-3.84%
Increase in net position	<u>\$ 160,093</u>	<u>\$ 80,901</u>	<u>\$ 79,192</u>	-97.89%

FINANCIAL ANALYSIS OF THE SCHOOL 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 2017

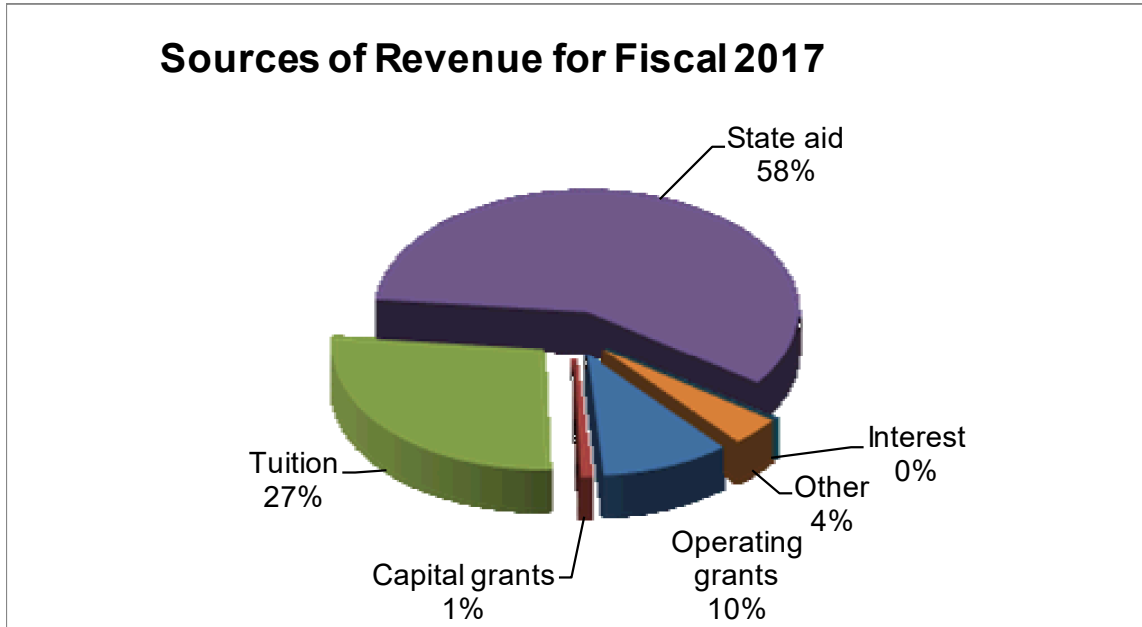
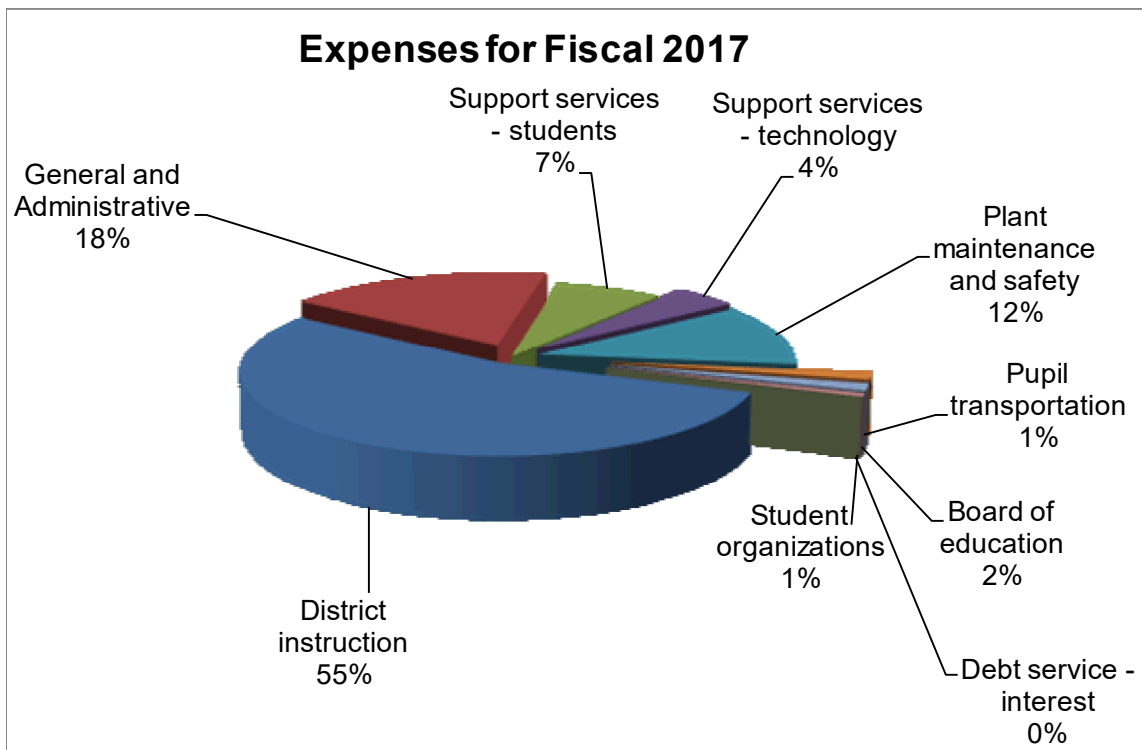


Table A-6 Sources of Expenses for 2017



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

Governmental Activities

Revenue for the School District's governmental activities totaled \$3,715,034 while total expenses equaled \$3,554,941 resulting in a positive change in net position of \$160,093.

Table A-7 presents the cost of all of the School 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 <u>2017</u>	Total Cost Of Services <u>2016</u>	Percent Change	Net Cost Of Services <u>2017</u>	Net Cost Of Services <u>2016</u>	Percent Change
Functions:						
District instruction	\$ 1,928,190	\$ 2,176,864	-11.42%	\$ 525,220	\$ 822,311	-36.13%
General and administrative	656,114	546,259	20.11%	656,114	546,259	20.11%
Plant maintenance and safety	425,402	418,632	1.62%	425,402	418,632	1.62%
Support services	417,179	448,128	-6.91%	417,179	448,128	-6.91%
Pupil transportation	53,257	50,848	4.74%	53,257	50,848	4.74%
Board of education	52,156	44,269	17.82%	52,156	44,269	17.82%
Student organizations	22,643	11,378	99.01%	22,643	11,378	99.01%
Debt service - interest	-	684	N/A	-	684	N/A
Total	<u>\$ 3,554,941</u>	<u>\$ 3,697,062</u>	<u>-3.84%</u>	<u>\$ 2,151,971</u>	<u>\$ 2,342,509</u>	<u>-8.13%</u>

- The cost of all governmental activities for the year was \$3,554,941.
- Charges to users, primarily tuition, amounted to \$1,006,766 for the year ended June 30, 2017, compared to \$992,851 in the prior year.
- The federal and state government financed \$2,290,584 of the costs through operating and capital grants.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Variances between years for the governmental fund financial statement are not the same as variances between years for the School Government-wide financial statements. The School 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 School District ended June 30, 2017 with a \$213,674 net favorable budget variance.

Carl Perkins Fund – Perkins Funds grant revenue was \$79,492 in FY 2017, and \$36,041 in FY 2016.

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

Governmental Funds Highlights (Continued)

Adult Education Fund – Adult Education expenses were \$74,042 in FY 2017 and \$110,646 in FY 2016.

Equipment Grant Fund – Equipment Funds were \$27,647 and \$27,941 in FY 2017 and FY 2016, 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	\$ 1,068,431	\$ 1,068,431	\$ 1,005,766	\$ (62,665)
State aid	2,131,428	2,131,428	2,167,536	36,108
Interest income	2,500	2,500	1,739	(761)
Other revenue	<u>1,700</u>	<u>39,992</u>	<u>48,438</u>	<u>8,446</u>
Total revenue	<u>3,204,059</u>	<u>3,242,351</u>	<u>3,223,479</u>	<u>(18,872)</u>
Expenditures:				
Direct instruction	1,842,890	1,722,006	1,554,048	167,958
General and administrative	520,016	646,604	640,104	6,500
Plant maintenance and safety	368,462	434,674	423,446	11,228
Support services - students	280,788	280,788	256,082	24,706
Support services - technology	158,976	158,976	149,425	9,551
Pupil transportation	40,785	59,537	53,395	6,142
Board of education	47,760	57,760	52,156	5,604
Student organizations	13,500	23,500	22,643	857
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,273,177</u>	<u>3,383,845</u>	<u>3,151,299</u>	<u>232,546</u>
Change in fund balance	(69,118)	(141,494)	72,180	213,674
Fund balance - beginning of year	<u>996,707</u>	<u>996,707</u>	<u>996,707</u>	<u>-</u>
Fund balance - end of year	<u>\$ 927,589</u>	<u>\$ 855,213</u>	<u>\$ 1,068,887</u>	<u>\$ 213,674</u>

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2017, the School District had \$972,552 invested in a broad range of capital assets including, buildings, computers and other educational equipment.

Table A-8 Capital Assets, Net

	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>
Leasehold improvements	\$ 214,401	\$ 141,778
Furniture and equipment	<u>758,151</u>	<u>712,636</u>
Total	<u>\$ 972,552</u>	<u>\$ 854,414</u>

As of June 30, 2017, the School District had \$247,898 in other long-term liabilities outstanding consisting of capital lease obligation and net pension liability - VMERS. More detailed information about the School District's long-term liabilities is included in the notes to the financial statements.

Table A-9 Long-Term Liabilities

	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>
Compensated absences	\$ 127,045	\$ 125,157
Net Pension Liability - VMERS	<u>120,853</u>	<u>72,595</u>
Total	<u>\$ 247,898</u>	<u>\$ 197,752</u>

FACTORS BEARING ON THE FUTURE OF THE SCHOOL DISTRICT

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

- Once again, the School District was able to complete the fiscal year without having to borrow money. Not having the resulting interest expense allowed the School District to fund other expenditures such as direct instruction.

CONTACTING THE SCHOOL 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 School District and to demonstrate the School 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, 2017**

ASSETS

CURRENT ASSETS:

Cash	\$	909,224
Restricted cash		252,434
Accounts receivable		36,084
Inventory		2,112
Prepaid expenses		<u>60,004</u>
Total current assets		<u>1,259,858</u>

NONCURRENT ASSETS:

Capital assets, net		<u>972,552</u>
Total assets		<u>2,232,410</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - VMERS		<u>61,078</u>
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LIABILITIES

CURRENT LIABILITIES:

Accounts payable		71,453
Unearned revenue		6,250
Accrued expenses		<u>74,736</u>
Total current liabilities		<u>152,439</u>

LONG-TERM LIABILITIES:

Net pension liability - VMERS		120,853
Compensated absences payable		<u>127,045</u>
Total long-term liabilities		<u>247,898</u>

TOTAL LIABILITIES

400,337

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - VMERS		<u>4,034</u>
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NET POSITION

Net Investment in capital assets		972,552
Restricted		252,434
Unrestricted		<u>664,131</u>
TOTAL NET POSITION	\$	<u>1,889,117</u>

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, 2017**

	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
GOVERNMENTAL ACTIVITIES					
FUNCTIONS/PROGRAMS:					
Direct instruction	\$ 1,928,190	\$ 1,006,766	\$ 368,557	\$ 27,647	\$ (525,220)
General and administrative	656,114	-	-	-	(656,114)
Plant maintenance and safety	425,402	-	-	-	(425,402)
Support services - students	260,048	-	-	-	(260,048)
Support services - technology	157,131	-	-	-	(157,131)
Pupil transportation	53,257	-	-	-	(53,257)
Board of education	52,156	-	-	-	(52,156)
Student organizations	22,643	-	-	-	(22,643)
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 3,554,941</u>	<u>\$ 1,006,766</u>	<u>\$ 368,557</u>	<u>\$ 27,647</u>	<u>(2,151,971)</u>
GENERAL REVENUE:					
Basic education spending - state aid					2,167,536
Interest income					1,739
Miscellaneous					142,789
TOTAL GENERAL REVENUE					<u>2,312,064</u>
CHANGE IN NET POSITION					160,093
TOTAL NET POSITION - beginning of year					<u>1,729,024</u>
NET POSITION - end of year					<u>\$ 1,889,117</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Governmental Fund Types							Total Governmental Funds
	General	Carl Perkins	Adult Education	VEHI Grant	Equipment Grant	School Store	Oak Hill Grant	
ASSETS								
Cash								
Restricted cash	\$ 908,956	\$ -	\$ 125	\$ -	\$ -	\$ 143	\$ -	\$ 909,224
Accounts receivable	252,434	-	-	-	-	-	-	252,434
State and federal receivable	3,839	-	12,506	-	-	240	-	16,585
Prepaid expenditures	-	19,499	-	-	-	-	-	19,499
Inventory	60,004	-	-	-	-	-	-	60,004
Due from other funds	-	-	-	-	-	2,112	-	2,112
	<u>-</u>	<u>-</u>	<u>37,525</u>	<u>6,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,775</u>
TOTAL ASSETS	<u>\$ 1,225,233</u>	<u>\$ 19,499</u>	<u>\$ 50,156</u>	<u>\$ 6,250</u>	<u>\$ -</u>	<u>\$ 2,495</u>	<u>\$ -</u>	<u>\$ 1,303,633</u>
LIABILITIES AND FUND BALANCE								
LIABILITIES:								
Accounts payable								
Accrued liabilities	\$ 58,730	\$ 12,552	\$ -	\$ -	\$ -	\$ 171	\$ -	\$ 71,453
Unearned revenue	73,626	-	1,110	-	-	-	-	74,736
Due to other funds	-	-	-	6,250	-	-	-	6,250
	<u>23,990</u>	<u>6,947</u>	<u>9,306</u>	<u>-</u>	<u>-</u>	<u>3,532</u>	<u>-</u>	<u>43,775</u>
TOTAL LIABILITIES	<u>156,346</u>	<u>19,499</u>	<u>10,416</u>	<u>6,250</u>	<u>-</u>	<u>3,703</u>	<u>-</u>	<u>196,214</u>
FUND BALANCE:								
Nonspendable:								
Prepaid expenditures								
Inventory	60,004	-	-	-	-	-	-	60,004
Total nonspendable fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,112</u>	<u>-</u>	<u>2,112</u>
	<u>60,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,112</u>	<u>-</u>	<u>62,116</u>
Restricted:								
Capital improvements								
Equipment	73,390	-	-	-	-	-	-	73,390
Total restricted fund balance	<u>179,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,044</u>
	<u>252,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,434</u>
Assigned								
Unappropriated	-	-	39,740	-	-	-	-	39,740
Appropriated for subsequent years expenditures	296,221	-	-	-	-	-	-	296,221
Total assigned fund balance	<u>296,221</u>	<u>-</u>	<u>39,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,961</u>
Unassigned	<u>460,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,320)</u>	<u>-</u>	<u>456,908</u>
TOTAL FUND BALANCE	<u>1,068,887</u>	<u>-</u>	<u>39,740</u>	<u>-</u>	<u>-</u>	<u>(1,208)</u>	<u>-</u>	<u>1,107,419</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,225,233</u>	<u>\$ 19,499</u>	<u>\$ 50,156</u>	<u>\$ 6,250</u>	<u>\$ -</u>	<u>\$ 2,495</u>	<u>\$ -</u>	<u>\$ 1,303,633</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

**RECONCILIATION OF TOTAL GOVERNMENT FUND BALANCE
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total governmental fund balance	\$ 1,107,419
Capital assets used in governmental activities are not financial resources and, therefore, are not in the funds	972,552
GASB 68 related government wide activity:	
Deferred outflows of resources	61,078
Net pension liability	(120,853)
Deferred inflows of resources	(4,034)
Compensated absences are not due and payable in the current period and therefore, are not reported in the funds	<u>(127,045)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,889,117</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	General	Carl Perkins	Adult Education	VEHI Grant	Equipment Grant	School Store	Oak Hill Grant	Total Government Funds
REVENUE:								
Tuition	\$ 1,005,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,005,766
State aid	2,167,536	-	13,762	-	27,647	-	-	2,208,945
Federal aid	-	79,492	2,147	-	-	-	-	81,639
Interest income	1,739	-	-	-	-	-	-	1,739
Other revenue	48,438	-	56,535	-	-	37,816	1,000	143,789
Total revenue	3,223,479	79,492	72,444	-	27,647	37,816	1,000	3,441,878
EXPENDITURES:								
Direct instruction	1,554,048	79,492	74,042	-	27,647	-	1,000	1,736,229
General and administrative	640,104	-	-	-	-	48,382	-	688,486
Plant maintenance and safety	423,446	-	-	-	-	-	-	423,446
Support services - students	256,082	-	-	-	-	-	-	256,082
Support services - technology	149,425	-	-	-	-	-	-	149,425
Pupil transportation	53,395	-	-	-	-	-	-	53,395
Board of education	52,156	-	-	-	-	-	-	52,156
Student organizations	22,643	-	-	-	-	-	-	22,643
Total expenditures	3,151,299	79,492	74,042	-	27,647	48,382	1,000	3,381,862
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	72,180	-	(1,598)	-	-	(10,566)	-	60,016
FUND BALANCE - beginning of year	996,707	-	41,338	-	-	9,358	-	1,047,403
FUND BALANCE - end of year	\$ 1,068,887	\$ -	\$ 39,740	\$ -	\$ -	\$ (1,208)	\$ -	\$ 1,107,419

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, 2017

Net change in fund balance - Total governmental funds	\$ 60,016
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	277,449
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(159,311)
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	(16,173)
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	(273,156)
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	273,156
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>(1,888)</u>
Change in net position - Governmental activities	<u>\$ 160,093</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, 2017**

	Private Purpose <u>Trust</u>	<u>Agency</u>
ASSETS:		
Cash - restricted	\$ 46,217	\$ 29,729
Total assets	<u>\$ 46,217</u>	<u>\$ 29,729</u>
LIABILITIES:		
Student activity balances	\$ -	\$ 27,089
Child care liability	<u>-</u>	<u>2,640</u>
Total liabilities	<u>-</u>	<u>\$ 29,729</u>
NET POSITION:		
Restricted for scholarships	<u>\$ 46,217</u>	

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

**STATEMENT OF CHANGE IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Private Purpose <u>Trust</u>
ADDITIONS:	
Contributions	\$ 25,687
Interest income	<u>204</u>
Total additions	<u>25,891</u>
DEDUCTIONS:	
Scholarships and awards	<u>5,681</u>
CHANGE IN NET POSITION	20,210
NET POSITION - beginning of year	<u>26,007</u>
NET POSITION - end of year	<u>\$ 46,217</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southwest Vermont Regional Technical School District (School District) is a local government created in April 2003 by an act of the Vermont Legislature. The School 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 School 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 School District are described below:

Reporting Entity

The School 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 School 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 School District. The School District is not a component unit of another reporting entity. The decision to include a potential component unit in the School 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 School District's reporting entity.

Basis of Presentation

The School 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 School 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 School 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 School 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 School 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 School 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 School District are as follows:

Governmental Fund Types

Governmental funds are those in which most governmental functions of the School District are reported. The acquisition, use, and balances of the School 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 School 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 School District. All general operating revenues which are not restricted as to use by sources external to the School 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:* Special Revenue Funds are operating funds for which the use of revenue is restricted, generally by federal and state governments. The School District uses the following Special Revenue Funds: Carl Perkins, Adult Education, VEHI Grant, Innovation Grant, Equipment Grant, School Store and Oak Hill Grant.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School 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 School 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 School 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 School 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 School 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 School 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 School 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 School 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 School 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 School District's proportion of the collective net pension asset or liability and the difference during the measurement period between the School 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 School 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 School 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 School District disseminates a copy of the operating budget and notice of the annual meeting of the School 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 School 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 School 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 School District are members of the State Teachers' Retirement System of Vermont. Under Vermont statutes, the School 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 School 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 School 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 School 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 School 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 School District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recorded.

Statute provides the authority for the School 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.

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 School 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 and inventory in school lunch 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 School 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 School District's highest level of decision making authority, i.e. the Board of Education. The School District has no committed fund balances as of June 30, 2017.

Assigned fund balance – Includes amounts that are constrained by the School 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 School 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 School 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 School 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 School 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 School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, Vermont State statues govern the School District's investment policies, as discussed previously in these Notes.

The School 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	\$ 1,270,913	\$ 1,237,604
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 961,074	
Covered by FDIC insurance	<u>309,839</u>	
Total	<u>\$ 1,270,913</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	\$ 73,390
Equipment	<u>179,044</u>
	<u>\$ 252,434</u>

Fiduciary Funds:

Private Purpose Memorial Funds	<u>\$ 46,217</u>
Childcare account	\$ 2,640
Student activities accounts	<u>27,089</u>
Total activities accounts	<u>\$ 29,729</u>

3. CAPITAL ASSETS, NET

Capital asset balances and activity for the year ended June 30, 2017, were as follows:

	July 1, 2016 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2017 <u>Balance</u>
Governmental activities:				
Capital assets that are depreciated:				
Leasehold improvements	\$ 174,041	\$ 84,708	\$ -	\$ 258,749
Furniture and equipment	<u>2,507,636</u>	<u>192,741</u>	<u>156,157</u>	<u>2,544,220</u>
Total depreciable historical cost	<u>2,681,677</u>	<u>277,449</u>	<u>156,157</u>	<u>2,802,969</u>
Less accumulated depreciation:				
Leasehold improvements	32,263	12,085	-	44,348
Furniture and equipment	<u>1,795,000</u>	<u>147,226</u>	<u>156,157</u>	<u>1,786,069</u>
Total accumulated depreciation	<u>1,827,263</u>	<u>159,311</u>	<u>156,157</u>	<u>1,830,417</u>
Total cost, net	<u>\$ 854,414</u>	<u>\$ 118,138</u>	<u>\$ -</u>	<u>\$ 972,552</u>

3. CAPITAL ASSETS, NET (Continued)

Depreciation expense for the year ended June 30, 2017, was allocated to specific functions as follows:

Direct instruction	\$	115,713
Support services - students		216
Support services - technology		7,706
General and administrative		15,712
Plant maintenance and safety		1,956
Pupil transportation		18,008
Total	\$	<u>159,311</u>

4. LONG-TERM LIABILITIES

A summary statement of changes in long-term debt for the fiscal year ended June 30, 2017, is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Long-term liabilities:					
Compensated absences (A)	\$ 125,157	\$ 1,888	\$ -	\$ 127,045	\$ -
Net pension liability (A)	<u>72,595</u>	<u>48,258</u>	<u>-</u>	<u>120,853</u>	<u>-</u>
Total	<u>\$ 197,752</u>	<u>\$ 50,146</u>	<u>\$ -</u>	<u>\$ 247,898</u>	<u>\$ -</u>

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

5. PENSION PLANS

Vermont Municipal Employees' Retirement System

The School District participates in the Vermont Municipal Employees' Retirement System (VMERS). The VMERS is a cost-sharing, multiple-employer defined benefit pension that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirement is required to join the system. The plan was established effective July 1, 1975 and is governed by Title 24, V.S.A. Chapter 125.

5. PENSION PLANS (Continued)

Vermont Municipal Employees' Retirement System (Continued)

The general administration and responsibility for formulating administrative policy and procedures of VMERS for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives – one elected by the governing bodies of participating employees of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School boards Association.

The Pension Plan is divided into four membership groups as follows:

- Group A – general employees whose legislative bodies have not elected to become a member of Group B or C
- Group B & C – general employees whose legislative bodies have elected to become members of Group B or C
- Group D – sworn police officers, firefighters and emergency medical personnel

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits are available to each group and are based on average final compensation (AFC) and years of creditable service which vary by group. Members of all groups may qualify for vested deferred allowance, disability allowances and death benefit allowances subject to meeting various eligibility requirements.

Copies of each individual defined benefit retirement plan's annual actuarial valuation report, and information describing each defined benefit plan's provisions in greater detail, are available for inspection at the Retirement Division, Office of the State Treasurer, 109 State Street, Montpelier, Vermont 05609-6901.

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grant the authority to the retirement board to annually review the amount of municipalities contribution recommended by the actuary of the retirement system to achieve and preserve the financial integrity of the fund, and certify the rates of contributions payable by employers. The board of trustees also certifies the rates of contribution payable by employees. Employer contribution rates of gross salary for the year ended June 30, 2017 for each group are as follows; Group A (4%), Group B (5.5%), Group C (7.125%), and Group D (9.85%). District contributions to VMERS were \$11,251, 4% of covered payroll for 2017.

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

At June 30, 2017, the School District reported a liability of \$120,853 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of July 1, 2016. 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, 2017, the School District's proportion was 0.0939100%, which was a decrease of 0.00025% from its proportion measured June 30, 2016.

5. PENSION PLANS (Continued)

Vermont Municipal Employees' Retirement System (Continued)

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

For the year ended June 30, 2017, the School District recognized pension expense of \$33,310. At June 30, 2017, 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	\$ 2,483	\$ -
Changes of Assumptions	19,409	-
Net difference between projected and actual earnings on pension plan investments	39,186	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	4,034
	<u>\$ 61,078</u>	<u>\$ 4,034</u>

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

Plan's Year Ended June 30:

2017	\$ 14,005
2018	14,005
2019	22,273
2020	6,761
	<u>\$ 57,044</u>

5. PENSION PLANS (Continued)

Vermont Municipal Employees' Retirement System (Continued)

Actuarial Assumptions

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five year period ending June 30, 2014:

Interest rate	7.95%
Salary increases	5% per year
Actuarial cost method	Entry age normal - level percentage of pay
Inflation	Annual inflation rate of 3.00% per year.
Salary scale	4.9 percent indexed by service
Projected COLAs	1.5% per annum for Group A members and 1.8% per annum for Group B, C, and D members
Mortality improvement	RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 60% Blue collar and 40% White collar adjustment for Groups A, B and C. RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 100% Blue collar adjustment for Group D.

Long-term Expected Rate of Return

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

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

<u>Asset Type</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	35.00%	8.54%
Fixed Incomes	32.00%	2.36%
Alternatives	16.00%	8.35%
Multi-Strategy	17.00%	4.90%
	<u>100.00%</u>	

5. PENSION PLANS (Continued)

Vermont Municipal Employees' Retirement System (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members, 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 7.95%, 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 (6.95%) or 1 percent higher (8.95%) than the current rate:

	1 % Decrease <u>(6.95%)</u>	Current Assumption <u>(7.95%)</u>	1% Increase <u>(8.95%)</u>
Proportionate Share of Net Pension liability	\$ 200,628	\$ 120,853	\$ 54,058

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) of the employers as June 30, 2016, 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	\$ 675,711,281	\$ 634,560	0.0939100%
Net position	<u>(547,015,114)</u>	<u>(513,707)</u>	0.0939100%
Net pension liability	<u>\$ 128,696,167</u>	<u>\$ 120,853</u>	0.0939100%
Fiduciary net position as a percentage of total pension liability	80.95%	80.95%	

5. PENSION PLANS (Continued)

Vermont State Teachers Retirement System

All of the teachers employed by the School District participate in the Vermont State Teachers' Retirement System (VSTRS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2016, the retirement system consisted of 274 participating employers.

The plan was established effective July 1, 1947, and is governed by Title 16, V.S.A. Chapter 55. Subsequent Vermont state legislation, Act 74, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance & Management website at <http://finance.vermont.gov/reportsandpublications/cafr>.

The VSTRS provides retirement, and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. There are two levels of contributions and benefits in the System: Group A – for public school teachers employed with in the State of Vermont prior to July 1, 1981 and elected to remain in Group A; and Group C – for public school teachers employed within the State of Vermont on or after July 1, 1990. Group C also includes those teachers hired prior to July 1, 1990 and were in Group B on July 1, 1990. When Act 74 became effective on June 30, 2010, Group C was further bifurcated into Groups #1 and #2. Group #1 contains members who were at least 57 years of age or had at least 25 years of service, and Group #2 contains members who were less than 57 years of age and had less than 25 years of service.

Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

Other post-employment benefits consisting of medical and dental benefits are available to all plan members. Medical benefit subsidy are based on the members' service credit and members pay full premium for dental benefits.

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. VSTRS estimates the contributions on behalf of the School District's employees included in the teachers' retirement plan approximates \$273,156 or 21% of the \$1,301,960 in covered payroll.

5. PENSION PLANS (Continued)

Vermont State Teachers Retirement System (Continued)

Contributions (Continued)

Employee contribution rates by Plan group follow:

VSTRS	Group A	Group C- Group #1	Group C- Group #2
Employee Contributions	5.5% of gross salary	5.0% 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

Pension Liabilities and Expense

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 School District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2017. The State's portion of the collective net pension liability that was associated with the School District was \$2,631,912 as of June 30, 2016, the most recent valuation date.

The State of Vermont's proportionate share of the net pension liability associated with the School District is equal to the collective net pension liability, actuarially measured as of June 30, 2016, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2016, the School District's proportion was .20098%, which was an increase of .00071 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized total pension expense of \$273,156 and revenue of \$273,156 to recognize the support the State provided for District employees' pension benefits.

5. PENSION PLANS (Continued)

Vermont State Teachers Retirement System (Continued)

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five year period ending June 30, 2014:

Interest Rate: The interest rate is used was 7.95% per annum.

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

Deaths After Retirement: The RP – 2000 Mortality Tables projected to 2029 for retirees, terminated vested members and beneficiaries; the RP-2000 Disabled Life Table with projection to 2020 using Scale AA for disabled retirees. The tables used contain a margin to reflect anticipated mortality improvement after the valuation date.

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

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

Long-term Expected Rate of Return

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at current member contribution rates that contributions from the non-employer will be made at statutorily required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current system members. Therefore, the long-term expected rate of return on plan investment was applied to all periods of projected 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 7.95 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 (6.95 percent) or 1-percentage-point higher (8.95 percent) than the current rate:

Sensitivity of the Proportionate Share of the net Pension Liability to the Discount Rate Assumption			
	1 % Decrease (6.95%)	Current Assumption (7.95%)	1% Increase (8.95%)
Proportionate Share of Net Pension liability	\$ 3,293,395	\$ 2,631,912	\$ 2,076,755

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) of the employers as June 30, 2016, were as follows:

Pension Plan Fiduciary Net Position

	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	\$ 2,930,423,200	\$ 5,889,565	0.2009800%
Net position	(1,620,899,749)	(3,257,653)	0.2009800%
Net pension liability (asset)	<u>\$ 1,309,523,451</u>	<u>\$ 2,631,912</u>	0.2009800%
Fiduciary net position as a percentage of total pension liability	55.31%	55.31%	

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the VSTRS or its participating employers. VSTRS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance & Management website at <http://finance.vermont.gov/reportsandpublications/cafr>

6. RELATED PARTIES

The School 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 School 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.

6. RELATED PARTIES (Continued)

There is currently a second member of the School 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 School 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 School 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	\$ -	\$ 23,990
Carl Perkins grant	-	6,947
VEHI grant	6,250	-
School store	-	3,532
Adult education	<u>37,525</u>	<u>9,306</u>
Totals	<u>\$ 43,775</u>	<u>\$ 43,775</u>

8. CONTINGENCIES

Grants

The School 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 School 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 School District anticipates such amounts, if any, to be immaterial.

Litigation

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

9. RISK MANAGEMENT

The School 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 School 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 School 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 School District is required to adopt the provisions of this Statement for the year ending June 30, 2017.

The School 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, 2017**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUE:				
Tuition	\$ 1,068,431	\$ 1,068,431	\$ 1,005,766	\$ (62,665)
State aid	2,131,428	2,131,428	2,167,536	36,108
Interest income	2,500	2,500	1,739	(761)
Other revenue	<u>1,700</u>	<u>39,992</u>	<u>48,438</u>	<u>8,446</u>
Total revenue	<u>3,204,059</u>	<u>3,242,351</u>	<u>3,223,479</u>	<u>(18,872)</u>
EXPENDITURES:				
Direct instruction	1,842,890	1,722,006	1,554,048	167,958
General and administrative	520,016	646,604	640,104	6,500
Plant maintenance and safety	368,462	434,674	423,446	11,228
Support services - students	280,788	280,788	256,082	24,706
Support services - technology	158,976	158,976	149,425	9,551
Pupil transportation	40,785	59,537	53,395	6,142
Board of education	47,760	57,760	52,156	5,604
Student organizations	13,500	23,500	22,643	857
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,273,177</u>	<u>3,383,845</u>	<u>3,151,299</u>	<u>232,546</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>(69,118)</u>	<u>(141,494)</u>	<u>72,180</u>	<u>213,674</u>
FUND BALANCE - beginning of year	<u>996,707</u>	<u>996,707</u>	<u>996,707</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 927,589</u>	<u>\$ 855,213</u>	<u>\$ 1,068,887</u>	<u>\$ 213,674</u>

See independent auditor's report.

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion of the net pension liability (asset)	0.0939100%	0.0941600%	0.0970000%	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.						
Proportionate share of the net pension liability (asset)	\$ 120,853	\$ 72,595	\$ 8,850							
Covered-employee payroll	\$ 357,599	\$ 696,472	\$ 416,123							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.80%	10.42%	2.13%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	80.95%	87.42%	98.32%							

VERMONT STATE TEACHER'S RETIREMENT SYSTEM	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion of the net pension liability (asset)	0.2009800%	0.2002700%	0.1849000%	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.						
Proportionate share of the net pension liability (asset)	\$ 2,631,912	\$ 2,376,176	\$ 1,772,583							
Covered-employee payroll	\$ 1,301,960	\$ 1,116,905	\$ 1,048,374							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	202.15%	212.75%	169.08%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	55.31%	58.22%	64.02%							

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM										
Contractually required contribution	\$ 17,138	\$ 14,272	\$ 13,162							
Contributions in relation to the contractually required contribution	<u>17,138</u>	<u>14,272</u>	<u>13,162</u>							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 357,599	\$ 696,472	\$ 416,123							
Contributions as a percentage of covered-employee payroll	4.79%	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)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
VERMONT STATE TEACHER'S RETIREMENT SYSTEM										
Contractually required contribution	\$ -	\$ -	\$ -							
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 1,301,960	\$ 1,116,905	\$ 1,048,374							
Contributions as a percentage of covered-employee payroll	0.00%	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

March 16, 2018

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 (School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 16, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Purpose of this Report

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

VT License #092.0048099

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2017

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

None reported

Noncompliance material to the financial statements noted?

Yes

No

Section II - Financial Statement Findings

None.