

# Federal Compliance Audit

## Chittenden South Supervisory Union

June 30, 2017



*Proven Expertise and Integrity*

CHITTENDEN SOUTH SUPERVISORY UNION

CONTENTS

JUNE 30, 2017

	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
FUND FINANCIAL STATEMENTS	
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 - 49
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	50

SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS – BUDGET AND ACTUAL – GENERAL FUND	51
SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	52
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS	53
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	54
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	55
SCHEDULE A - SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND	56
GENERAL CAPITAL ASSETS DESCRIPTION	57
SCHEDULE B - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	58
SCHEDULE C - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	59
<u>FEDERAL COMPLIANCE</u>	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	60
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	61
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>	62 - 63
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	64 - 66
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	67



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## 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, 2017, and the related notes to the financial statements, which collectively comprise the Chittenden South Supervisory Union's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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

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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, 2017, 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 51 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 Schedule of Departmental Operations – General Fund and capital asset schedules 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, 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 December 14, 2017 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.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
December 14, 2017

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**(UNAUDITED)**

The following management's discussion and analysis of the Chittenden South Supervisory Union's financial performance provides an overview of the Union's financial activities for the fiscal year ended June 30, 2017. 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 pension information, 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 Supervisory 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) and charges for services. Most of the Supervisory Union's basic services are reported in governmental activities, which include executive administrative services, human resources, fiscal services, shared student services, early education programs, 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 proprietary 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 funds balance sheet and the governmental funds 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, a Schedule of Contributions and Notes to Required Supplementary Information.

## 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 Supervisory Union's governmental activities. The Supervisory Union's total net position for governmental activities decreased by \$56,491 from \$1,039,861 to \$983,370. The Supervisory Union's total net position for business-type activities decreased by \$53,471 from \$52,424 to a deficit of \$1,047.

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 - decreased for governmental activities to a balance of \$784,086 at the end of this year. Unrestricted net position for business-type activities decreased to a deficit balance of \$1,047.

**Table 1**  
**Chittenden South Supervisory Union**  
**Net Position**  
**June 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Assets:</b>				
Current Assets	\$ 4,060,483	\$ 2,754,821	\$ 3,535	\$ 53,141
Capital Assets	187,521	88,312	-	-
Total Assets	<u>\$ 4,248,004</u>	<u>\$ 2,843,133</u>	<u>\$ 3,535</u>	<u>\$ 53,141</u>
<b>Deferred Outflows of Resources:</b>				
Deferred Outflows Related to Pensions	\$ 2,343,257	\$ 873,145	\$ -	\$ -
Total Deferred Outflows of Resources	<u>\$ 2,343,257</u>	<u>\$ 873,145</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities:</b>				
Current Liabilities	\$ 1,428,862	\$ 1,064,059	\$ 215	\$ 717
Long-term Debt Outstanding	3,421,105	1,059,999	-	-
Total Liabilities	<u>\$ 4,849,967</u>	<u>\$ 2,124,058</u>	<u>\$ 215</u>	<u>\$ 717</u>
<b>Deferred Inflows of Resources:</b>				
Deferred Revenue	\$ 757,924	\$ 552,359	\$ 4,367	\$ -
Total Deferred Inflows of Resources	<u>\$ 757,924</u>	<u>\$ 552,359</u>	<u>\$ 4,367</u>	<u>\$ -</u>
<b>Net Position (Deficit):</b>				
Net Investment in Capital Assets	\$ 187,521	\$ 88,312	\$ -	\$ -
Restricted: Special Revenue Funds	11,763	-	-	-
Unrestricted	784,086	951,549	(1,047)	52,424
Total Net Position (Deficit)	<u>\$ 983,370</u>	<u>\$ 1,039,861</u>	<u>\$ (1,047)</u>	<u>\$ 52,424</u>

## Revenues and Expenses

Revenues for the Chittenden South Supervisory Union's governmental activities increased by 2.97%, while total expenses increased by 6.55%. The increase in revenues was mainly due to an increase in operating grants and contributions while the increase in expenses was primarily a result of increases in executive administrative services and shared student services.

Revenues and for the business-type activities increased by 10.71% while total expenses increased by 15.78%.

**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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 3,990,576	\$ 4,934,830	\$ 1,197,362	\$ 1,081,517
Operating grants and contributions	8,459,119	7,267,193	-	-
<i>General Revenues:</i>				
Grants and contributions not restricted to specific programs	16,972,195	16,403,739	-	-
Miscellaneous	233,200	194,326	-	-
<b>Total Revenues</b>	<u>29,655,090</u>	<u>28,800,088</u>	<u>1,197,362</u>	<u>1,081,517</u>
<b>Expenses</b>				
Executive administrative services	1,678,996	996,997	-	-
Human resources	500,920	459,661	-	-
Fiscal services	563,830	506,999	-	-
Shared student services	14,892,898	14,273,771	-	-
Early education programs	25,959	28,584	-	-
Technology program	1,062,573	865,684	-	-
Student services administration	53,763	47,383	-	-
Food services	1,112,851	1,021,646	-	-
Transportation services	2,421,682	2,316,595	-	-
Program expenses	2,898,181	2,972,331	1,250,833	1,080,321
On-behalf payments	4,499,928	4,396,520	-	-
<b>Total Expenses</b>	<u>29,711,581</u>	<u>27,886,171</u>	<u>1,250,833</u>	<u>1,080,321</u>
Change in Net Position (Deficit)	(56,491)	913,917	(53,471)	1,196
Net Position (Deficit) - July 1	<u>1,039,861</u>	<u>125,944</u>	<u>52,424</u>	<u>51,228</u>
Net Position (Deficit) - June 30	<u>\$ 983,370</u>	<u>\$ 1,039,861</u>	<u>\$ (1,047)</u>	<u>\$ 52,424</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,**

	2017	2016
Major Funds:		
General Fund:		
Nonspendable	\$ 92,068	\$ 57,792
Committed	106,000	106,000
Unassigned	1,873,399	1,278,066
Total General Fund	\$ 2,071,467	\$ 1,441,858
Special Revenue Fund:		
Restricted	\$ 11,763	\$ -
Unassigned	-	(4,588)
Total Special Revenue Fund	\$ 11,763	\$ (4,588)

The general fund total fund balance increased by \$629,609 from the prior fiscal year. The special revenue fund total fund balance increased by \$16,351 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 (\$53,471) for the year ended June 30, 2017.

### 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 \$141,920 primarily due to other intergovernmental revenues being receipted less than the budgeted amount.

The general fund actual expenditures were under the budget by \$901,529. All expenditure categories were over budget with the exception of shared student services, early education programs, student services administration and transportation services.

### **Capital Asset and Long-Term Debt Activity**

#### **Capital Assets**

As of June 30, 2017, the Supervisory Union capital assets increased by \$99,209. This increase was due to current year additions of \$164,306 less depreciation expense of \$61,866 and net disposals of \$3,231. Refer to Note 4 of Notes to Financial Statements for detailed information.

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

	<b>2017</b>	<b>2016</b>
Buildings and improvements	\$ 6,271	\$ 8,640
Equipment and vehicles	181,250	79,672
Total	\$ 187,521	\$ 88,312

#### **Debt**

At June 30, 2017, the Supervisory Union had \$260,000 in a note payable versus \$0 in the prior fiscal year. Other obligations include accrued compensated absences, 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 2017-2018 budget could be severely impacted by the reduction of funding from the State.

The Chittenden South Supervisory Union, along with all other school districts in the Chittenden South Supervisory Union, voted to consolidate into a single entity by vote of the electorate in June of 2016, with an effective date of consolidation of July 1, 2017.

The State Board of Education approved the consolidation in July of 2016 and awarded transition grant resources in support of the merger. Expenditures covered by the transition grant were primarily HR/Finance business system conversion expense and legal and professional consulting in support of the Consolidation Study Committee. The only remaining activities to be funded are system training expense to be completed in the 2017/2018 fiscal year.

All assets and liabilities of the legacy school districts were transferred to the new Champlain Valley School District on July 1, 2017. All business transactions of legacy districts ceased as of that date. This is therefore the final audit of the Chittenden South Supervisory Union.

### **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, 2017

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 3,522,530	\$ -	\$ 3,522,530
Accounts receivable (net of allowance for uncollectibles)	14,691	38,963	53,654
Due from other governments	395,766	-	395,766
Inventory	53,926	-	53,926
Prepaid items	38,142	-	38,142
Interfund balances	35,428	(35,428)	-
Total current assets	<u>4,060,483</u>	<u>3,535</u>	<u>4,064,018</u>
Noncurrent assets:			
Capital assets:			
Buildings, building improvements and other assets net of accumulated depreciation	187,521	-	187,521
Total noncurrent assets	<u>187,521</u>	<u>-</u>	<u>187,521</u>
<b>TOTAL ASSETS</b>	<u>4,248,004</u>	<u>3,535</u>	<u>4,251,539</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	2,343,257	-	2,343,257
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,343,257</u>	<u>-</u>	<u>2,343,257</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 6,591,261</u>	<u>\$ 3,535</u>	<u>\$ 6,594,796</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 700,542	\$ 215	\$ 700,757
Accrued expenses	129,105	-	129,105
Due to other governments	389,682	-	389,682
Current portion of long-term obligations	209,533	-	209,533
Total current liabilities	<u>1,428,862</u>	<u>215</u>	<u>1,429,077</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Note payable	208,000	-	208,000
Net pension liability	3,213,105	-	3,213,105
Total noncurrent liabilities	<u>3,421,105</u>	<u>-</u>	<u>3,421,105</u>
<b>TOTAL LIABILITIES</b>	<u>4,849,967</u>	<u>215</u>	<u>4,850,182</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	757,924	4,367	762,291
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>757,924</u>	<u>4,367</u>	<u>762,291</u>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	187,521	-	187,521
Restricted: Special revenue funds	11,763	-	11,763
Unrestricted	784,086	(1,047)	783,039
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>983,370</u>	<u>(1,047)</u>	<u>982,323</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>	<u>\$ 6,591,261</u>	<u>\$ 3,535</u>	<u>\$ 6,594,796</u>

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

## CHITTENDEN SOUTH SUPERVISORY UNION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

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	\$ 1,678,996	\$ -	\$ -	\$ -	\$ (1,678,996)	\$ -	\$ (1,678,996)
Human resources	500,920	-	-	-	(500,920)	-	(500,920)
Fiscal services	563,830	-	-	-	(563,830)	-	(563,830)
Shared student services	14,892,898	3,850,285	-	-	(11,042,613)	-	(11,042,613)
Early education programs	25,959	-	1,424,690	-	1,398,731	-	1,398,731
Technology program	1,062,573	-	-	-	(1,062,573)	-	(1,062,573)
Student services administration	53,763	-	-	-	(53,763)	-	(53,763)
Food services	1,112,851	-	-	-	(1,112,851)	-	(1,112,851)
Transportation services	2,421,682	-	-	-	(2,421,682)	-	(2,421,682)
On-behalf payments	4,499,928	-	4,499,928	-	-	-	-
Program expenses	2,898,181	140,291	2,534,501	-	(223,389)	-	(223,389)
Total governmental activities	<u>29,711,581</u>	<u>3,990,576</u>	<u>8,459,119</u>	<u>-</u>	<u>(17,261,886)</u>	<u>-</u>	<u>(17,261,886)</u>
Business-type activities:							
After school program	<u>1,250,833</u>	<u>1,197,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,471)</u>	<u>(53,471)</u>
Total business-type activities	<u>1,250,833</u>	<u>1,197,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,471)</u>	<u>(53,471)</u>
Total government	<u>\$ 30,962,414</u>	<u>\$ 5,187,938</u>	<u>\$ 8,459,119</u>	<u>\$ -</u>	<u>(17,261,886)</u>	<u>(53,471)</u>	<u>(17,315,357)</u>

STATEMENT B (CONTINUED)  
CHITTENDEN SOUTH SUPERVISORY UNION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(17,261,886)	(53,471)	(17,315,357)
General revenues:			
Grants and contributions not restricted to specific programs	16,972,195	-	16,972,195
Miscellaneous	233,200	-	233,200
Total general revenues	17,205,395	-	17,205,395
Change in net position (deficit)	(56,491)	(53,471)	(109,962)
NET POSITION (DEFICIT) - JULY 1	1,039,861	52,424	1,092,285
NET POSITION (DEFICIT) - JUNE 30	\$ 983,370	\$ (1,047)	\$ 982,323

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

## CHITTENDEN SOUTH SUPERVISORY UNION

BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,522,530	\$ -	\$ 3,522,530
Accounts receivable (net of allowance for uncollectibles)	4,691	10,000	14,691
Due from other governments	250,439	145,327	395,766
Inventory	53,926	-	53,926
Prepaid items	38,142	-	38,142
Due from other funds	35,428	876,263	911,691
<b>TOTAL ASSETS</b>	<u>\$ 3,905,156</u>	<u>\$ 1,031,590</u>	<u>\$ 4,936,746</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 688,233	\$ 12,309	\$ 700,542
Accrued expenses	129,105	-	129,105
Due to other governments	123,308	266,374	389,682
Due to other funds	876,263	-	876,263
<b>TOTAL LIABILITIES</b>	<u>1,816,909</u>	<u>278,683</u>	<u>2,095,592</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	16,780	741,144	757,924
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>16,780</u>	<u>741,144</u>	<u>757,924</u>
<b>FUND BALANCES</b>			
Nonspendable	92,068	-	92,068
Restricted	-	11,763	11,763
Committed	106,000	-	106,000
Assigned	-	-	-
Unassigned	1,873,399	-	1,873,399
<b>TOTAL FUND BALANCES</b>	<u>2,071,467</u>	<u>11,763</u>	<u>2,083,230</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 3,905,156</u>	<u>\$ 1,031,590</u>	<u>\$ 4,936,746</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, 2017

	Total Governmental Funds
Total Fund Balances	\$ 2,083,230
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	187,521
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	2,343,257
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Note payable	(260,000)
Accrued compensated absences	(145,233)
Accrued severance payable	(12,300)
Net pension liability	(3,213,105)
Net position of governmental activities	\$ 983,370

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, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
Intergovernmental revenues	\$ 19,251,878	\$ 2,534,501	\$ 21,786,379
Charges for services	3,850,285	140,291	3,990,576
Interest income	26,836	-	26,836
Miscellaneous revenues	38,158	168,206	206,364
<b>TOTAL REVENUES</b>	<b><u>23,167,157</u></b>	<b><u>2,842,998</u></b>	<b><u>26,010,155</u></b>
<b>EXPENDITURES</b>			
Current:			
Executive administrative services	1,104,736	-	1,104,736
Human resources	500,920	-	500,920
Fiscal services	563,830	-	563,830
Shared student services	14,899,385	-	14,899,385
Early education programs	25,959	-	25,959
Technology program	1,073,694	-	1,073,694
Student services administration	53,763	-	53,763
Food services	1,112,851	-	1,112,851
Transportation services	2,535,883	-	2,535,883
On-behalf payments	854,993	-	854,993
Program expenses	-	2,898,181	2,898,181
<b>TOTAL EXPENDITURES</b>	<b><u>22,726,014</u></b>	<b><u>2,898,181</u></b>	<b><u>25,624,195</u></b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>441,143</u></b>	<b><u>(55,183)</u></b>	<b><u>385,960</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Debt proceeds	260,000	-	260,000
Transfers in	-	71,534	71,534
Transfers (out)	(71,534)	-	(71,534)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>188,466</u></b>	<b><u>71,534</u></b>	<b><u>260,000</u></b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>629,609</b>	<b>16,351</b>	<b>645,960</b>
<b>FUND BALANCES - JULY 1</b>	<b><u>1,441,858</u></b>	<b><u>(4,588)</u></b>	<b><u>1,437,270</u></b>
<b>FUND BALANCES - JUNE 30</b>	<b><u>\$ 2,071,467</u></b>	<b><u>\$ 11,763</u></b>	<b><u>\$ 2,083,230</u></b>

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, 2017

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 645,960</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	164,306
Capital assets disposed	(3,231)
Depreciation expense	<u>(61,866)</u>
	<u>99,209</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>1,470,112</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	<u>(260,000)</u>
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:	
Accrued compensated absences	47,011
Accrued severance payable	(2,850)
Net pension liability	<u>(2,055,933)</u>
	<u>(2,011,772)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (56,491)</u></u>

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

## CHITTENDEN SOUTH SUPERVISORY UNION

STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
JUNE 30, 2017

	Enterprise Fund <u>After School Program</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ -
Accounts receivable (net of allowance for uncollectibles)	<u>38,963</u>
Total current assets	<u>38,963</u>
 TOTAL ASSETS	 <u><u>\$ 38,963</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 215
Due to other funds	<u>35,428</u>
Total current liabilities	<u>35,643</u>
 TOTAL LIABILITIES	 <u>35,643</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	<u>4,367</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,367</u>
 NET POSITION (DEFICIT)	
Unrestricted	<u>(1,047)</u>
TOTAL NET POSITION (DEFICIT)	<u>(1,047)</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	 <u><u>\$ 38,963</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, 2017

	Enterprise Fund <u>After School Program</u>
OPERATING REVENUES	
Charges for services	\$ 1,197,362
TOTAL OPERATING REVENUES	<u>1,197,362</u>
OPERATING EXPENSES	
Wages and benefits	894,727
Professional development	9,581
Outside services	6,871
Rent	169,000
Field trips	45,445
Supplies	54,747
Snack/food purchases	45,649
Equipment	1,791
Miscellaneous expenses	23,022
TOTAL OPERATING EXPENSES	<u>1,250,833</u>
OPERATING INCOME	<u>(53,471)</u>
OTHER FINANCING SOURCES (USES)	
Interest income	-
Interest expense	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>
CHANGE IN NET POSITION	(53,471)
NET POSITION - JULY 1	<u>52,424</u>
NET POSITION - JUNE 30	<u>\$ (1,047)</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, 2017

	Enterprise Fund <u>After School Program</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,209,261
Interfund activity	37,707
Payments to employees	(894,727)
Payments to suppliers	<u>(352,241)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - JULY 1	<u>-</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (53,471)
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	11,899
(Increase) decrease in due from other funds	2,279
Increase (decrease) in accounts payable	215
Increase (decrease) in accrued expenses	(717)
Increase (decrease) in deferred revenue	4,367
Increase (decrease) in due to other funds	35,428
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ -</u></u>

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

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

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.

Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet specified criteria. Management has determined the impact of this Statement is not material to the financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 77, "Tax Abatement Disclosures". The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. Management has determined that this Statement is not applicable.

Statement No. 80, "Blending Requirements for Certain Component Units". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "Irrevocable Split-Interest Agreements". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 82, "Pension Issues". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. 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.

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 towns, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. 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.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. 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:

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

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

**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.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

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	\$22,572,164
Add: On-behalf payments	<u>854,993</u>
Total GAAP basis	<u>\$23,427,157</u>
Expenditures per budgetary basis	\$21,942,555
Add: On-behalf basis	<u>854,993</u>
Total GAAP basis	<u>\$22,797,548</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.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

- 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.

**Receivables**

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$449,420 for the year ended June 30, 2017. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2017.

**Inventories**

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). Inventory in the General Fund consists of bus parts and supplies.

**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

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**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 a note payable, accrued compensated absences, accrued severance payable and net pension liability.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 funds is the same in the fund statements as it is in the government-wide statements.

**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.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Board of Directors.

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

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

has one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

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. 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's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**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, 2017

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, 2017, the Supervisory Union's cash balance of \$3,522,530 was comprised of bank deposits of \$3,522,530. This entire amount was either fully insured by federal depository insurance and consequently was not exposed to custodial credit risk or 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><u>\$ 3,522,530</u></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, 2017, 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 Supervisory Union does not have an investment policy on credit risk. Generally, the

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2017 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 35,428	\$ 876,263
Special Revenue Fund	876,263	-
Enterprise Fund	-	35,428
	<u>\$ 911,691</u>	<u>\$ 911,691</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	Balance, 7/1/16	Additions	Disposals	Balance, 6/30/17
Depreciated assets:				
Buildings and improvements	\$ 10,665	\$ -	\$ -	\$ 10,665
Equipment and vehicles	545,283	164,306	(36,142)	673,447
	555,948	164,306	(36,142)	684,112
Less: accumulated depreciation	(467,636)	(61,866)	32,911	(496,591)
Net governmental capital assets	<u>\$ 88,312</u>	<u>\$ 102,440</u>	<u>\$ (3,231)</u>	<u>\$ 187,521</u>
<u>Depreciation expense:</u>				
Executive administrative services				\$ 40,952
Transportation				20,914
Total depreciation expense				<u>\$ 61,866</u>

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 5 - LONG-TERM DEBT

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

	Balance, 7/1/16	Additions	Deletions	Balance, 6/30/17	Current Portion
Note payable	\$ -	\$ 260,000	\$ -	\$ 260,000	\$ 52,000
Accrued compensated absences	192,244	-	(47,011)	145,233	145,233
Accrued severance payable	9,450	2,850	-	12,300	12,300
Net pension liability	1,157,172	2,055,933	-	3,213,105	-
	<u>\$ 1,358,866</u>	<u>\$ 2,318,783</u>	<u>\$ (47,011)</u>	<u>\$ 3,630,638</u>	<u>\$ 209,533</u>

The following is a description of the outstanding note payable:

\$260,000, Note payable to Community National Bank in annual principal installments of \$52,000 through November of 2021. Interest is charged at a rate of 1.50% per annum.

\$ 260,000

The following is a summary of outstanding note principal and interest requirements for the fiscal years ending June 30:

Year	Principal	Interest	Total Debt Service
2018	\$ 52,000	\$ 3,899	\$ 55,899
2019	52,000	3,120	55,120
2020	52,000	2,340	54,340
2021	52,000	1,560	53,560
2022	52,000	780	52,780
	<u>\$ 260,000</u>	<u>\$ 11,699</u>	<u>\$ 271,699</u>

NOTE 6 - NONSPENDABLE FUND BALANCES

At June 30, 2017, the Union had the following nonspendable fund balances:

General fund:	
Inventory	\$ 53,926
Prepaid items	38,142
	<u>\$ 92,068</u>

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 7 - RESTRICTED FUND BALANCES

At June 30, 2017, the Union had the following restricted fund balances:

Special revenue fund	<u>\$ 11,763</u>
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NOTE 8 - COMMITTED FUND BALANCES

At June 30, 2017, the Union had the following committed fund balances:

General fund:

Compensated absences and healthcare liability	<u>\$ 106,000</u>
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NOTE 9 - DEFICIT NET POSITION

At June 30, 2017, the Union had the following deficit net position:

After school program	<u>\$ 1,047</u>
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NOTE 10 - OVERSPENT APPROPRIATIONS

At June 30, 2017, the Union had the following overspent appropriations:

Executive administrative services	\$ 47,310
Human resources	23,541
Fiscal services	30,251
Technology program	191,485
Food services	64,103
Transfers to other funds	46,534
	<u>\$ 403,224</u>

NOTE 11 - 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

## CHITTENDEN SOUTH SUPERVISORY UNION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

#### NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

for those covered classes is a condition of employment. During the year ended June 30, 2016 (the most recent period available), 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](http://finance.vermont.gov/reports_and_publications/cafr).

#### **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, 2017

NOTE 11 - 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:

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

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

<b>VSTRS</b>	<b>Group A</b>	<b>Group C – Group # 1</b>	<b>Group C – Group # 2</b>
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

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

**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 \$854,993 or 11.59% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

<b>VSTRS</b>	<b>Group A</b>	<b>Group C – Group # 1</b>	<b>Group C – Group # 2</b>
Employee Contributions	5.5% 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 \$383,052 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 \$7,376,992 for the year ended June 30, 2017. Beginning in 2016, school districts that pay for teachers with federal dollars are required to include costs of pensions in the federal grant, lowering the liability for the State. Federally funded pension costs reimbursed to the State by the Supervisory Union for the fiscal year ending June 30, 2017 were \$80,572. The Supervisory Union’s total payroll for all federal funded employees covered under this plan was \$695,184 for the year ended June 30, 2017.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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](http://finance.vermont.gov/reports_and_publications/cafr).

**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

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

- 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:

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
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 50 with 20 years of service
Early Retirement Reduction	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

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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:

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Employee Contributions	2.5% of gross salary	4.875% of gross salary	10.0% of gross salary	11.35% of gross salary
Employer Contributions	4.0% of gross salary	5.5% of gross salary	7.25% of gross salary	9.85% of gross salary

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, 2017, 2016 and 2015 totaled \$411,152, \$401,158 and \$247,151, respectively. The Supervisory Union contributed \$385,607, \$379,454 and \$209,810 for the years ended June 30, 2017, 2016, and 2015, respectively. The Supervisory Union's total payroll for the year ended June 30, 2017 for all employees covered under this plan was \$6,689,082.

**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, 2017. The State's portion of the collective net pension liability that was associated with the Supervisory Union was as follows:

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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>13,992,598</u>
Total	<u>\$ 13,992,598</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, 2016, 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, 2016, the Supervisory Union's proportion was 1.06853% which was a decrease of 0.06009% from its proportion measured as of June 30, 2015.

*VMERS Plan*

At June 30, 2017, the Supervisory Union reported a liability of \$3,213,105 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2016, 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 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, 2016, the Supervisory Union's proportion was 2.49666% for VMERS, which was an increase of 0.99571% from its proportion measured as of June 30, 2015 for VMERS.

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

For the year ended June 30, 2017, the Supervisory Union recognized total pension expense of \$3,644,935 and revenue of \$3,644,935 for support provided by the State of Vermont for the VSTRS plan. In the same period, the Supervisory Union recognized pension expense of \$585,821 for the VMERS plan. At June 30, 2017, the Supervisory Union reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 66,006	\$ -
Changes of assumptions	-	-	516,015	-
Net difference between projected and actual earnings on pension plan investments	-	-	1,041,843	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	333,786	-
Contributions subsequent to the measurement date	-	-	385,607	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,343,257</u>	<u>\$ -</u>

\$385,607 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS	VMERS
Plan year ended June 30:		
2017	\$ -	\$ 534,294
2018	-	534,294
2019	-	709,304
2020	-	179,758
2021	-	-
Thereafter	-	-

**Significant Actuarial Assumptions and Methods**

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

*Investment Rate of Return:* For both plans, 7.95% per annum.

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

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

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

Mortality rates for active participants in the VMERS plan for Groups A, B, C and D were based on the RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB. Groups A, B, and C with a 60% Blue Collar and 40% White Collar adjustment and Group D with a 100% Blue Collar adjustment. The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

*Spouse's Age:* For both plans, husbands are assumed to be three years older 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.

*Actuarial Cost Method:* For both plans is the Entry Age Normal – Level Percentage of Pay.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

A smoothing *asset valuation method* was used for funding purposes in the VMERS plan, 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 both 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.

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

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.54%
Fixed income	2.36%
Alternative	8.35%
Multi-strategy	4.90%

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%

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Discount Rate**

The discount rate used to measure the total pension liability was 7.95% for the VSTRS plan and 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 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:

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.95%	7.95%	8.95%
Supervisory Union's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.95%	7.95%	8.95%
Supervisory Union's proportionate share of the net pension liability	\$ 5,334,075	\$ 3,213,105	\$ 1,437,229

**Pension Plan Fiduciary Net Position**

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the VSTRS and VMERS or their participating employers. VSTRS and VMERS do 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](http://finance.vermont.gov/reports_and_publications/cafr)

## CHITTENDEN SOUTH SUPERVISORY UNION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

#### NOTE 12 - 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 13 - 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.

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 14 - RELATED ORGANIZATIONS

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

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 15 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Supervisory Union's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 16 - SUBSEQUENT EVENTS

The Chittenden South Supervisory Union, along with all other school districts in the Chittenden South Supervisory Union, voted to consolidate into a single entity by vote of the electorate in June of 2016, with an effective date of consolidation of July 1, 2017.

The State Board of Education approved the consolidation in July of 2016 and awarded transition grant resources in support of the merger. Expenditures covered by the transition grant were primarily HR/Finance business system conversion expense and legal and professional consulting in support of the Consolidation Study Committee. The only remaining activities to be funded are system training expense to be completed in the 2017/2018 fiscal year.

All assets and liabilities of the legacy school districts were transferred to the new Champlain Valley School District on July 1, 2017. All business transactions of legacy districts ceased as of that date. This is therefore the final audit of the Chittenden South Supervisory Union.

On July 3, 2017, the new Champlain Valley School District issued a tax/revenue anticipation note through People's United Bank in anticipation of revenues to meet its operating obligations during the 2018 fiscal year. The note allows principal draws up to \$9,000,000 at 1.65% interest per annum with a maturity date of June 29, 2018.

## 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, 2017

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,441,858	\$ 1,441,858	\$ 1,441,858	\$ -
Resources (Inflows):				
Intergovernmental:				
Assessments	16,972,195	16,972,195	16,972,195	-
Other	1,917,764	1,917,764	1,424,690	(493,074)
Charges for services	3,789,625	3,789,625	3,850,285	60,660
Interest income	4,500	4,500	26,836	22,336
Miscellaneous	-	30,000	38,158	8,158
Debt proceeds	-	-	260,000	260,000
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>24,125,942</u>	<u>24,155,942</u>	<u>24,014,022</u>	<u>(141,920)</u>
Charges to Appropriations (Outflows):				
Current:				
Executive administrative services	1,057,426	1,057,426	1,104,736	(47,310)
Human resources	477,379	477,379	500,920	(23,541)
Fiscal services	533,579	533,579	563,830	(30,251)
Shared student services	15,923,698	15,948,698	14,899,385	1,049,313
Early education programs	34,710	34,710	25,959	8,751
Technology program	882,209	882,209	1,073,694	(191,485)
Student services administration	238,032	238,032	53,763	184,269
Food services	1,048,748	1,048,748	1,112,851	(64,103)
Transportation services	2,598,303	2,598,303	2,535,883	62,420
Transfers to other funds	20,000	25,000	71,534	(46,534)
Total Charges to Appropriations	<u>22,814,084</u>	<u>22,844,084</u>	<u>21,942,555</u>	<u>901,529</u>
Budgetary Fund Balance, June 30	<u>\$ 1,311,858</u>	<u>\$ 1,311,858</u>	<u>\$ 2,071,467</u>	<u>\$ 759,609</u>
Utilization of unassigned fund balance	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ (130,000)</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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>				
Proportion of the net pension liability	1.07%	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	<u>13,992,598</u>	<u>13,391,073</u>	<u>2,275,238</u>	<u>\$ 2,353,785</u>
Total	<u>\$ 13,992,598</u>	<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	\$ 1,311,671
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	55.31%	58.22%	64.02%	60.59%
<u>VMERS:</u>				
Proportion of the net pension liability	2.50%	1.50%	1.50%	1.49%
Proportionate share of the net pension liability	\$ 3,213,105	\$ 1,157,172	\$ 136,642	\$ 541,872
Covered-employee payroll	\$ 6,643,125	\$ 3,383,016	\$ 3,252,206	\$ 3,130,291
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	48.37%	34.21%	4.04%	16.66%
Plan fiduciary net position as a percentage of the total pension liability	80.95%	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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 7,376,992	\$ 6,661,372	\$ 6,294,380	\$ 1,347,089
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%
<u>VMERS:</u>				
Contractually required contribution	\$ 385,607	\$ 379,454	\$ 209,810	\$ 193,128
Contributions in relation to the contractually required contribution	<u>(385,607)</u>	<u>(379,454)</u>	<u>(209,810)</u>	<u>(193,128)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 6,689,082	\$ 6,643,125	\$ 3,383,016	\$ 3,252,206
Contributions as a percentage of covered-employee payroll	5.76%	5.71%	6.20%	5.94%

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

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017

**Changes of Assumptions**

The actuarial assumptions regarding the incidence of mortality, terminations, retirements, and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014 for VSTRS and VMERS plans.

## 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, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Executive administrative services</b>				
SU Board	\$ 73,254	\$ 73,254	\$ 89,005	\$ (15,751)
Executive administration	984,172	984,172	1,015,731	(31,559)
	<u>1,057,426</u>	<u>1,057,426</u>	<u>1,104,736</u>	<u>(47,310)</u>
<b>Human resources</b>	<u>477,379</u>	<u>477,379</u>	<u>500,920</u>	<u>(23,541)</u>
<b>Fiscal services</b>	<u>533,579</u>	<u>533,579</u>	<u>563,830</u>	<u>(30,251)</u>
<b>Shared student services</b>				
Psychological services	466,019	466,019	462,204	3,815
Occupational therapy	250,929	250,929	262,824	(11,895)
Physical therapy	146,206	146,206	153,976	(7,770)
English language learners	565,690	565,690	552,776	12,914
504 Plans	458,325	458,325	332,338	125,987
Special education	9,883,426	9,883,426	9,617,484	265,942
Special education - summer	212,208	212,208	144,543	67,665
Special education - support services	25,200	25,200	19,473	5,727
Special education - building admin	981,744	981,744	788,708	193,036
Support services - instructional	6,000	31,000	28,321	2,679
Instructional improvement	200,846	200,846	94,696	106,150
CY programs	469,402	469,402	374,068	95,334
SLP	1,587,468	1,587,468	1,389,763	197,705
EEE	670,235	670,235	678,211	(7,976)
	<u>15,923,698</u>	<u>15,948,698</u>	<u>14,899,385</u>	<u>1,049,313</u>
<b>Early education programs</b>				
Early learning partnership	34,710	34,710	25,959	8,751
	<u>34,710</u>	<u>34,710</u>	<u>25,959</u>	<u>8,751</u>
<b>Technology program</b>	<u>882,209</u>	<u>882,209</u>	<u>1,073,694</u>	<u>(191,485)</u>
<b>Student services administration</b>	<u>238,032</u>	<u>238,032</u>	<u>53,763</u>	<u>184,269</u>
<b>Food services</b>	<u>1,048,748</u>	<u>1,048,748</u>	<u>1,112,851</u>	<u>(64,103)</u>
<b>Transportation</b>	<u>2,598,303</u>	<u>2,598,303</u>	<u>2,535,883</u>	<u>62,420</u>
<b>Transfers to other funds</b>				
Special revenue fund	20,000	25,000	71,534	(46,534)
	<u>20,000</u>	<u>25,000</u>	<u>71,534</u>	<u>(46,534)</u>
<b>TOTAL DEPARTMENTAL OPERATIONS</b>	<u>\$ 22,814,084</u>	<u>\$ 22,844,084</u>	<u>\$ 21,942,555</u>	<u>\$ 901,529</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, 2017

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Executive administrative services	\$ -	\$ 10,665	\$ 513,256	\$ -	\$ 523,921
Transportation	-	-	160,191	-	160,191
Total General Capital Assets	-	10,665	673,447	-	684,112
Less: Accumulated Depreciation	-	(4,394)	(492,197)	-	(496,591)
Net General Capital Assets	\$ -	\$ 6,271	\$ 181,250	\$ -	\$ 187,521

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, 2017

	General Capital Assets 7/1/16	Additions	Deletions	General Capital Assets 6/30/17
Executive administrative services	\$ 515,211	\$ 29,191	\$ (20,481)	\$ 523,921
Transportation	40,737	135,115	(15,661)	160,191
Total General Capital Assets	555,948	164,306	(36,142)	684,112
Less: Accumulated Depreciation	(467,636)	(61,866)	32,911	(496,591)
Net General Capital Assets	<u>\$ 88,312</u>	<u>\$ 102,440</u>	<u>\$ (3,231)</u>	<u>\$ 187,521</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, 2017

Federal Grantor Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed through State of Vermont - Department of Education and Cultural Services:				
Child Nutrition Cluster:				
School Breakfast Program	10.555	4452S0141700	\$ -	\$ 85,746
School Lunch Program	10.555	4450S0141700	-	306,721
Commodity Supplemental Food Program	10.555	4456S0141700	100,962	100,962
Subtotal Child Nutrition Cluster			<u>100,962</u>	<u>493,429</u>
Total U.S. Department of Agriculture			<u>100,962</u>	<u>493,429</u>
U.S. Department of Education				
Passed through State of Vermont - Department of Education and Cultural Services:				
Title I Program	84.010	4250S0141701	-	419,883
Special Education Cluster (IDEA):				
IDEA - Formula Grant	84.027	4223S0141701	-	43,465
IDEA - Formula Grant	84.027	4226S0141701	-	41,986
IDEA - Formula Grant	84.027	4226S0141701	-	712,072
IDEA - 1B Preschool Handicapped	84.173	4228S0141701	-	21,484
Subtotal Special Education Cluster (IDEA)			<u>-</u>	<u>819,007</u>
RTT MTSS	84.212	4504S0141701	-	1,760
Title III	84.365	4375S0141701	-	22,781
Title IIA -Teaching Quality	84.367	4651S0141701	-	179,660
Total U.S. Department of Education			<u>-</u>	<u>1,443,091</u>
U.S. Department of Health and Human Services				
Passed through State of Vermont - Department of Health:				
DOH RPP	93.243	N/A	-	17,212
STOP	93.243	N/A	-	37,582
WSCC	93.758	N/A	-	1,924
SBSAS	93.959	N/A	-	32,050
Total U.S. Department of Health and Human Services			<u>-</u>	<u>88,768</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 100,962</u>	<u>\$ 2,025,288</u>

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. 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 U.S. Department of Education (USED) has delegated to the State of Vermont Agency of Education the authority to issue indirect cost rates to all Local Education Agencies (LEAs) based on a plan approved by the USED. Therefore, the Chittenden South Supervisory Union does not use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

3. Noncash Awards

The Chittenden South Supervisory Union reports U.S. Department of Agriculture (USDA) Foods consumed on the Schedule at the fair value [or entitlement value]. The State of Vermont allocated USDA Foods to the respective program(s) that benefitted from the use of those USDA Foods.

4. Expenditures to Subrecipients

CFDA Number	Champlain Valley Union High School	Charlotte School District	Hinesburg School District	Shelburne School District	Williston School District	Total
10.555	\$ 32,400	\$ 12,423	\$ 13,065	\$ 15,286	\$ 27,788	\$ 100,962
	<u>\$ 32,400</u>	<u>\$ 12,423</u>	<u>\$ 13,065</u>	<u>\$ 15,286</u>	<u>\$ 27,788</u>	<u>\$ 100,962</u>



*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 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, 2017, 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 December 14, 2017.

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 Chittenden South Supervisory Union's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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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.

*R.H.R. Smith & Company*

Buxton, Maine

Vermont Registration No. 092.0000697

December 14, 2017



*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 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, 2017. 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 its 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.

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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, 2017.

### 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

December 14, 2017

CHITTENDEN SOUTH SUPERVISORY UNION

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

**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 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Program
84.367	Title IIA – Teaching Quality

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