

Audited Financial Statements

Hinesburg Town School District

June 30, 2017



Proven Expertise and Integrity

HINESBURG TOWN SCHOOL DISTRICT

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JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hinesburg Town School District
Shelburne, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hinesburg Town School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Hinesburg Town School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hinesburg Town School District 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 Hinesburg Town School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and capital asset schedules 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and capital asset schedules 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 8, 2017 on our consideration of Hinesburg Town School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Hinesburg Town School District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
December 8, 2017

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

(UNAUDITED)

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

Financial Statement Overview

The School District'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 School District'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 School District'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 one column for the type of School District activities. The type of activity presented for the School District is:

- *Governmental activities* – The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). All of the School District's basic services are reported in governmental activities which include regular instruction, special education, support services, administrative support services, buildings and grounds, transportation and food service.

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 School District, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the School District can be classified into two categories: governmental funds and fiduciary funds.

Governmental funds: All of the basic services provided by the School District 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 School District's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the School District.

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 School District presents four columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in

fund balances. The School District's four major funds are the general fund, the food service fund, the capital projects fund and the debt service fund. There are no nonmajor funds.

The general fund is the only fund for which the School District 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.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Hinesburg Town School District. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

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 Net Position – Fiduciary 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.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the School District's governmental activities. The School District's total net position for governmental activities decreased by \$215,409 from \$5,560,295 to \$5,344,886.

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 \$233,422 at the end of this year.

Table 1
Hinesburg Town School District
Net Position
June 30,

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016 (Restated)</u>
Assets:		
Current Assets	\$ 1,571,497	\$ 1,711,691
Capital Assets	6,773,137	7,070,930
Total Assets	<u>\$ 8,344,634</u>	<u>\$ 8,782,621</u>
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	\$ 231,723	\$ 170,662
Total Deferred Outflows of Resources	<u>\$ 231,723</u>	<u>\$ 170,662</u>
Liabilities:		
Current Liabilities	\$ 294,184	\$ 400,173
Long-term Debt Outstanding	2,841,013	2,917,305
Total Liabilities	<u>\$ 3,135,197</u>	<u>\$ 3,317,478</u>
Deferred Inflows of Resources:		
Deferred Revenue	\$ 65,974	\$ 70,469
Deferred Inflows Related to Pensions	30,300	5,041
Total Deferred Inflows of Resources	<u>\$ 96,274</u>	<u>\$ 75,510</u>
Net Position:		
Net Investment in Capital Assets	\$ 4,100,137	\$ 4,224,930
Restricted for: Debt Service Fund	966,690	894,863
Food Service Fund	44,637	31,861
Unrestricted	233,422	408,641
Total Net Position	<u>\$ 5,344,886</u>	<u>\$ 5,560,295</u>

Revenues and Expenses

Revenues for the Hinesburg Town School District's governmental activities increased by 0.28%, while total expenses increased by 3.24%. Most of the School District's revenues were consistent with the previous year with minor increases or decreases. The largest increase in grants and contributions not restricted to specific programs. The biggest increases in expenses were in buildings and grounds and special education and related services.

Table 2
Hinesburg Town School District
Changes in Net Position
For the Years Ended June 30,

	Governmental Activities	
	2017	2016
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 121,439	\$ 120,820
Operating grants and contributions	963,222	1,750,704
<i>General Revenues:</i>		
Grants and contributions not restricted to specific programs	8,570,711	7,666,206
Interest income	52,535	86,264
Miscellaneous	45,160	101,452
Total Revenues	9,753,067	9,725,446
Expenses		
Regular instruction and related services	4,318,079	4,279,136
Special education and related services	2,057,798	1,947,994
Support services - student based	834,454	828,024
Administrative support services	776,890	772,587
Buildings and grounds	965,799	793,796
Transportation	165,940	250,736
Interest on long-term debt	38,546	46,623
Food service	225,114	176,776
On-behalf payments	585,856	560,145
Total Expenses	9,968,476	9,655,817
Change in Net Position	(215,409)	69,629
Net Position - July 1, Restated	5,560,295	5,490,666
Net Position - June 30	\$ 5,344,886	\$ 5,560,295

Financial Analysis of the School District's Fund Statements

Governmental funds: The financial reporting focus of the School District'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 School District'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
Hinesburg Town School District
Fund Balances - Governmental Funds
June 30,

	<u>2017</u>	<u>2016</u>
Major Funds:		
General Fund:		
Committed	\$ 5,000	\$ 5,000
Assigned	386,472	548,101
Total General Fund	<u>\$ 391,472</u>	<u>\$ 553,101</u>
Food Service Fund:		
Nonspendable	\$ 2,488	\$ 1,031
Restricted	44,637	31,861
Total Food Service Fund	<u>\$ 47,125</u>	<u>\$ 32,892</u>
Capital Projects Fund:		
Committed	\$ 7,132	\$ 7,100
Total Capital Projects Fund	<u>\$ 7,132</u>	<u>\$ 7,100</u>
Debt Service Fund:		
Restricted	\$ 966,690	\$ 863,002
Total Debt Service Fund	<u>\$ 966,690</u>	<u>\$ 863,002</u>

The general fund total fund balance decreased by \$161,629 from the prior fiscal year. The food service fund total fund balance increased by \$14,233 from the prior fiscal year. The capital projects fund total fund balance increased by \$32 from the prior fiscal year. The debt service fund total fund balance increased by \$103,688 from the prior fiscal year.

Budgetary Highlights

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

The general fund actual revenues were under budgeted revenues by \$24,058 primarily due to other intergovernmental revenue that was under-received.

The general fund actual expenditures were under budget by \$23,429. All expenditure categories finished within budget with the exception of buildings and grounds and transportation.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2017, the School District capital assets decreased by \$297,793. This decrease was due to capital additions of \$20,762 less current year depreciation of \$316,274 and net disposals of \$2,281.

Table 4
Hinesburg Town School District
Capital Assets (Net of Depreciation)
June 30,

	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 6,669,127	\$ 6,926,366
Machinery and equipment	104,010	144,564
Total	<u>\$ 6,773,137</u>	<u>\$ 7,070,930</u>

Debt

At June 30, 2017, the School District had \$2,673,000 in bonds payable versus \$2,846,000 in the prior fiscal year. Other long-term obligations include accrued compensated absences, accrued severance payable and net pension liability. Refer to Note 6 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 was prepared using information on enrollment, the state of the economy and the overall impact that budget increases would have on local tax rates.

The Hinesburg Town School District, along with all other districts/unions 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 Hinesburg Town School District.

Contacting the School District's Financial Management

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

HINESBURG TOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 626,500
Investments	911,168
Accounts receivable (net of allowance for uncollectibles)	2,257
Due from other governments	29,084
Inventory	2,488
Total current assets	<u>1,571,497</u>
Noncurrent assets:	
Capital assets:	
Buildings, building improvements and other assets net of accumulated depreciation	<u>6,773,137</u>
Total noncurrent assets	<u>6,773,137</u>
TOTAL ASSETS	<u>8,344,634</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>231,723</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>231,723</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 8,576,357</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 12,652
Accrued expenses	11,787
Due to other governments	68,665
Accrued interest payable	584
Current portion of long-term obligations	<u>200,496</u>
Total current liabilities	<u>294,184</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	2,500,000
Net pension liability	<u>341,013</u>
Total noncurrent liabilities	<u>2,841,013</u>
TOTAL LIABILITIES	<u>3,135,197</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	65,974
Deferred inflows related to pensions	<u>30,300</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>96,274</u>
NET POSITION	
Net investment in capital assets	4,100,137
Restricted: Debt service fund	966,690
Food service fund	44,637
Unrestricted	<u>233,422</u>
TOTAL NET POSITION	<u>5,344,886</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 8,576,357</u>

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

HINESBURG TOWN SCHOOL DISTRICT

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
Governmental activities:					
Regular instruction and related services	\$ 4,318,079	\$ -	\$ 71,431	\$ -	\$ (4,246,648)
Special education and related services	2,057,798	-	227,618	-	(1,830,180)
Support services - student based	834,454	-	-	-	(834,454)
Administrative support services	776,890	-	-	-	(776,890)
Buildings and grounds	965,799	-	-	-	(965,799)
Transportation	165,940	-	-	-	(165,940)
Interest on long-term debt	38,546	-	-	-	(38,546)
Food service	225,114	121,439	78,317	-	(25,358)
On-behalf payments	585,856	-	585,856	-	-
Total government	<u>\$ 9,968,476</u>	<u>\$ 121,439</u>	<u>\$ 963,222</u>	<u>\$ -</u>	<u>(8,883,815)</u>

STATEMENT B (CONTINUED)

HINESBURG TOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(8,883,815)</u>
General revenues:	
Grants and contributions not restricted to specific programs	8,570,711
Interest income	52,535
Miscellaneous	<u>45,160</u>
Total general revenues	<u>8,668,406</u>
Change in net position	(215,409)
NET POSITION - JULY 1, RESTATED	<u>5,560,295</u>
NET POSITION - JUNE 30	<u><u>\$ 5,344,886</u></u>

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

HINESBURG TOWN SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 563,846	\$ -	\$ 7,132	\$ 55,522	\$ 626,500
Investments	-	-	-	911,168	911,168
Accounts receivable (net of allowance for uncollectibles)	-	2,257	-	-	2,257
Due from other governments	17,051	12,033	-	-	29,084
Inventory	-	2,488	-	-	2,488
Due from other funds	-	39,930	-	-	39,930
TOTAL ASSETS	\$ 580,897	\$ 56,708	\$ 7,132	\$ 966,690	\$ 1,611,427
LIABILITIES					
Accounts payable	\$ 3,154	\$ 9,498	\$ -	\$ -	\$ 12,652
Accrued expenses	11,787	-	-	-	11,787
Due to other governments	68,580	85	-	-	68,665
Due to other funds	39,930	-	-	-	39,930
TOTAL LIABILITIES	123,451	9,583	-	-	133,034
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	65,974	-	-	-	65,974
TOTAL DEFERRED INFLOWS OF RESOURCES	65,974	-	-	-	65,974
FUND BALANCES					
Nonspendable	-	2,488	-	-	2,488
Restricted	-	44,637	-	966,690	1,011,327
Committed	5,000	-	7,132	-	12,132
Assigned	386,472	-	-	-	386,472
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	391,472	47,125	7,132	966,690	1,412,419
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 580,897	\$ 56,708	\$ 7,132	\$ 966,690	\$ 1,611,427

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

HINESBURG TOWN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

	Total Governmental Funds
	Total Governmental Funds
Total Fund Balances	\$ 1,412,419
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	6,773,137
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	231,723
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(584)
Bonds payable	(2,673,000)
Accrued compensated absences	(17,496)
Accrued severance payable	(10,000)
Net pension liability	(341,013)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(30,300)
Net position of governmental activities	\$ 5,344,886

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

HINESBURG TOWN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Intergovernmental revenues	\$ 9,213,633	\$ 78,317	\$ -	\$ -	\$ 9,291,950
Charges for services	-	121,439	-	-	121,439
Interest income	33,290	-	32	19,213	52,535
Unrealized gain/(loss) on investments	-	-	-	(41,405)	(41,405)
Miscellaneous revenues	81,477	5,088	-	-	86,565
TOTAL REVENUES	<u>9,328,400</u>	<u>204,844</u>	<u>32</u>	<u>(22,192)</u>	<u>9,511,084</u>
EXPENDITURES					
Current:					
Regular instruction and related services	4,240,600	-	-	-	4,240,600
Special education and related services	2,057,798	-	-	-	2,057,798
Support services - student based	834,454	-	-	-	834,454
Administrative support services	776,890	-	-	-	776,890
Buildings and grounds	704,714	-	-	-	704,714
Transportation	165,940	-	-	-	165,940
Food service	-	218,945	-	-	218,945
On-behalf payments	343,873	-	-	-	343,873
Debt service:					
Principal	173,000	-	-	-	173,000
Interest	34,426	-	-	4,120	38,546
TOTAL EXPENDITURES	<u>9,331,695</u>	<u>218,945</u>	<u>-</u>	<u>4,120</u>	<u>9,554,760</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,295)</u>	<u>(14,101)</u>	<u>32</u>	<u>(26,312)</u>	<u>(43,676)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	28,334	-	130,000	158,334
Transfers (out)	(158,334)	-	-	-	(158,334)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(158,334)</u>	<u>28,334</u>	<u>-</u>	<u>130,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(161,629)	14,233	32	103,688	(43,676)
FUND BALANCES - JULY 1	<u>553,101</u>	<u>32,892</u>	<u>7,100</u>	<u>863,002</u>	<u>1,456,095</u>
FUND BALANCES - JUNE 30	<u>\$ 391,472</u>	<u>\$ 47,125</u>	<u>\$ 7,132</u>	<u>\$ 966,690</u>	<u>\$ 1,412,419</u>

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

HINESBURG TOWN SCHOOL DISTRICT

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>\$ (43,676)</u>
<p>Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:</p>	
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:</p>	
Capital asset acquisitions	20,762
Capital assets disposed	(2,281)
Depreciation expense	<u>(316,274)</u>
	<u>(297,793)</u>
<p>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</p>	
	<u>61,061</u>
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position</p>	
	<u>173,000</u>
<p>Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds</p>	
	<u>(25,259)</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p>	
Accrued compensated absences	(1,450)
Accrued interest	583
Accrued severance payable	(7,500)
Net pension liability	<u>(74,375)</u>
	<u>(82,742)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (215,409)</u></u>

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

HINESBURG TOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Agency Funds</u>
	Student Activities
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 52,645
Due from other governments	<u> 408</u>
TOTAL ASSETS	<u><u>\$ 53,053</u></u>
LIABILITIES	
Accounts payable	\$ 35
Deposits held for others	<u> 53,018</u>
TOTAL LIABILITIES	<u><u>\$ 53,053</u></u>

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

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The School District is organized, according to State law, under the governance of the Board of School Directors to provide public education to the Town of Hinesburg. The School District is governed by a five member elected board.

The School District'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 School District's combined financial statements include all accounts and all operations of the School District. We have determined that the School District 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.

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.

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the impact of 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 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

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Both the government-wide and fund financial statements categorize primary activities as governmental. All of the School District's activities are categorized as governmental.

In the government-wide Statement of Net Position, the governmental activities column is (a) presented on a consolidated basis by column, and (b) is 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 School District's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The School District 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 School District's functions (instruction, administration, etc.). The functions are also supported by general government revenues (state aid, certain other intergovernmental revenues, charges for services, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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

The School District does not allocate indirect costs. All costs are charged directly to the corresponding departments.

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

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the School District 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 School District:

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 School District:

Major Funds

- a. The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Food Service Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for the food service program.
- c. The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities.
- d. The Debt Service Fund is used to account for and report the accumulation of funds restricted for the payback of principal and interest on the \$2,500,000 bond payable.

2. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the School District's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in the governmental activities 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 School District has no major 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.

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget

The School District'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	\$ 8,984,527
Add: On-behalf payments	<u>343,873</u>
Total GAAP basis	<u>\$ 9,328,400</u>

Expenditures per budgetary basis	\$ 9,146,156
Add: On-behalf basis	<u>343,873</u>
Total GAAP basis	<u>\$ 9,490,029</u>

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

1. The School 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 budget is approved at the annual district meeting by the School District voters.
3. The School District is not legally required to adopt a budget for the Food Service Fund.

Deposits and Investments

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

It is the School District's policy to value investments at fair value. None of the School District'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

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

less when purchased are considered to be a cash equivalent. The School District 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 School Districts.
- Repurchase agreements
- Money market mutual funds

The Hinesburg Town School District has no formal investment policy but instead follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies. 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 \$31,749 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). Inventories consist of food and supplies in the Food Service Fund.

Interfund Receivables and Payables

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

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of Governmental 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 bonds payable, accrued compensated absences, accrued severance payable, and net pension liability.

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

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the School District 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 School District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

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

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

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District 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 School District has adopted a set of financial policies to guide the financial operation of the School District. Included in the policies will be 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 School District currently 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

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Program Revenues

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

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 School District does not use encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the School District'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.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

The School District's investment policies, which follow state statutes, authorize the School District 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 School District funds.

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the School District 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 School District does not have a policy covering custodial credit risk.

At June 30, 2017, the School District's cash balance of \$679,145 was comprised of bank deposits of \$889,247. Of these bank deposits, \$257,132 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk, \$55,522 was covered by the Securities Investor Protection Corporation (SIPC), and \$576,593 was collateralized with securities held by the financial institution in the School District's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 826,593
Money market accounts	7,132
Cash equivalents	<u>55,522</u>
	<u><u>\$ 889,247</u></u>

Investments:

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

At June 30, 2017, the School District had investments in fixed income securities of \$911,168. Of these investments, \$444,478 was covered by the Securities Investor Protection Corporation (SIPC). The remaining investments of \$466,690 were uncollateralized and uninsured.

<u>Investment Type</u>	<u>Fair Value</u>	<u><1 Year</u>	<u>1 - 5 Years</u>	<u>> 5 Years</u>
Debt Securities:				
Fixed Income:				
U.S. Treasury Note	\$ 911,168	\$ -	\$ 309,151	\$ 602,017
	<u>\$ 911,168</u>	<u>\$ -</u>	<u>\$ 309,151</u>	<u>\$ 602,017</u>

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The School District has the following recurring fair value measurements as June 30, 2017:

	June 30, 2017 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Agency Securities	\$ 911,168	\$ -	\$ 911,168	\$ -
Total debt securities	<u>911,168</u>	<u>-</u>	<u>911,168</u>	<u>-</u>
Total investments by fair value level	<u>911,168</u>	<u>\$ -</u>	<u>\$ 911,168</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	55,522			
Total cash equivalents measured at the NAV	<u>55,522</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 966,690</u>			

Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The School District has no Level 1 or 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2017 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Credit risk – Statutes for the State of Vermont authorize the School District 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 School District does not have an investment policy on credit risk. Generally, the School District 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 School District 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.

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2017 consisted of the following individual fund receivables and payables:

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General Fund	\$ -	\$ 39,930
Food Service Fund	39,930	-
	<u>\$ 39,930</u>	<u>\$ 39,930</u>

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance, 7/1/16</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, 6/30/17</u>
<u>Governmental activities:</u>				
Depreciated assets:				
Buildings and improvements	\$ 10,732,357	\$ -	\$ -	\$ 10,732,357
Machinery and equipment	634,665	20,762	(5,499)	649,928
	<u>11,367,022</u>	<u>20,762</u>	<u>(5,499)</u>	<u>11,382,285</u>
Less: accumulated depreciation	(4,296,092)	(316,274)	3,218	(4,609,148)
	<u>7,070,930</u>	<u>(295,512)</u>	<u>(2,281)</u>	<u>6,773,137</u>
Net capital assets	<u>\$ 7,070,930</u>	<u>\$ (295,512)</u>	<u>\$ (2,281)</u>	<u>\$ 6,773,137</u>
<u>Current year depreciation</u>				
Regular instruction				\$ 42,025
Buildings and grounds				268,080
Food service				6,169
Total depreciation expense				<u>\$ 316,274</u>

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - SHORT-TERM DEBT

On July 1, 2016, the School District issued a tax anticipation note through People's United Bank in anticipation of tax revenues to meet its operating obligations during the fiscal year. The note, a line of credit, allowed principal draws up to \$2,103,000 at an interest rate of 1.25% with a maturity date of June 30, 2017.

Short-term debt activity for the year ended June 30, 2017, was as follows:

	Balance, 7/1/16	Additions	Reductions	Balance, 6/30/17
Tax anticipation note	\$ -	\$ 2,103,000	\$ (2,103,000)	\$ -
Totals	<u>\$ -</u>	<u>\$ 2,103,000</u>	<u>\$ (2,103,000)</u>	<u>\$ -</u>

At June 30, 2017, the note was paid in full. Interest expense for the note during the fiscal year totaled \$25,995.

NOTE 6 - LONG-TERM DEBT

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

	Balance, 7/1/16	Additions	Deletions	Balance, 6/30/17	Current Portion
Bonds payable	\$ 2,846,000	\$ -	\$ (173,000)	\$ 2,673,000	\$ 173,000
Accrued compensated absences	16,046	1,450	-	17,496	17,496
Accrued severance payable	2,500	7,500	-	10,000	10,000
Net pension liability	<u>266,638</u>	<u>99,634</u>	<u>(25,259)</u>	<u>341,013</u>	<u>-</u>
	<u>\$ 3,080,913</u>	<u>\$ 108,584</u>	<u>\$ (198,259)</u>	<u>\$ 3,041,509</u>	<u>\$ 200,496</u>

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a description of the outstanding bonds payable:

General Obligation bond due to Vermont Municipal Bond Bank in annual principal installments of \$125,000 to \$130,000 through 2017. The interest rate varies from 3.555% to 5.1555% per annum.	\$ 125,000
General Obligation bond due to Vermont Municipal Bond Bank in annual principal installments of \$48,000 through 2018. The interest rate is 1.22% per annum.	48,000
General Obligation bond due to Merchants Bank in full on March 1, 2027. The School District makes annual payments to a sinking fund in the amount of \$130,000. No interest is charged on this bond.	<u>2,500,000</u>
Total bonds payable	<u><u>\$ 2,673,000</u></u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 173,000	\$ 3,668	\$ 176,668
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023-2027	-	-	-
2028-2032	2,500,000	-	2,500,000
	<u>\$ 2,673,000</u>	<u>\$ 3,668</u>	<u>\$ 2,676,668</u>

NOTE 7 - NONSPENDABLE FUND BALANCES

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

Food service fund:	
Inventory	<u><u>\$ 2,488</u></u>

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - RESTRICTED FUND BALANCES

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

Food service fund	\$ 44,637
Debt service fund	966,690
	<u>\$ 1,011,327</u>

NOTE 9 - COMMITTED FUND BALANCES

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

General fund:	
Compensated absences and healthcare liability	\$ 5,000
Capital projects fund	7,132
	<u>\$ 12,132</u>

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2017, the School District had the following assigned fund balances:

General fund:	
Assigned for future budgets	<u>\$ 386,472</u>

NOTE 11- OVERSPENT APPROPRIATIONS

At June 30, 2017, the School District had the following overspent appropriations:

Buildings and grounds	\$ 119,067
Transportation	1,618
	<u>\$ 120,685</u>

NOTE 12 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private District teachers and administrators as well as teachers

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2016 (the 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.

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,

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

and Group #2 contains members who were less than 57 years of age and had less than 25 years of service.

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

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

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the District's employees included in the teacher's retirement plan which approximates \$343,873 or 11.59% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Employee Contributions	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 \$151,600 during the year and were paid by the District to the State of Vermont. The District has no other liability under the plan. The District's total payroll for all employees covered under this plan was \$2,966,980 for the year ended June 30, 2017.

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - 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.

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

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - 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 School District participates in Groups B and C. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

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

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - 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:

VMERS	Group A	Group B	Group C	Group D
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 School District and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2017 and 2016 totaled \$48,794 and \$43,081, respectively. The School District contributed \$46,370 and \$40,273, for the years ended June 30, 2017 and 2016, respectively. The School District's total payroll for the year ended June 30, 2017 for all employees covered under this plan was \$774,617.

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 School District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2017. The State's portion of the collective net pension liability that was associated with the School District was as follows:

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

School District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the School District	<u>6,143,643</u>
Total	<u>\$ 6,143,643</u>

The State of Vermont's proportionate share of the net pension liability associated with the School District is equal to the collective net pension liability, actuarially measured as of June 30, 2016, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2016, the School District's proportion was 0.46915% which was a decrease of 0.03682% from its proportion measured as of June 30, 2015.

VMERS Plan

At June 30, 2017, the School District reported a liability of \$341,013 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 School District's proportion of the net pension liabilities were based on a projection of the School District'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 School District's proportion was 0.26497% for VMERS, which was a decrease of 0.08088% 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 School District recognized total pension expense \$241,983 and revenue of \$241,983 for support provided by the State of Vermont for the VSTRS plan. In the same period, the School District recognized pension expense of \$38,573. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - 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	\$ -	\$ -	\$ 7,005	\$ -
Changes of assumptions	-	-	54,766	-
Net difference between projected and actual earnings on pension plan investments	-	-	110,573	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	13,009	30,300
Contributions subsequent to the measurement date	-	-	46,370	-
Total	\$ -	\$ -	\$ 231,723	\$ 30,300

\$46,370 reported as deferred outflows of resources related to pensions resulting from School District 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	\$ -	\$ 38,551
2018	-	38,551
2019	-	58,874
2020	-	19,077
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.

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Age	Annual Rate of Salary Increase
25	8.15%
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.

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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%

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.95% for the VSTRS plan and 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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District'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 School District'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%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.95%	7.95%	8.95%
School District's proportionate share of the net pension liability	\$ 566,115	\$ 341,013	\$ 152,536

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the Vermont State Teacher's Retirement System

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

NOTE 13 - RISK MANAGEMENT

The School District 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 School District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

In addition, the School District 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 14 - 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 School District's financial position.

The School District participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the School District'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.

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 15 - RELATED ORGANIZATION

The School District has an ongoing financial responsibility to Chittenden South Supervisory Union as defined in GASB 14, paragraph 71. Through Chittenden South Supervisory Union's assessment process, the School District's assessment can be increased to cover a share of any prior year deficits and decreased to share in any prior year surpluses. Separate financial statements on Chittenden South Supervisory Union are available from Chittenden South Supervisory Union.

NOTE 16 - RESTATEMENT

The net position of the governmental activities has been restated at July 1, 2016 to correct the deferred inflows related to pensions and deferred outflows related to pensions balances. The beginning net position was restated by (\$5,040).

NOTE 17 - 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 School District'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 18 - SUBSEQUENT EVENTS

The Hinesburg Town School District, along with all other districts/unions 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 Hinesburg Town School District.

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

HINESBURG TOWN SCHOOL DISTRICT

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	\$ 553,101	\$ 553,101	\$ 553,101	\$ -
Resources (Inflows):				
Intergovernmental:				
Education spending grant	7,822,216	7,822,216	7,822,216	-
Other	1,074,069	1,074,069	1,047,544	(26,525)
Investment income	33,000	33,000	33,290	290
Miscellaneous	79,300	79,300	81,477	2,177
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>9,561,686</u>	<u>9,561,686</u>	<u>9,537,628</u>	<u>(24,058)</u>
Charges to Appropriations (Outflows):				
Current:				
Regular instruction and related services	4,346,277	4,346,277	4,240,600	105,677
Special education and related services	2,057,798	2,057,798	2,057,798	-
Support services - student based	846,993	846,993	834,454	12,539
Administrative support services	801,734	801,734	776,890	24,844
Buildings and grounds	585,647	585,647	704,714	(119,067)
Transportation	164,322	164,322	165,940	(1,618)
Debt service:				
Principal	173,000	173,000	173,000	-
Interest	35,480	35,480	34,426	1,054
Transfers to other funds	158,334	158,334	158,334	-
Total Charges to Appropriations	<u>9,169,585</u>	<u>9,169,585</u>	<u>9,146,156</u>	<u>23,429</u>
Budgetary Fund Balance, June 30	<u>\$ 392,101</u>	<u>\$ 392,101</u>	<u>\$ 391,472</u>	<u>\$ (629)</u>
Utilization of unassigned fund balance	<u>\$ 161,000</u>	<u>\$ 161,000</u>	<u>\$ -</u>	<u>\$ (161,000)</u>

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

HINESBURG TOWN SCHOOL DISTRICT

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	0.47%	0.51%	0.67%	0.62%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	<u>6,143,643</u>	<u>6,003,323</u>	<u>6,393,101</u>	<u>\$ 6,232,320</u>
Total	<u>\$ 6,143,643</u>	<u>\$ 6,003,323</u>	<u>\$ 6,393,101</u>	<u>\$ 6,232,320</u>
Covered-employee payroll	\$ 2,667,209	\$ 2,928,762	\$ 3,781,127	\$ 3,474,437
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	0.26%	0.35%	0.29%	0.31%
Proportionate share of the net pension liability	\$ 341,013	\$ 266,638	\$ 26,255	\$ 113,141
Covered-employee payroll	668,684	852,867	684,680	719,631
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	51.00%	31.26%	3.08%	16.52%
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.

HINESBURG TOWN SCHOOL DISTRICT

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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,966,980	\$ 2,667,209	\$ 2,928,762	\$ 3,781,127
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%
 <u>VMERS:</u>				
Contractually required contribution	\$ 46,370	\$ 40,273	\$ 48,345	\$ 37,108
Contributions in relation to the contractually required contribution	<u>(46,370)</u>	<u>(40,273)</u>	<u>(48,345)</u>	<u>(37,108)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 774,617	\$ 668,684	\$ 852,867	\$ 684,680
Contributions as a percentage of covered-employee payroll	5.99%	6.02%	5.67%	5.42%

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

HINESBURG TOWN SCHOOL DISTRICT

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.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

HINESBURG TOWN SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
Education spending grant	\$ 7,822,216	\$ 7,822,216	\$ 7,822,216	\$ -
Mainstream block grant	188,118	188,118	188,118	-
Special education reimbursement	697,689	697,689	683,737	(13,952)
Extraordinary reimbursement	80,284	80,284	71,431	(8,853)
Medicaid & EPSDT	43,220	43,220	39,500	(3,720)
EEE	64,758	64,758	64,758	-
Investment income:				
Earnings on investments	33,000	33,000	33,290	290
Other revenues:				
Rental income	45,000	45,000	42,425	(2,575)
Refund of prior year's expenditures	-	-	1,552	1,552
Gain/loss on sale of fixed assets	-	-	500	500
Miscellaneous	34,300	34,300	37,000	2,700
Transfers in from other funds	-	-	-	-
Amounts Available for Appropriation	<u>\$ 9,008,585</u>	<u>\$ 9,008,585</u>	<u>\$ 8,984,527</u>	<u>\$ (24,058)</u>

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

HINESBURG TOWN SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Regular instruction and related services:				
Regular program	\$ 3,967,051	\$ 3,967,051	\$ 3,870,092	\$ 96,959
Kindergarten	1,800	1,800	1,800	-
Team 1-2	3,600	3,600	3,559	41
Team 3-4	4,200	4,200	4,117	83
Team 5-6	3,600	3,600	2,949	651
Team 7-8	2,320	2,320	2,289	31
Art	4,100	4,100	3,113	987
Foreign language	2,000	2,000	1,133	867
Health/physical education	1,500	1,500	1,344	156
Literacy & math coordinators	15,000	15,000	10,331	4,669
Music	3,000	3,000	6,029	(3,029)
Science	5,000	5,000	1,360	3,640
Essential skills (K-4)	350	350	53	297
Early learning partnership	222,885	222,885	212,636	10,249
Co-curricular activities	109,871	109,871	119,795	(9,924)
	<u>4,346,277</u>	<u>4,346,277</u>	<u>4,240,600</u>	<u>105,677</u>
Special education and related services:				
Special education - ineligible	1,831,948	1,831,948	1,831,948	-
Early essential education	223,925	223,925	223,925	-
504 plans	1,925	1,925	1,925	-
	<u>2,057,798</u>	<u>2,057,798</u>	<u>2,057,798</u>	<u>-</u>
Support services - student based:				
Guidance	334,970	334,970	315,612	19,358
Health	99,007	99,007	98,095	912
Computer technology	271,837	271,837	261,507	10,330
Education media services	141,179	141,179	159,240	(18,061)
	<u>846,993</u>	<u>846,993</u>	<u>834,454</u>	<u>12,539</u>
Administrative support services:				
Board of Education	23,022	23,022	13,039	9,983
Executive administrative services	207,298	207,298	207,298	-
Other support services	28,881	28,881	22,784	6,097
Office of Principal	386,600	386,600	376,853	9,747
Other school administrative services	16,873	16,873	16,652	221
Fiscal services	139,060	139,060	140,264	(1,204)
	<u>801,734</u>	<u>801,734</u>	<u>776,890</u>	<u>24,844</u>

SCHEDULE B (CONTINUED)

HINESBURG TOWN SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Buildings and grounds:				
Operations & maintenance of plant	585,647	585,647	704,714	(119,067)
Transportation:				
Transportation	147,352	147,352	149,508	(2,156)
Transportation - co-curricular	16,970	16,970	16,432	538
	<u>164,322</u>	<u>164,322</u>	<u>165,940</u>	<u>(1,618)</u>
Debt service:				
Principal	173,000	173,000	173,000	-
Interest	10,936	10,936	8,431	2,505
Tax anticipation note interest	24,544	24,544	25,995	(1,451)
	<u>208,480</u>	<u>208,480</u>	<u>207,426</u>	<u>1,054</u>
Transfers to other funds:				
Food service fund	28,334	28,334	28,334	-
Debt service fund	130,000	130,000	130,000	-
	<u>158,334</u>	<u>158,334</u>	<u>158,334</u>	<u>-</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 9,169,585</u>	<u>\$ 9,169,585</u>	<u>\$ 9,146,156</u>	<u>\$ 23,429</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.

HINESBURG TOWN SCHOOL DISTRICT

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
Regular instruction	\$ -	\$ -	\$ 535,019	\$ -	\$ 535,019
Buildings and grounds	-	10,732,357	1,496	-	10,733,853
Food service	-	-	113,413	-	113,413
Total General Capital Assets	-	10,732,357	649,928	-	11,382,285
Less: Accumulated Depreciation	-	(4,063,230)	(545,918)	-	(4,609,148)
Net General Capital Assets	\$ -	\$ 6,669,127	\$ 104,010	\$ -	\$ 6,773,137

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

HINESBURG TOWN SCHOOL DISTRICT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEARE ENDED JUNE 30, 2017

	General Capital Assets 7/1/16	Additions	Deletions	General Capital Assets 6/30/17
Regular instruction	\$ 521,252	\$ 13,767	\$ -	\$ 535,019
Buildings and grounds	10,732,357	6,995	(5,499)	10,733,853
Food service	113,413	-	-	113,413
Total General Capital Assets	11,367,022	20,762	(5,499)	11,382,285
Less: Accumulated Depreciation	<u>(4,296,092)</u>	<u>(316,274)</u>	<u>3,218</u>	<u>(4,609,148)</u>
Net General Capital Assets	<u>\$ 7,070,930</u>	<u>\$ (295,512)</u>	<u>\$ (2,281)</u>	<u>\$ 6,773,137</u>

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



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
Hinesburg Town School District
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, each major fund, and the aggregate remaining fund information of Hinesburg Town School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Hinesburg Town School District's basic financial statements, and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hinesburg Town School District'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 8, 2017