

Federal Compliance Audit

Chittenden South Supervisory Union

June 30, 2016



Proven Expertise and Integrity

CHITTENDEN SOUTH SUPERVISORY UNION

CONTENTS

JUNE 30, 2016

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 11
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	12
STATEMENT B - STATEMENT OF ACTIVITIES	13 - 14
<u>FUND FINANCIAL STATEMENTS</u>	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	15
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	16
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	17
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	18
STATEMENT G - STATEMENT OF NET POSITION – PROPRIETARY FUNDS	19
STATEMENT H - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	20
STATEMENT I - STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	21
NOTES TO FINANCIAL STATEMENTS	22 - 50
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	51

SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS - BUDGET AND ACTUAL – GENERAL FUND	52
SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	53
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS	54
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	55

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	56
SCHEDULE A - SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND	57
GENERAL CAPITAL ASSETS DESCRIPTION	58
SCHEDULE B - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	59
SCHEDULE C - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	60

FEDERAL COMPLIANCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	61
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	62
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	63 - 64
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	65 - 67
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	68



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Board of Directors
Chittenden South Supervisory Union
Shelburne, Vermont

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Chittenden South Supervisory Union as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 11 and 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chittenden South Supervisory Union's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Departmental Operations – General Fund, combining financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Departmental Operations – General Fund, the combining financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2016 on our consideration of Chittenden South Supervisory Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Chittenden South Supervisory Union's internal control over financial reporting and compliance.



Buxton, Maine
Vermont Registration No. 092.0000697
October 11, 2016

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

(UNAUDITED)

The following management's discussion and analysis of the Chittenden South Supervisory Union's financial performance provides an overview of the Supervisory Union's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Supervisory Union's financial statements.

Financial Statement Overview

The Supervisory Union's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Supervisory Union's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Supervisory Union's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net

position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have separate columns for the two different types of Union activities. The types of activities presented for the Supervisory Union are:

- *Governmental activities* – The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). Most of the Supervisory Union's basic services are reported in executive administrative services, human resources, fiscal services, shared student services, early education program, technology program, student services administration, food services, transportation services, and program expenses.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Supervisory Union include the after school program.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Supervisory Union, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Supervisory Union can be classified into two categories: governmental funds and business-type funds.

Governmental funds: All of the basic services provided by the Supervisory Union are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Supervisory Union's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Supervisory Union.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Supervisory Union presents two columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Supervisory Union's two major funds are the general fund and the special revenue fund. There are no nonmajor funds.

The general fund is the only fund for which the Supervisory Union legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Supervisory Union maintains one proprietary fund, the after school program. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows – Proprietary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund, a Schedule of Proportionate Share of the Net Pension Liability and a Schedule of Contributions.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining schedules provide information in regards to other detailed budgetary information for the general fund and capital asset activity.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Union's governmental activities. The Union's total net position for governmental activities increased by \$913,917 from \$125,944 to \$1,039,861. The Union's total net position for business-type activities increased by \$1,196 from \$51,228 to \$52,424.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for governmental activities to a balance of \$951,549 at the end of this year. Unrestricted net position for business-type activities increased to a balance of \$52,424.

Table 1
Chittenden South Supervisory Union
Net Position
June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets:				
Current Assets	\$ 2,754,821	\$ 1,481,567	\$ 53,141	\$ 64,379
Capital Assets	88,312	98,607	-	-
Total Assets	<u>\$ 2,843,133</u>	<u>\$ 1,580,174</u>	<u>\$ 53,141</u>	<u>\$ 64,379</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	\$ 873,145	\$ 212,396	\$ -	\$ -
Total Deferred Outflows of Resources	<u>\$ 873,145</u>	<u>\$ 212,396</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Current Liabilities	\$ 1,064,059	\$ 594,742	\$ 717	\$ 456
Long-term Debt Outstanding	1,059,999	146,342	-	-
Total Liabilities	<u>\$ 2,124,058</u>	<u>\$ 741,084</u>	<u>\$ 717</u>	<u>\$ 456</u>
Deferred Inflows of Resources:				
Deferred Revenue	\$ 552,359	\$ 504,192	\$ -	\$ 12,695
Deferred Inflows Related to Pensions	-	421,350	-	-
Total Deferred Inflows of Resources	<u>\$ 552,359</u>	<u>\$ 925,542</u>	<u>\$ -</u>	<u>\$ 12,695</u>
Net Position:				
Net Investment in Capital Assets	\$ 88,312	\$ 98,607	\$ -	\$ -
Restricted: Special Revenue Funds	-	4,809	-	-
Unrestricted	951,549	22,528	52,424	51,228
Total Net Position	<u>\$ 1,039,861</u>	<u>\$ 125,944</u>	<u>\$ 52,424</u>	<u>\$ 51,228</u>

Revenues and Expenses

Revenues for the Chittenden South Supervisory Union's governmental activities increased by 53.38%, while total expenses increased by 48.70%. The large increases in revenues and expenses was due to the consolidation of special education. The Union absorbed the costs for teachers' salaries associated with special education and in turn increased the assessments for the respective schools for this cost.

Revenues and for the business-type activities increased by 7.50% while total expenses increased by 5.45%.

Table 2
Chittenden South Supervisory Union
Changes in Net Position
For the Years Ended June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 206,546	\$ 211,866	\$ 1,081,517	\$ 1,006,023
Operating grants and contributions	3,725,993	2,787,002	-	-
<i>General Revenues:</i>				
Assessments	21,132,023	13,357,210	-	-
Miscellaneous	194,326	112,256	-	-
Total Revenues	<u>25,258,888</u>	<u>16,468,334</u>	<u>1,081,517</u>	<u>1,006,023</u>
Expenses				
Executive administrative services	996,997	998,540	-	-
Human resources	459,661	425,957	-	-
Fiscal services	506,999	509,899	-	-
Shared student services	14,273,771	7,432,157	-	-
Early education programs	28,584	30,310	-	-
Technology program	865,684	849,609	-	-
Student services administration	47,383	48,564	-	-
Food services	1,021,646	992,639	-	-
Transportation services	2,316,595	1,789,161	-	-
Program expenses	2,972,331	2,533,600	1,080,321	1,024,461
On-behalf payments	855,320	761,394	-	-
Total Expenses	<u>24,344,971</u>	<u>16,371,830</u>	<u>1,080,321</u>	<u>1,024,461</u>
 Change in Net Position	 913,917	 96,504	 1,196	 (18,438)
 Net Position - July 1	 <u>125,944</u>	 <u>29,440</u>	 <u>51,228</u>	 <u>69,666</u>
 Net Position - June 30	 <u>\$ 1,039,861</u>	 <u>\$ 125,944</u>	 <u>\$ 52,424</u>	 <u>\$ 51,228</u>

Financial Analysis of the Supervisory Union's Fund Statements

Governmental funds: The financial reporting focus of the Supervisory Union's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Supervisory Union's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
Chittenden South Supervisory Union
Fund Balances - Governmental Funds
June 30,

	2016	2015
Major Funds:		
General Fund:		
Nonspendable	\$ 57,792	\$ 55,967
Committed	-	60,000
Assigned	106,000	-
Unassigned	1,278,066	451,196
Total General Fund	\$ 1,441,858	\$ 567,163
Special Revenue Fund:		
Restricted	\$ -	\$ 4,809
Unassigned	(4,588)	-
Total Special Revenue Fund	\$ (4,588)	\$ 4,809

The general fund total fund balance increased by \$874,695 from the prior fiscal year. The special revenue fund total fund balance decreased by \$9,397 from the prior fiscal year.

Proprietary funds: The Supervisory Union's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The after school program had a change in net position of \$1,196 for the year ended June 30, 2016.

Budgetary Highlights

There was no significant difference between the original and final budget for the general fund.

The general fund actual revenues were below budgeted revenues by \$692,171 primarily due to intergovernmental revenues and transfers from other funds being received in less than budgeted amounts.

The general fund actual expenditures were under the budget by \$1,566,866. All expenditure categories finished within budget with the exception of human resources.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2016, the Supervisory Union capital assets decreased by \$10,295. This decrease was due to current year depreciation of \$47,111, less capital additions of \$36,816.

Table 4
Chittenden South Supervisory Union
Capital Assets (Net of Depreciation)
June 30,

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 8,640	\$ 5,376
Equipment	79,672	93,231
Total	<u>\$ 88,312</u>	<u>\$ 98,607</u>

Debt

At June 30, 2016, the Supervisory Union had \$192,244 in accrued compensated absences versus \$189,339 in the prior fiscal year. Other obligations include accrued severance payable and net pension liability. Refer to Note 5 of the Notes to Financial Statements for detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The 2016-2017 budget could be severely impacted by the reduction of funding from the State.

Contacting the Supervisory Union's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Supervisory Union's finances and to show the Supervisory Union's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Supervisory Union at 5420 Shelburne Road, Suite 300, Shelburne, Vermont 05482.

CHITTENDEN SOUTH SUPERVISORY UNION

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,447,311	\$ -	\$ 2,447,311
Accounts receivable (net of allowance for uncollectibles)	98,300	50,862	149,162
Due from other governments	153,697	-	153,697
Inventory	54,907	-	54,907
Prepaid items	2,885	-	2,885
Interfund balances	(2,279)	2,279	-
Total current assets	<u>2,754,821</u>	<u>53,141</u>	<u>2,807,962</u>
Non-current assets:			
Buildings, building improvements and other assets net of accumulated depreciation	88,312	-	88,312
Total non-current assets	<u>88,312</u>	<u>-</u>	<u>88,312</u>
TOTAL ASSETS	<u>2,843,133</u>	<u>53,141</u>	<u>2,896,274</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	873,145	-	873,145
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>873,145</u>	<u>-</u>	<u>873,145</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,716,278</u>	<u>\$ 53,141</u>	<u>\$ 3,769,419</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 181,111	\$ -	\$ 181,111
Accrued expenses	247,635	717	248,352
Due to other governments	336,446	-	336,446
Current portion of long-term obligations	298,867	-	298,867
Total current liabilities	<u>1,064,059</u>	<u>717</u>	<u>1,064,776</u>
Non-current liabilities:			
Net pension liability	1,059,999	-	1,059,999
Total non-current liabilities	<u>1,059,999</u>	<u>-</u>	<u>1,059,999</u>
TOTAL LIABILITIES	<u>2,124,058</u>	<u>717</u>	<u>2,124,775</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	552,359	-	552,359
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>552,359</u>	<u>-</u>	<u>552,359</u>
NET POSITION			
Net investment in capital assets	88,312	-	88,312
Unrestricted	951,549	52,424	1,003,973
TOTAL NET POSITION	<u>1,039,861</u>	<u>52,424</u>	<u>1,092,285</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 3,716,278</u>	<u>\$ 53,141</u>	<u>\$ 3,769,419</u>

See accompanying independent auditors' report and notes to financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
Executive administrative services	\$ 996,997	\$ -	\$ -	\$ -	\$ (996,997)	\$ -	\$ (996,997)
Human resources	459,661	-	-	-	(459,661)	-	(459,661)
Fiscal services	506,999	-	-	-	(506,999)	-	(506,999)
Shared student services	14,273,771	-	-	-	(14,273,771)	-	(14,273,771)
Early education programs	28,584	-	314,498	-	285,914	-	285,914
Technology program	865,684	-	-	-	(865,684)	-	(865,684)
Student services administration	47,383	-	-	-	(47,383)	-	(47,383)
Food services	1,021,646	-	-	-	(1,021,646)	-	(1,021,646)
Transportation services	2,316,595	-	-	-	(2,316,595)	-	(2,316,595)
On-behalf payments	855,320	-	855,320	-	-	-	-
Program expenses	2,972,331	206,546	2,556,175	-	(209,610)	-	(209,610)
Total governmental activities	24,344,971	206,546	3,725,993	-	(20,412,432)	-	(20,412,432)
Business-type activities:							
After school program	1,080,321	1,081,517	-	-	-	1,196	1,196
Total business-type activities	1,080,321	1,081,517	-	-	-	1,196	1,196
Total government	\$ 1,080,321	\$ 1,081,517	\$ -	\$ -	(20,412,432)	1,196	(20,411,236)

STATEMENT B (CONTINUED)
CHITTENDEN SOUTH SUPERVISORY UNION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(20,412,432)	1,196	(20,411,236)
General revenues:			
Grants and contributions not restricted to specific programs	21,132,023	-	21,132,023
Miscellaneous	194,326	-	194,326
Total general revenues	21,326,349	-	21,326,349
Change in net position	913,917	1,196	915,113
NET POSITION - JULY 1	125,944	51,228	177,172
NET POSITION - JUNE 30	\$ 1,039,861	\$ 52,424	\$ 1,092,285

See accompanying independent auditors' report and notes to financial statements.

STATEMENT C

CHITTENDEN SOUTH SUPERVISORY UNION

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 2,447,311	\$ -	\$ 2,447,311
Accounts receivable (net of allowance for uncollectibles)	75,313	22,987	98,300
Due from other governments	2,301	151,396	153,697
Inventory	54,907	-	54,907
Prepaid items	2,885	-	2,885
Due from other funds	23,525	550,739	574,264
TOTAL ASSETS	<u><u>\$ 2,606,242</u></u>	<u><u>\$ 725,122</u></u>	<u><u>\$ 3,331,364</u></u>
LIABILITIES			
Accounts payable	\$ 179,514	\$ 1,597	\$ 181,111
Accrued expenses	173,464	74,171	247,635
Due to other governments	258,388	78,058	336,446
Due to other funds	553,018	23,525	576,543
TOTAL LIABILITIES	<u><u>1,164,384</u></u>	<u><u>177,351</u></u>	<u><u>1,341,735</u></u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	-	552,359	552,359
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>-</u></u>	<u><u>552,359</u></u>	<u><u>552,359</u></u>
FUND BALANCES			
Nonspendable	57,792	-	57,792
Assigned	106,000	-	106,000
Unassigned	1,278,066	(4,588)	1,273,478
TOTAL FUND BALANCES	<u><u>1,441,858</u></u>	<u><u>(4,588)</u></u>	<u><u>1,437,270</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 2,606,242</u></u>	<u><u>\$ 725,122</u></u>	<u><u>\$ 3,331,364</u></u>

See accompanying independent auditors' report and notes to financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

	Total Governmental Funds
Total Fund Balances	\$ 1,437,270
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	88,312
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	873,145
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(192,244)
Accrued severance payable	(9,450)
Net pension liability	(1,157,172)
Net position of governmental activities	\$ 1,039,861

See accompanying independent auditors' report and notes to financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Totals Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental revenues	\$ 22,301,841	\$ 2,556,175	\$ 24,858,016
Charges for services	-	206,546	206,546
Interest income	13,664	-	13,664
Miscellaneous revenues	449	180,213	180,662
TOTAL REVENUES	<u>22,315,954</u>	<u>2,942,934</u>	<u>25,258,888</u>
EXPENDITURES			
Current:			
Executive administrative services	1,052,809	-	1,052,809
Human resources	459,661	-	459,661
Fiscal services	506,999	-	506,999
Shared student services	14,273,771	-	14,273,771
Early education programs	28,584	-	28,584
Technology program	865,684	-	865,684
Student services administration	47,383	-	47,383
Food services	1,021,646	-	1,021,646
Transportation services	2,309,402	-	2,309,402
On-behalf payments	855,320	-	855,320
Program expenses	-	2,972,331	2,972,331
TOTAL EXPENDITURES	<u>21,421,259</u>	<u>2,972,331</u>	<u>24,393,590</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>894,695</u>	<u>(29,397)</u>	<u>865,298</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	20,000	20,000
Transfers (out)	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	874,695	(9,397)	865,298
FUND BALANCES - JULY 1	<u>567,163</u>	<u>4,809</u>	<u>571,972</u>
FUND BALANCES - JUNE 30	<u>\$ 1,441,858</u>	<u>\$ (4,588)</u>	<u>\$ 1,437,270</u>

See accompanying independent auditors' report and notes to financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 865,298</u>
<p>Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:</p>	
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:</p>	
Capital asset purchases capitalized	36,816
Depreciation expense	<u>(47,111)</u>
	<u>(10,295)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	<u>660,749</u>
Deferred inflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	<u>421,350</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p>	
Accrued compensated absences	(2,905)
Accrued severance payable	250
Net pension liability	<u>(1,020,530)</u>
	<u>(1,023,185)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 913,917</u></u>

See accompanying independent auditors' report and notes to financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2016

	Enterprise Fund <u>After School Program</u>
ASSETS	
Current assets:	
Accounts receivable (net of allowance for uncollectibles)	\$ 50,862
Due from other funds	<u>2,279</u>
Total current assets	<u>53,141</u>
TOTAL ASSETS	<u><u>\$ 53,141</u></u>
LIABILITIES	
Current liabilities:	
Accrued expenses	\$ 717
Total current liabilities	<u>717</u>
TOTAL LIABILITIES	<u>717</u>
NET POSITION	
Unrestricted	<u>52,424</u>
TOTAL NET POSITION	<u>52,424</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 53,141</u></u>

See accompanying independent auditors' report and notes to financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Fund <u>After School Program</u>
OPERATING REVENUES	
Charges for services	\$ 1,081,517
TOTAL OPERATING REVENUES	<u>1,081,517</u>
OPERATING EXPENSES	
Wages and benefits	738,144
Professional development	7,179
Outside services	13,830
Rent	162,900
Field trips	53,275
Supplies	45,120
Snack/food purchases	37,095
Equipment	9,444
Miscellaneous expenses	13,334
TOTAL OPERATING EXPENSES	<u>1,080,321</u>
OPERATING INCOME	<u>1,196</u>
CHANGE IN NET POSITION	1,196
NET POSITION - JULY 1	<u>51,228</u>
NET POSITION - JUNE 30	<u>\$ 52,424</u>

See accompanying independent auditors' report and notes to financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Fund <hr/> After School Program <hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,065,023
Interfund activity	27,307
Payments to employees	(738,144)
Payments to suppliers	(354,186)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<hr/> -
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - JULY 1	<hr/> -
CASH AND CASH EQUIVALENTS - JUNE 30	<hr/> <u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 1,196
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivables	(16,494)
(Increase) decrease in prepaid expenses	425
(Increase) decrease in due from other funds	27,307
Increase (decrease) in accounts payable	(162)
Increase (decrease) in accrued expenses	423
Increase (decrease) in deferred revenue	(12,695)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<hr/> <u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Supervisory Union operates under the authority of the Vermont education laws. The Supervisory Union provides services to Champlain Valley Union High School, Charlotte School District, Hinesburg School District, Shelburne School District, Williston School District and St. George School District.

The Supervisory Union's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Supervisory Union's combined financial statements include all accounts and all operations of the Supervisory Union. We have determined that the Supervisory Union has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 72, "*Fair Value Measurement and Application*". The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*". This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The Supervisory Union's basic financial statements include both government-wide (reporting the Supervisory Union as a whole) and fund financial statements (reporting the Supervisory Union's major funds).

Both the government-wide and fund financial statements categorize primary activities as governmental. The Supervisory Union's after school program is categorized as a business-type activity. All other activities of the Supervisory Union are categorized as governmental.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Supervisory Union's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Supervisory Union first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Supervisory Union's functions (instruction, administration, etc.). The functions are also supported by general government revenues (support from the Supervisory Union, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (assessments, certain intergovernmental revenues and interest income, etc.).

The Supervisory Union does not allocate indirect costs. All costs are charged directly to the corresponding departments.

The government-wide focus is more on the sustainability of the Supervisory Union as an entity and the change in the Supervisory Union's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Supervisory Union are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following fund types are used by the Supervisory Union:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Supervisory Union:

Major Funds

- a. The General Fund is the general operating fund of the Supervisory Union. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Supervisory Union:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in the governmental activity category. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The Supervisory Union's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Vermont to the Vermont State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

Revenues per budgetary basis	\$21,460,634
Add: On-behalf payments	<u>855,320</u>
Total GAAP basis	<u>\$22,315,954</u>
Expenditures per budgetary basis	\$20,585,939
Add: On-behalf basis	<u>855,320</u>
Total GAAP basis	<u>\$21,441,259</u>

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. The Supervisory Union board approves a preliminary budget by early January for the following fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The preliminary budget which includes the Special Revenue Fund is shared with the communities in the School Report.
3. After the member school budgets are approved by the residents of the member schools districts, a final budget is approved by the Supervisory Union board.
4. The Supervisory Union is not legally required to adopt a budget for the Special Revenue Fund.

Deposits and Investments

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

It is the Union's policy to value investments at fair value. None of the Union's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The Union Treasurer is authorized by State Statutes to invest all excess funds in the following:

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

The Chittenden South Supervisory Union has no formal investment policy but instead follows the State of Vermont Statutes.

Inventories

The general fund inventory consists of various bus parts at the end of the year, valued at cost. The cost value is determined using the first-in, first-out (FIFO) method.

Prepaid Items

Certain insurance and other payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2016.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of accrued compensated absences, accrued severance payable and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) and the Vermont Municipal Employees' Retirement System (VMERS) Plans and additions to/deductions from the VSTRS and VMERS Plans' fiduciary net position have been determined on the same basis as they are reported by the VSTRS and VMERS Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Union or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Union is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

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

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Supervisory Union. The inhabitants of the Supervisory Union through School Board meetings are the highest level of decision-making authority of the Union. Commitments may be established, modified, or rescinded only through a Union meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the School Board.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Union considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Union considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School Board meeting vote has provided otherwise in its commitment or assignment actions.

The Union has adopted a set of financial policies to guide the financial operation of the Union. Included in the policies are guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Supervisory Union currently has one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position and or balance sheet will at times 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred revenue qualifies for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to pensions qualify for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as inflows of resources in the period that the amounts become available.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

Operating/Non-operating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Supervisory Union uses encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Supervisory Union's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits:

The Supervisory Union’s investment policies, which follow state statutes, authorize the Supervisory Union to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Supervisory Union funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Supervisory Union will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Supervisory Union does not have a policy covering custodial credit risk.

At June 30, 2016, the Supervisory Union’s cash balance of \$2,447,311 was comprised of bank deposits of \$2,868,639. Of these bank deposits, \$250,000 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$2,618,639 was collateralized with securities held by the financial institution in the Supervisory Union’s name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	<u>\$ 2,868,639</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Supervisory Union will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Supervisory Union does not have a policy for custodial credit risk for investments.

At June 30, 2016, the Union did not have any investments.

Credit risk – Statutes for the State of Vermont authorize the Union to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Supervisory Union does not have an investment policy on credit risk. Generally, the Supervisory Union invests excess funds in savings accounts and various insured certificates of deposit.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Supervisory Union does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2016 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 23,525	\$ 553,018
Special Revenue Fund	550,739	23,525
Enterprise Fund	2,279	-
	<u>\$ 576,543</u>	<u>\$ 576,543</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	Balance, 7/1/15	Additions	Disposals	Balance, 6/30/16
Depreciated assets:				
Buildings and improvements	\$ 5,425	\$ 5,240	\$ -	\$ 10,665
Equipment	513,707	31,576	-	545,283
	<u>519,132</u>	<u>36,816</u>	<u>-</u>	<u>555,948</u>
Less: accumulated depreciation	(420,525)	(47,111)	-	(467,636)
Net governmental capital assets	<u>\$ 98,607</u>	<u>\$ (10,295)</u>	<u>\$ -</u>	<u>\$ 88,312</u>
<u>Depreciation expense:</u>				
Executive administrative services				\$ 39,918
Transportation				7,193
Total depreciation expense				<u>\$ 47,111</u>

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - LONG TERM DEBT

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

	Balance, 7/1/15	Additions	Deletions	Balance, 6/30/16	Current Portion
Accrued compensated absences	\$ 189,339	\$ 2,905	\$ -	\$ 192,244	\$ 192,244
Accrued severance payable	9,700	-	(250)	9,450	9,450
Net pension liability	136,642	4,561,730	(3,541,200)	1,157,172	97,173
	<u>\$ 335,681</u>	<u>\$ 4,564,635</u>	<u>\$ (3,541,450)</u>	<u>\$ 1,358,866</u>	<u>\$ 298,867</u>

NOTE 6 - NONSPENDABLE FUND BALANCES

At June 30, 2016, the Union had the following nonspendable fund balances:

General fund:	
Inventory	\$ 54,907
Prepaid items	2,885
	<u>\$ 57,792</u>

NOTE 7 - ASSIGNED FUND BALANCES

At June 30, 2016, the Union had the following committed fund balances:

General fund:	
Encumbrances	<u>\$ 106,000</u>

NOTE 8 – DEFICIT FUND BALANCES

At June 30, 2016, the Union had the following deficit fund balances:

Special revenue fund	<u>\$ 4,588</u>
----------------------	-----------------

NOTE 9 - OVERSPENT APPROPRIATIONS

At June 30, 2016, the Union had the following overspent appropriations:

Human resources	<u>\$ 20,273</u>
-----------------	------------------

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the Supervisory Union 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 Union 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 288 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 for Vermont teachers.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the Secretary of Education (ex-officio); the State Treasurer (ex-officio), the Commissioner of Financial Regulation (ex-officio); two members and one alternate elected by active members of the System under rules adopted by the Board; and one retired member and one alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

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/reports_and_publications/cafr.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided

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 within 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.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Normal service retirement eligibility (no reduction)	Age 60 or 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula – normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC, 2.0% after attaining 20 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%, minimum of 1% after 12 months of normal retirement or age 65
Earl Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Other post-employment benefits are available to all plan members include the following:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pays full premium	Members pays full premium	Members pays full premium

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the Supervisory Union but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the Supervisory Union 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. The Vermont State Teachers Retirement System estimates the contributions on behalf of the Supervisory Union's employees included in the teacher's retirement plan which approximates \$855,320 or 12.84% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

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

Employee contributions totaled \$344,585 during the year and were paid by the Union to the State of Vermont. The Union has no other liability under the plan. The Union's total payroll for all employees covered under this plan was \$6,661,372 for the year ended June 30, 2016.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. 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 requirements is required to join the system. Employees of the School other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year.

The general administration and responsibility for formulating administrative policy and procedures of the Retirement System 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 employers 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 Schools and the Vermont School Boards Association.

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. VMERS 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 may be viewed on the State's Department of Finance & Management website at:

http://finance.vermont.gov/reports_and_publications/cafr.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided

The pension plan is divided into four membership groups:

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

The Supervisory Union participates in Groups A, B and C. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

VMERS	Group A	Group B	Group C	Group D
Normal service retirement eligibility	Age 65 with 5 years of service, or age 55 with 35 years of service	Age 62 with 5 years of service, or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 55 with 20 years of service

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VMERS	Group A	Group B	Group C	Group D
Early Retirement Eligibility	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

** - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

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

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund, and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.5% of gross salary	4.75% of gross salary to 6/30/15; 4.875% of gross salary after 7/1/15	9.625% of gross salary to 12/31/14; 9.75% of gross salary to 6/30/15; 9.875% of gross salary after 7/1/15	11.125% of gross salary to 6/30/15; 11.35% of gross salary after 7/1/15
Employer Contributions	4% of gross salary	5.375% of gross salary to 6/30/15; 5.50% of gross salary after 7/1/15	6.875% of gross salary to 12/31/14; 7% of gross salary to 6/30/15; 7.125% of gross salary after 7/1/15	9.75% of gross salary to 6/30/15; 9.85% of gross salary after 7/1/15

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Employee contributions are withheld pre income tax by the Supervisory Union and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2016, 2015 and 2014 totaled \$401,158, \$247,151 and \$229,261, respectively. The Supervisory Union contributed \$379,495, \$209,810 and \$193,128 for the years ended June 30, 2016, 2015, and 2014, respectively. The Supervisory Union's total payroll for the year ended June 30, 2016 for all employees covered under this plan was \$6,643,125.

Pension Liabilities

VSTRS Plan

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

Supervisory Union's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Supervisory Union	<u>13,391,073</u>
Total	<u><u>\$ 13,391,073</u></u>

The State of Vermont's proportionate share of the net pension liability associated with the Supervisory Union is equal to the collective net pension liability, actuarially measured as of June 30, 2015, multiplied by the Supervisory Union's proportionate share percentage. The Supervisory Union's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2015, the Supervisory Union's proportion was 1.1286% which was an increase of 0.8912% from its proportion measured as of June 30, 2014.

VMERS Plan

At June 30, 2016, the Supervisory Union reported a liability of \$1,157,172 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Supervisory Union's proportion of the net pension liabilities were based on a projection

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

of the Supervisory Union's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2015, the Supervisory Union's proportion was 1.50095% for VMERS, which was an increase of 0.00375% from its proportion measured as of June 30, 2014 for VMERS.

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

For the year ended June 30, 2016, the Supervisory Union recognized total pension expense \$3,541,200 and revenue of \$3,541,200 for support provided by the State of Vermont for the VSTRS plan. In the same period, the Supervisory Union recognized pension expense of \$317,926 for the VMERS plan. At June 30, 2016, the Supervisory Union reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 36,578	\$ -
Changes of assumptions	-	-	230,451	-
Net difference between projected and actual earnings on pension plan investments	-	-	223,558	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	3,063	-
Contributions subsequent to the measurement date	-	-	379,495	-
Total	\$ -	\$ -	\$ 873,145	\$ -

\$379,495 reported as deferred outflows of resources related to pensions resulting from Supervisory Union contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	VSTRS	VMERS
Year ended June 30:		
2016	\$ -	\$ 97,173
2017	-	97,173
2018	-	97,173
2019	-	202,129
2020	-	-
Thereafter	-	-

Significant Actuarial Assumptions and Methods

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

VMERS:

Inflation 3.00% to 3.25% per year
 Salary increases 5.00%, per year, including inflation
 Investment rate of return 7.95% per annum. Through July 1, 2014, a select-and-ultimate interest rate set was used, as specified below. The interest rate set was restarted every year:

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

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

Salary increases for the VMERS plan are 5.00% per year, including inflation.

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

Mortality rates for active participants in the VMERS plan were based on 50% of the probabilities in the 1995 Buck Mortality Tables for males and females, non-disabled retirees and terminated vested participants were based on the 1995 Buck Mortality Tables with no set-back for males and a one-year set-back for females, disabled retirees were based on the RP-2000 Disabled Life Tables, and the 1995 Buck Mortality Tables for males and females was applied to beneficiaries.

Spouse's age assumptions used in the June 30, 2015 valuation set a husband's age at three years greater than their wives.

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

Cost-of-Living adjustments to benefits of terminated vested and retired participants were assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D of the VMERS plan.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

A smoothing *asset valuation method* was used for funding purposes, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

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

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.61%
Fixed income	1.91%
Alternative	6.93%
Multi-strategy	4.88%

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.95% for the VSTRS plan and 7.95% for the VMERS plan. 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 VMERS System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Supervisory Union's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Supervisory Union's proportionate share of the net pension liability calculated using the discount rate of 7.95% for both the VSTRS and VMERS plans, as well as what the Supervisory Union's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.95%) or 1 percentage point higher (8.95%) than the current rate:

VSTRS:

	1% Decrease	Discount Rate	1% Increase
Discount rate	6.95%	7.95%	8.95%
Supervisory Union's proportionate share of the net pension liability	\$ -	\$ -	\$ -

VMERS:

	1% Decrease	Discount Rate	1% Increase
Discount rate	6.95%	7.95%	8.95%
Supervisory Union's proportionate share of the net pension liability	\$ 2,311,374	\$ 1,157,172	\$ 189,620

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 Vermont State Teacher's Retirement System (VSTRS) and the Vermont Municipal Employees' Retirement System (VMERS) or its participating employers. VSTRS and VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance & Management website at:

http://finance.vermont.gov/reports_and_publications/cafr

NOTE 11 - RISK MANAGEMENT

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

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

To provide health insurance coverage, VSBIT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield. A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. The pooling agreement does not permit the pool to make additional assessments to its members.

NOTE 12 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Supervisory Union's financial position.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - CONTINGENCIES (CONTINUED)

The Supervisory Union participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Supervisory Union's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 13 – RELATED ORGANIZATIONS

Chittenden South Supervisory Union provides services to the following school districts: Champlain Valley Union High School, Charlotte Town School District, Hinesburg School District, Shelburne School District, St. George School District and Williston School District. Each District has an ongoing financial responsibility to the Union as defined in GASB 14, paragraph 71.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information

CHITTENDEN SOUTH SUPERVISORY UNION

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 567,163	\$ 567,163	\$ 567,163	\$ -
Resources (Inflows):				
Intergovernmental:				
Assessments	21,163,273	21,163,273	21,132,023	(31,250)
Other	825,032	825,032	314,498	(510,534)
Interest income	4,500	4,500	13,664	9,164
Miscellaneous	-	-	449	449
Transfers from other funds	160,000	160,000	-	(160,000)
Amounts Available for Appropriation	<u>22,719,968</u>	<u>22,719,968</u>	<u>22,027,797</u>	<u>(692,171)</u>
Charges to Appropriations (Outflows):				
Current:				
Executive administrative services	1,070,539	1,070,539	1,052,809	17,730
Human resources	439,388	439,388	459,661	(20,273)
Fiscal services	521,126	521,126	506,999	14,127
Shared student services	15,397,301	15,397,301	14,273,771	1,123,530
Early education programs	34,710	34,710	28,584	6,126
Technology program	879,803	879,803	865,684	14,119
Student services administration	227,564	227,564	47,383	180,181
Food services	1,059,509	1,059,509	1,021,646	37,863
Transportation services	2,502,865	2,502,865	2,309,402	193,463
Transfers to other funds	20,000	20,000	20,000	-
Total Charges to Appropriations	<u>22,152,805</u>	<u>22,152,805</u>	<u>20,585,939</u>	<u>1,566,866</u>
Budgetary Fund Balance, June 30	<u>\$ 567,163</u>	<u>\$ 567,163</u>	<u>\$ 1,441,858</u>	<u>\$ 874,695</u>

See accompanying independent auditors' report and notes to financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>			
Proportion of the net pension liability	1.13%	0.24%	0.23%
Union's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Union	13,391,073	2,275,238	\$ 2,353,785
Total	<u>\$ 13,391,073</u>	<u>\$ 2,275,238</u>	<u>\$ 2,353,785</u>
Covered-employee payroll	\$ 6,661,372	\$ 6,294,380	\$ 1,347,089
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.22%	64.02%	60.59%
	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VMERS:</u>			
Proportion of the net pension liability	1.50%	1.50%	1.49%
Proportionate share of the net pension liability	\$ 1,157,172	\$ 136,642	\$ 541,872
Covered-employee payroll	6,643,125	3,383,016	3,252,206
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	17.42%	4.04%	16.66%
Plan fiduciary net position as a percentage of the total pension liability	87.42%	98.32%	92.71%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 6,661,372	\$ 6,294,380	\$ 1,347,089
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%
	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VMERS:</u>			
Contractually required contribution	\$ 379,495	\$ 209,810	\$ 193,128
Contributions in relation to the contractually required contribution	<u>(379,495)</u>	<u>(209,810)</u>	<u>(193,128)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 6,643,125	\$ 3,383,016	\$ 3,252,206
Contributions as a percentage of covered-employee payroll	5.71%	6.20%	5.94%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Changes of Assumptions

The discount rate used to measure the net pension liability was lowered from 8.15% to 7.95%, due to the adoption by the Board of Trustees of a 7.95% expected future rate of return on assets for funding purposes.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Departmental Operations – General Fund
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

SCHEDULE A

CHITTENDEN SOUTH SUPERVISORY UNION

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Executive administrative services				
SU Board	\$ 73,948	\$ 73,948	\$ 91,746	\$ (17,798)
Executive administration	996,591	996,591	961,063	35,528
	<u>1,070,539</u>	<u>1,070,539</u>	<u>1,052,809</u>	<u>17,730</u>
Human resources	<u>439,388</u>	<u>439,388</u>	<u>459,661</u>	<u>(20,273)</u>
Fiscal services	<u>521,126</u>	<u>521,126</u>	<u>506,999</u>	<u>14,127</u>
Shared student services				
Psychological services	455,983	455,983	445,094	10,889
Occupational therapy	263,130	263,130	91,239	171,891
Physical therapy	135,422	135,422	49,988	85,434
English language learners	528,754	528,754	528,503	251
504 Plans	453,330	453,330	445,607	7,723
Special education	9,677,854	9,677,854	9,153,072	524,782
Special education - summer	212,879	212,879	147,626	65,253
Special education - building admin	930,665	930,665	859,340	71,325
CY programs	427,289	427,289	339,402	87,887
SLP	1,525,460	1,525,460	1,487,489	37,971
EEE	786,535	786,535	726,411	60,124
	<u>15,397,301</u>	<u>15,397,301</u>	<u>14,273,771</u>	<u>1,123,530</u>
Early education programs				
Early learning partnership	34,710	34,710	28,584	6,126
	<u>34,710</u>	<u>34,710</u>	<u>28,584</u>	<u>6,126</u>
Technology program	<u>879,803</u>	<u>879,803</u>	<u>865,684</u>	<u>14,119</u>
Student services administration	<u>227,564</u>	<u>227,564</u>	<u>47,383</u>	<u>180,181</u>
Food services	<u>1,059,509</u>	<u>1,059,509</u>	<u>1,021,646</u>	<u>37,863</u>
Transportation	<u>2,502,865</u>	<u>2,502,865</u>	<u>2,309,402</u>	<u>193,463</u>
Transfers to other funds-				
Special revenue funds	20,000	20,000	20,000	-
	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 22,152,805</u>	<u>\$ 22,152,805</u>	<u>\$ 20,585,939</u>	<u>\$ 1,566,866</u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

CHITTENDEN SOUTH SUPERVISORY UNION

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
 JUNE 30, 2016

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Executive administrative services	\$ -	\$ 10,665	\$ 504,546	\$ -	\$ 515,211
Transportation	-	-	40,737	-	40,737
Total General Capital Assets	-	10,665	545,283	-	555,948
Less: Accumulated Depreciation	-	(2,025)	(465,611)	-	(467,636)
Net General Capital Assets	<u>\$ -</u>	<u>\$ 8,640</u>	<u>\$ 79,672</u>	<u>\$ -</u>	<u>\$ 88,312</u>

See accompanying independent auditors' report and notes to financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2016

	General Capital Assets 7/1/15	Additions	Deletions	General Capital Assets 6/30/16
Executive administrative services	\$ 478,395	\$ 36,816	\$ -	\$ 515,211
Transportation	40,737	-	-	40,737
Total General Capital Assets	519,132	36,816	-	555,948
Less: Accumulated Depreciation	(420,525)	(47,111)	-	(467,636)
Net General Capital Assets	<u>\$ 98,607</u>	<u>\$ (10,295)</u>	<u>\$ -</u>	<u>\$ 88,312</u>

See accompanying independent auditors' report and notes to financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Thru Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture				
Passed through State of Vermont - Department of Education and Cultural Services:				
Food Distribution - Non-Cash Assistance	10.555	4456	\$ 93,051	\$ -
Child Nutrition Cluster:				
School Breakfast Program	10.555	4452	65,910	-
School Lunch Program	10.555	4450	302,954	-
Subtotal Child Nutrition Cluster			368,864	-
Total U.S. Department of Agriculture			461,915	-
U.S. Department of Health and Human Services				
Passed through State of Vermont				
Partnership for Success	93.243	N/A	25,125	-
VKAT Grant	93.283	4790-15	921	-
VKAT Grant	93.283	4790-16	2,000	-
CVU OVX Grant	93.283	N/A	3,175	-
Total U.S. Department of Health and Human Services			31,221	-
U.S. Department of Education				
Passed through State of Vermont - Department of Education and Cultural Services:				
Title I Program	84.010	4250-01	414,802	-
Special Education Cluster (IDEA):				
IDEA - Formula Grant	84.027	4226	866,763	-
IDEA - Formula Grant	87.027	4223	37,702	-
IDEA - 1B Preschool Handicapped	84.173	4228	18,379	-
Subtotal Special Education Cluster (IDEA)			922,844	-
RTT MTSS	84.212	N/A	3,471	-
Title IIA -Teaching Quality	84.367	4651	199,725	-
Title III	84.365	4375-16	30,618	-
I-3	84.411	N/A	5,785	-
Total U.S. Department of Education			1,577,245	-
TOTAL FEDERAL ASSISTANCE			\$ 2,070,381	\$ -

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Chittenden South Supervisory Union under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Chittenden South Supervisory Union, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Chittenden South Supervisory Union.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Chittenden South Supervisory Union has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

3. Food Donation Program

The Chittenden South Supervisory Union reports commodities consumed on the Schedule at the fair value [or entitlement value]. The Government allocated donated food commodities to the respective program(s) that benefitted from the use of those donated food commodities.



Proven Expertise and Integrity

INDEPENDENT AUDITORS' 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

Board of School Directors
Chittenden South Supervisory Union
Shelburne, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Chittenden South Supervisory Union, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Chittenden South Supervisory Union's basic financial statements, and have issued our report thereon dated October 11, 2016.

Internal Control Over Financial Reporting

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

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chittenden South Supervisory Union's financial statements are free of 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 organization's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
October 11, 2016



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of School Directors
Chittenden South Supervisory Union
Shelburne, Vermont

Report on Compliance for Each Major Federal Program

We have audited Chittenden South Supervisory Union's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Chittenden South Supervisory Union's major federal programs for the year ended June 30, 2016. Chittenden South Supervisory Union's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to each of its major federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Chittenden South Supervisory Union's major federal programs based on our audit of the type of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chittenden South Supervisory Union's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Chittenden South Supervisory Union's compliance.

Opinion on Each Major Federal Program

In our opinion, Chittenden South Supervisory Union, complied in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Chittenden South Supervisory Union is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Chittenden South Supervisory Union internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chittenden South Supervisory Union's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance requirements of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
October 11, 2016

CHITTENDEN SOUTH SUPERVISORY UNION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted yes no

• *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
In accordance with § 200.516 of Uniform Guidance? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA B

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None