

Audited Financial Statements and
Other Supplementary Information

Moretown School District

June 30, 2017



Proven Expertise and Integrity

MORETOWN SCHOOL DISTRICT

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JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

School Board
Moretown School District
Moretown, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Moretown School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Moretown 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 reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Moretown 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 12 and 59 through 62 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 the Moretown School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget to Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements 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 to Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements 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 to Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements 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 October 16, 2017, on our consideration of the Moretown School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Moretown School District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
October 16, 2017

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

(UNAUDITED)

The following management's discussion and analysis of the Moretown 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 schedules, 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 separate columns for the two different types of School District activities. The types of activities presented for the School District are:

- *Governmental activities* – The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). Most of the School District's basic services are reported in governmental activities which include regular education, special education & early essential education, school administration and building & grounds operations/maintenance.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Moretown School District include the MECA program, MECA 1:1, and MECA summer program.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 proprietary funds.

Governmental funds: Most 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 three columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's major funds are the general fund and the debt service fund. All other funds are shown as nonmajor and are combined in the "All Nonmajor Funds" column on these statements.

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.

Proprietary Funds: The Moretown School District maintains three proprietary funds, the MECA program, MECA 1:1, and MECA summer program. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and 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 and business-type activities. The School District's total net position for governmental activities increased by \$55,694 from \$466,550 to \$522,244. The School District's total net position for business-type activities increased by \$24,598 from \$12,385 to \$36,983.

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 deficit balance of \$39,786 at the end of this year. Unrestricted net position for business-type activities remained unchanged at a balance of \$0.

Table 1
Moretown School District
Net Position
June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets:				
Current Assets	\$ 487,796	\$ 444,858	\$ 37,457	\$ 13,259
Capital Assets	956,122	965,584	-	-
Total Assets	<u>1,443,918</u>	<u>1,410,442</u>	<u>37,457</u>	<u>13,259</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	96,078	62,613	-	-
Total Deferred Outflows of Resources	<u>96,078</u>	<u>62,613</u>	<u>-</u>	<u>-</u>
Liabilities:				
Current Liabilities	185,547	205,841	474	874
Long-term Obligations Outstanding	829,339	798,371	-	-
Total Liabilities	<u>1,014,886</u>	<u>1,004,212</u>	<u>474</u>	<u>874</u>
Deferred Inflows of Resources:				
Deferred Inflows Related to Pensions	2,866	2,293	-	-
Total Deferred Inflows of Resources	<u>2,866</u>	<u>2,293</u>	<u>-</u>	<u>-</u>
Net Position:				
Net Investment in Capital Assets	251,980	196,221	-	-
Restricted	310,050	279,388	36,983	12,385
Unrestricted (Deficit)	(39,786)	(9,059)	-	-
Total Net Position	<u>\$ 522,244</u>	<u>\$ 466,550</u>	<u>\$ 36,983</u>	<u>\$ 12,385</u>

Revenues and Expenses

Revenues for the School District's governmental activities increased 11.72% from the prior year and expenses increased 8.25%. The largest increase in revenues was in operating grants and contributions. The biggest increase in expenses was in on-behalf payments.

Revenues for the business-type activities increased by 0.33% while expenses decreased by 10.40%.

Table 2
Moretown School District
Change in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 12,368	\$ -	\$ 162,676	\$ 166,790
Operating grants and contributions	375,652	160,600	27,950	23,206
<i>General Revenues:</i>				
Grants and contributions not restricted to specific programs	2,153,862	2,100,678	-	-
Miscellaneous	34,873	45,236	-	-
Total Revenues	2,576,755	2,306,514	190,626	189,996
Expenses				
Regular education (grade K through 6)	701,640	628,156	-	-
Early education (pre kindergarten)	99,360	93,836	-	-
Regular education - art, PE, french & music	114,580	107,713	-	-
Special education & early essential ed	456,049	567,494	-	-
Intervention/SCW (tier II support)	-	143	-	-
Guidance services	26,281	25,345	-	-
School nurse	26,701	55,010	-	-
Library/media & technology	38,399	76,239	-	-
School board expense	5,918	6,137	-	-
School district treasurer	2,500	2,500	-	-
Washington West general assessment	54,447	43,948	-	-
School administration	209,945	195,114	-	-
Fiscal services	34,884	29,828	-	-
Building & grounds operations/maintenance	205,363	187,393	-	-
Transportation	67,407	62,561	-	-
Food service program	7,082	9,183	-	-
On-behalf payments	309,688	121,134	-	-
Other	43,764	41,830	166,028	185,309
Interest on long-term debt	19,463	21,767	-	-
Capital outlay	46,948	5,588	-	-
Unallocated depreciation	50,642	48,031	-	-
Total Expenses	2,521,061	2,328,950	166,028	185,309
Change in Net Position	55,694	(22,436)	24,598	4,687
Net Position - July 1	466,550	488,986	12,385	7,698
Net Position - June 30	\$ 522,244	\$ 466,550	\$ 36,983	\$ 12,385

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
Moretown School District
Fund Balances - Governmental Funds
June 30,

	2017	2016
Major Funds:		
General Fund:		
Nonspendable	\$ -	\$ 720
Unassigned	(3,076)	(21,387)
Debt Service Fund:		
Restricted	286,453	254,483
Total Major Funds	\$ 283,377	\$ 233,816
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 23,597	\$ 24,905
Unassigned	(511)	(256)
Capital Projects Funds:		
Committed	23,456	45,773
Total Nonmajor Funds	\$ 46,542	\$ 70,422

The general fund total fund balance increased by \$17,591 from the prior fiscal year. The debt service fund total fund balance increased by \$31,970 from the prior fiscal year. Total nonmajor fund balances decreased by \$23,880 from the prior fiscal year.

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

The proprietary funds had a total net position for the current year of \$36,983.

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 \$37,000 primarily due to general special education reimbursement.

The general fund actual expenditures were under budget by \$102,384 primarily due to special education & early essential education, intervention/SCW (tier II support) and school nurse.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2017, the School District's capital assets decreased by \$9,462. This decrease was the result of capital additions of \$41,180 less current year depreciation expense of \$50,642.

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

	<u>2017</u>	<u>2016</u>
Construction in progress	\$ 16,563	\$ 16,563
Buildings and improvements	868,894	895,917
Infrastructure	33,532	34,330
Machinery and equipment	12,516	18,774
Total	<u>\$ 956,122</u>	<u>\$ 965,584</u>

Debt

At June 30, 2017, the School District had \$690,000 in bonds outstanding versus \$745,000 in the prior year. Other obligations include a note payable, capital leases payable and net pension liability. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The 2017-2018 budget could be severely impacted by the reduction of funding from the State. There is no indication of reduced funding from the State for 2017-2018 as of the date this report was issued.

The Moretown School District will no longer be operational as of June 30, 2017 in accordance with the Articles of Agreement forming the Harwood Unified Union School District, which became operational on July 1, 2017.

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 Michelle J. Baker, Director of Finance & Operations, at Washington West Supervisory Union located at 340 Mad River Park, Suite 7, Waitsfield, VT 05673.

STATEMENT A

MORETOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 241,746	\$ -	\$ 241,746
Investments	269,074	-	269,074
Accounts receivable (net of allowance for uncollectibles)	-	4,217	4,217
Due from other governments	10,216	-	10,216
Internal balances	(33,240)	33,240	-
Total current assets	<u>487,796</u>	<u>37,457</u>	<u>525,253</u>
Noncurrent assets:			
Construction in progress not being depreciated	16,563	-	16,563
Buildings and improvements, net of accumulated depreciation	868,894	-	868,894
Infrastructure, net of accumulated depreciation	33,532	-	33,532
Machinery and equipment, net of accumulated depreciation	12,516	-	12,516
Total noncurrent assets	<u>956,122</u>	<u>-</u>	<u>956,122</u>
TOTAL ASSETS	<u>1,443,918</u>	<u>37,457</u>	<u>1,481,375</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	96,078	-	96,078
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>96,078</u>	<u>-</u>	<u>96,078</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,539,996</u>	<u>\$ 37,457</u>	<u>\$ 1,577,453</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 62,832	\$ 474	\$ 63,306
Accrued expenses	47,939	-	47,939
Due to other governments	47,106	-	47,106
Current portion of long-term obligations	27,670	-	27,670
Total current liabilities	<u>185,547</u>	<u>474</u>	<u>186,021</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	690,000	-	690,000
Note payable	7,169	-	7,169
Net pension liability	132,170	-	132,170
Total noncurrent liabilities	<u>829,339</u>	<u>-</u>	<u>829,339</u>
TOTAL LIABILITIES	<u>1,014,886</u>	<u>474</u>	<u>1,015,360</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	2,866	-	2,866
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,866</u>	<u>-</u>	<u>2,866</u>
NET POSITION			
Net investment in capital assets	251,980	-	251,980
Restricted:			
Debt service fund	286,453	-	286,453
Special revenue funds	23,597	-	23,597
Proprietary funds	-	36,983	36,983
Unrestricted (deficit)	(39,786)	-	(39,786)
TOTAL NET POSITION	<u>522,244</u>	<u>36,983</u>	<u>559,227</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,539,996</u>	<u>\$ 37,457</u>	<u>\$ 1,577,453</u>

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

STATEMENT B

MORETOWN 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	Business- type Activities	Total
Governmental activities:							
Regular education (grade K through 6)	\$ 701,640	\$ 12,368	\$ -	\$ -	\$ (689,272)	\$ -	\$ (689,272)
Early education (pre kindergarten)	99,360	-	-	-	(99,360)	-	(99,360)
Regular education - art, PE, french & music	114,580	-	-	-	(114,580)	-	(114,580)
Special education & early essential ed	456,049	-	-	-	(456,049)	-	(456,049)
Guidance services	26,281	-	-	-	(26,281)	-	(26,281)
School nurse	26,701	-	-	-	(26,701)	-	(26,701)
Library/media & technology	38,399	-	-	-	(38,399)	-	(38,399)
School board expense	5,918	-	-	-	(5,918)	-	(5,918)
School district treasurer	2,500	-	-	-	(2,500)	-	(2,500)
Washington West general assessment	54,447	-	-	-	(54,447)	-	(54,447)
School administration	209,945	-	-	-	(209,945)	-	(209,945)
Fiscal services	34,884	-	-	-	(34,884)	-	(34,884)
Building & grounds operations/maintenance	205,363	-	-	-	(205,363)	-	(205,363)
Transportation	67,407	-	25,128	-	(42,279)	-	(42,279)
Food service program	7,082	-	-	-	(7,082)	-	(7,082)
On-behalf payments	309,688	-	309,688	-	-	-	-
Other	43,764	-	40,836	-	(2,928)	-	(2,928)
Interest on long-term debt	19,463	-	-	-	(19,463)	-	(19,463)
Capital outlay	46,948	-	-	-	(46,948)	-	(46,948)
Unallocated depreciation*	50,642	-	-	-	(50,642)	-	(50,642)
Total governmental activities	2,521,061	12,368	375,652	-	(2,133,041)	-	(2,133,041)
Business-type activities:							
MECA Program	124,378	120,457	21,885	-	-	17,964	17,964
MECA Summer Program	41,650	42,219	6,065	-	-	6,634	6,634
Total business-type activities	166,028	162,676	27,950	-	-	24,598	24,598
Total government	\$ 2,687,089	\$ 175,044	\$ 403,602	\$ -	(2,133,041)	24,598	(2,108,443)

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

STATEMENT B (CONTINUED)
 MORETOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(2,133,041)	24,598	(2,108,443)
General revenues:			
Grants and contributions not restricted to specific programs	2,153,862	-	2,153,862
Miscellaneous	34,873	-	34,873
Total general revenues	2,188,735	-	2,188,735
Change in net position	55,694	24,598	80,292
NET POSITION - JULY 1	466,550	12,385	478,935
NET POSITION - JUNE 30	\$ 522,244	\$ 36,983	\$ 559,227

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

MORETOWN SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Debt Service Fund	All Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 201,851	\$ 17,379	\$ 22,516	\$ 241,746
Investments	-	269,074	-	269,074
Due from other governments	1,139	-	9,077	10,216
Due from other funds	1,453	-	19,905	21,358
TOTAL ASSETS	\$ 204,443	\$ 286,453	\$ 51,498	\$ 542,394
LIABILITIES				
Accounts payable	\$ 61,484	\$ -	\$ 1,348	\$ 62,832
Accrued expenses	47,939	-	-	47,939
Due to other governments	44,951	-	2,155	47,106
Due to other funds	53,145	-	1,453	54,598
TOTAL LIABILITIES	207,519	-	4,956	212,475
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	-
Restricted	-	286,453	23,597	310,050
Committed	-	-	23,456	23,456
Assigned	-	-	-	-
Unassigned	(3,076)	-	(511)	(3,587)
TOTAL FUND BALANCES (DEFICITS)	(3,076)	286,453	46,542	329,919
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 204,443	\$ 286,453	\$ 51,498	\$ 542,394

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

MORETOWN SCHOOL DISTRICT

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

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 329,919
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	956,122
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	96,078
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(690,000)
Note payable	(7,615)
Capital leases payable	(6,527)
Net pension liability	(152,867)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(2,866)</u>
Net position of governmental activities	<u><u>\$ 522,244</u></u>

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

MORETOWN SCHOOL DISTRICT

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

	General Fund	Debt Service Fund	All Nonmajor Funds	Total Governmental Funds
REVENUES				
Intergovernmental revenues	\$ 2,178,990	\$ -	\$ 40,836	\$ 2,219,826
Investment income	14,798	5,666	14	20,478
Unrealized gains (loss) on investments	-	(10,239)	-	(10,239)
State on-behalf payments	92,885	-	-	92,885
Miscellaneous	1,109	-	23,525	24,634
TOTAL REVENUES	<u>2,300,150</u>	<u>(4,573)</u>	<u>64,375</u>	<u>2,359,952</u>
EXPENDITURES				
Current:				
Regular education (grade K through 6)	675,894	-	-	675,894
Early education (pre kindergarten)	99,360	-	-	99,360
Regular education - art, PE, french & music	114,580	-	-	114,580
Special education & early essential ed	456,049	-	-	456,049
Guidance services	26,281	-	-	26,281
School nurse	26,701	-	-	26,701
Library/media & technology	89,367	-	-	89,367
School board expense	5,918	-	-	5,918
School district treasurer	2,500	-	-	2,500
Washington West general assessment	54,447	-	-	54,447
School administration	209,945	-	-	209,945
Fiscal services	34,884	-	-	34,884
Building & grounds operations/maintenance	205,363	-	-	205,363
Transportation	67,407	-	-	67,407
Food service program	7,082	-	-	7,082
State on-behalf payments	92,885	-	-	92,885
Other	-	2,457	41,307	43,764
Debt service:				
Principal	55,433	-	-	55,433
Interest	19,463	-	-	19,463
Capital outlay	-	-	46,948	46,948
TOTAL EXPENDITURES	<u>2,243,559</u>	<u>2,457</u>	<u>88,255</u>	<u>2,334,271</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>56,591</u>	<u>(7,030)</u>	<u>(23,880)</u>	<u>25,681</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	39,000	-	39,000
Transfers (out)	(39,000)	-	-	(39,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(39,000)</u>	<u>39,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	17,591	31,970	(23,880)	25,681
FUND BALANCES (DEFICITS) - JULY 1	<u>(20,667)</u>	<u>254,483</u>	<u>70,422</u>	<u>304,238</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ (3,076)</u>	<u>\$ 286,453</u>	<u>\$ 46,542</u>	<u>\$ 329,919</u>

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

MORETOWN 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>\$ 25,681</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	41,180
Depreciation expense	<u>(50,642)</u>
	<u>(9,462)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>33,465</u>
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	
	<u>65,221</u>
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	
	<u>(573)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Net pension liability	<u>(58,638)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 55,694</u></u>

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

MORETOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2017

	Enterprise Funds			Total
	MECA Program	MECA 1:1	MECA Summer Program	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	4,217	4,217
Due from other funds	22,108	341	10,791	33,240
Total current assets	<u>22,108</u>	<u>341</u>	<u>15,008</u>	<u>37,457</u>
TOTAL ASSETS	<u>\$ 22,108</u>	<u>\$ 341</u>	<u>\$ 15,008</u>	<u>\$ 37,457</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 474	\$ -	\$ -	\$ 474
Total current liabilities	<u>474</u>	<u>-</u>	<u>-</u>	<u>474</u>
TOTAL LIABILITIES	<u>474</u>	<u>-</u>	<u>-</u>	<u>474</u>
NET POSITION				
Restricted	21,634	341	15,008	36,983
TOTAL NET POSITION	<u>21,634</u>	<u>341</u>	<u>15,008</u>	<u>36,983</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 22,108</u>	<u>\$ 341</u>	<u>\$ 15,008</u>	<u>\$ 37,457</u>

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

MORETOWN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds			Total
	MECA Program	MECA 1:1	MECA Summer Program	
OPERATING REVENUES				
Charges for services	\$ 120,457	\$ -	\$ 42,219	\$ 162,676
Intergovernmental revenue	21,885	-	6,065	27,950
TOTAL OPERATING REVENUES	<u>142,342</u>	<u>-</u>	<u>48,284</u>	<u>190,626</u>
OPERATING EXPENSES				
Other	124,378	-	41,650	166,028
TOTAL OPERATING EXPENSES	<u>124,378</u>	<u>-</u>	<u>41,650</u>	<u>166,028</u>
OPERATING INCOME (LOSS)	<u>17,964</u>	<u>-</u>	<u>6,634</u>	<u>24,598</u>
NONOPERATING REVENUE (EXPENSES)				
Transfers in	-	-	-	-
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	17,964	-	6,634	24,598
NET POSITION - JULY 1	<u>3,670</u>	<u>341</u>	<u>8,374</u>	<u>12,385</u>
NET POSITION - JUNE 30	<u><u>\$ 21,634</u></u>	<u><u>\$ 341</u></u>	<u><u>\$ 15,008</u></u>	<u><u>\$ 36,983</u></u>

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

MORETOWN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds			Total
	MECA Program	MECA 1:1	MECA Summer Program	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 120,457	\$ -	\$ 43,133	\$ 163,590
Intergovernmental receipts	21,885	-	6,065	27,950
Interfund activity	(17,564)	-	(7,548)	(25,112)
Payments to suppliers	(124,778)	-	(41,650)	(166,428)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-	-	-	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	-	-	-
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 17,964	\$ -	\$ 6,634	\$ 24,598
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivables	-	-	914	914
(Increase) decrease in due from other funds	(17,564)	-	(7,548)	(25,112)
Increase (decrease) in accounts payable	(400)	-	-	(400)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ -	\$ -	\$ -	\$ -

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

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Moretown School District was incorporated under the laws in the State of Vermont. The School District operates under the Board of Directors-superintendent form of government and provides the following services: education, transportation, administration and other services.

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.

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 either governmental or business-type. The School District's MECA programs are categorized as business-type activities. All other activities of the School District are categorized as governmental.

In the government-wide Statement of Net Position, the governmental activity 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 are 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 (support from the School District, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

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

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 Debt Service Fund is used to accumulate deposits remitted into the sinking fund, which will be used for the payment of the Qualified School Construction bond at maturity.

Nonmajor Funds

- c. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- d. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Proprietary Funds

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

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

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

Basis of Accounting

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

1. Accrual

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

MORETOWN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The 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	\$2,207,265
Add: On-behalf payments	<u>92,885</u>
Total GAAP basis	<u>\$2,300,150</u>
Expenditures per budgetary basis	\$2,189,674
Add: On-behalf basis	<u>92,885</u>
Total GAAP basis	<u>\$2,282,559</u>

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

1. Early in the first half of the year the School District prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the participating Towns was called for the purpose of adopting the proposed budget after public notice of the meeting was given.

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. The budget was adopted subsequent to passage by the inhabitants of the participating Towns.
4. The School District does not adopt budgets for Special Revenue Funds.

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 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 unions.
- Repurchase agreements
- Money market mutual funds

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

Interfund Receivables and Payables

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

Transactions Between Funds

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

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$14,433 for the year ended June 30, 2017. The allowance for uncollectible amounts is estimated to be \$0 as of June 30, 2017.

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. Infrastructure such as streets, traffic signals, and signs 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.

Infrastructure assets include a water system. The School District has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Land improvements	20 years
Buildings	20 - 50 years
Building improvements	10 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 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.

MORETOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, a note payable, capital leases 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.

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 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.

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 District 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.

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.

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, deferred inflows related to pensions, which arises only under an accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the statement of net position. All items in this category are deferred and recognized as inflows of resources in the period that the amounts become available.

Program Revenues

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

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The School District does not utilize 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.

MORETOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

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.

Deposits:

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. However, the School District maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF. At June 30, 2017, the School District's cash balance of \$241,746 was comprised of bank balances of \$292,841. All of the bank deposits and cash equivalents were either fully covered by federal depository insurance, and consequently were not exposed to custodial credit risk, were collateralized by securities held by the financial institution in the School District's name, or were covered by the Securities Investor Protection Corporation (SIPC).

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 10,000
Money market accounts	22,517
Repurchase accounts	242,945
Cash equivalents	17,379
	<u>\$ 292,841</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.

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The School District had the following investments and maturities at June 30, 2017:

Investment Type	Fair Value	N/A	Less than 1 Year	1 - 5 Years	Over 5 Years
Fixed income securities (US T Notes)	\$ 228,463	\$ -	\$ -	\$ 91,826	\$ 136,637
Mutual funds - bonds	40,611	40,611	-	-	-
	<u>\$ 269,074</u>	<u>\$ 40,611</u>	<u>\$ -</u>	<u>\$ 91,826</u>	<u>\$ 136,637</u>

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	\$ 228,463	\$ -	\$ 228,463	\$ -
Corporate bonds	40,611	-	40,611	-
Total debt securities	<u>269,074</u>	<u>-</u>	<u>269,074</u>	<u>-</u>
Total investments by fair value level	<u>269,074</u>	<u>\$ -</u>	<u>\$ 269,074</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	17,379			
Total cash equivalents measured at the NAV	<u>17,379</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 286,453</u>			

MORETOWN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 and 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.

The School District seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. All of the School District's investments of \$269,074 in fixed income securities and mutual funds were covered by the Securities Investor Protection Corporation (SIPC).

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.

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.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

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

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 1,453	\$ 53,145
Enterprise Funds	33,240	-
Nonmajor Special Revenue Funds	18,965	1,453
Nonmajor Capital Projects Funds	940	-
	\$ 54,598	\$ 54,598

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS

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

	Balance 7/1/16	Additions	Disposals	Balance 6/30/17
<u>Governmental activities:</u>				
Non-depreciated assets:				
Construction in progress	\$ 16,563	\$ -	\$ -	\$ 16,563
	<u>16,563</u>	<u>-</u>	<u>-</u>	<u>16,563</u>
Depreciated assets:				
Land improvements	89,106	24,617	-	113,723
Buildings and improvements	1,567,705	16,563	-	1,584,268
Infrastructure	39,919	-	-	39,919
Machinery and equipment	46,392	-	-	46,392
	<u>1,743,122</u>	<u>41,180</u>	<u>-</u>	<u>1,784,302</u>
Less: accumulated depreciation				
Land improvements	(89,106)	-	-	(89,106)
Buildings and improvements	(671,788)	(43,586)	-	(715,374)
Infrastructure	(5,589)	(798)	-	(6,387)
Machinery and equipment	(27,618)	(6,258)	-	(33,876)
	<u>(794,101)</u>	<u>(50,642)</u>	<u>-</u>	<u>(844,743)</u>
Net capital assets	<u>\$ 965,584</u>	<u>\$ (9,462)</u>	<u>\$ -</u>	<u>\$ 956,122</u>
 <u>Current year depreciation:</u>				
School wide				<u>\$ 50,642</u>

NOTE 5 - SHORT-TERM DEBT

On July 1, 2016, the School District issued a tax and revenue anticipation note to provide liquidity for governmental operations financed by property taxes. The tax and revenue anticipation note allowed principal draws up to \$450,000 at 2.75% interest with a maturity date of June 30, 2017.

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - SHORT-TERM DEBT (CONTINUED)

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	\$ -	\$ 450,000	\$ (450,000)	\$ -

Interest expense for short-term debt activity during the year totaled \$12,341.

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2017:

	Balance 7/1/16	Additions	Deletions	Balance 6/30/17	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 745,000	\$ -	\$ (55,000)	\$ 690,000	\$ -
Note payable	8,048	-	(433)	7,615	446
Capital leases payable	16,315	-	(9,788)	6,527	6,527
Net pension liability	94,229	59,211	(573)	152,867	20,697
	\$ 863,592	\$ 59,211	\$ (65,794)	\$ 857,009	\$ 27,670

MORETOWN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding bond and note payable for the year ended June 30, 2017:

Governmental activities

Bonds payable:

\$690,000, Merchants Bank Qualified School Construction Bond due in one principal installment of \$690,000 in March 2027 with interest at 1.00% per annum payable annually through March 2027. Deposits of \$39,000 remitted annually into a sinking fund through March 2027. Interest of 1.00%, applied to the sinking fund balance, also remitted annually into the sinking fund through March 2027. The sinking fund balance is irrevocably pledged to secure the principal payment of the bond at maturity.

\$ 690,000

Total bond payable

690,000

Note payable:

\$35,030, Vermont Environmental Protection Agency Water Construction loan due in annual principal, interest and administrative fee installments of \$674 through December 2030. Interest of 1.00% and administrative fees of 2.00% payable annually through December 2030. In February 2012, \$25,000 of the loan balance was forgiven.

7,615

Total note payable

7,615

Total bond and note payable

\$ 697,615

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - LONG-TERM DEBT (CONTINUED)

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

<u>Governmental activities:</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 446	\$ 7,128	\$ 7,574
2019	459	7,115	7,574
2020	473	7,101	7,574
2021	487	7,087	7,574
2022	502	7,073	7,575
2023-2027	692,743	35,128	727,871
2028-2032	2,505	191	2,696
	<u>\$ 697,615</u>	<u>\$ 70,823</u>	<u>\$ 768,438</u>

A summary of the outstanding capital leases payable are as follows:

Capital leases payable:

Capital lease payable to General Electric Capital Corporation, interest at a rate of 5.6%, annual payments of principal and interest of \$2,078. Maturity in July 2017. \$ 1,968

Capital lease payable to US Bank Equipment Finance, interest at a rate of 6.2831%, monthly payments of principal and interest of \$393. Maturity in June 2018. 4,559

Total capital leases payable \$ 6,527

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding capital lease requirements for the fiscal years ending June 30:

Year Ending June 30:	
<u>2018</u>	\$ 6,794
Total minimum lease payment	6,794
Less amount representing interest	(267)
Present value of future minimum lease payments	<u>\$ 6,527</u>

NOTE 7 - OVERSPENT APPROPRIATIONS

For the year ended June 30, 2017, the School District had the following overspent appropriations:

Regular education (grade PK - 6 classroom)	\$ 4,773
Early education (pre kindergarten classroom)	4,118
School administration	2,744
Fiscal services	2,025
Buildings & grounds operations/maintenance	10,556
Debt service - interest	646
	<u>\$ 24,862</u>

NOTE 8 - RESTRICTED FUND BALANCES

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

Debt service fund	\$ 286,453
Nonmajor special revenue funds (Schedule E)	23,597
	<u>\$ 310,050</u>

NOTE 9 - COMMITTED FUND BALANCES

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

Nonmajor capital projects funds (Schedule G)	<u>\$ 23,456</u>
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MORETOWN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 10 - DEFICIT FUND BALANCES

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

General fund	\$	3,076
Nonmajor special revenue funds:		
STE@M grant		254
VT ed rural collaborative		257
	\$	3,587

NOTE 11 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the School District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private School District teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2015, 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.

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

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, 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:

MORETOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

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

MORETOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

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 School District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the School District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan which approximates \$92,885 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	2.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

Employee contributions totaled \$42,041 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees covered under this plan was \$801,422 for the year ended June 30, 2017.

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

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 District 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 Districts 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
- 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

MORETOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

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

VMERS	Group A	Group B	Group C	Group D
Normal service retirement eligibility	Age 65 with 5 years of service, or age 55 with 35 years of service	Age 62 with 5 years of service, or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 55 with 20 years of service
Early Retirement Eligibility	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

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

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

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve

MORETOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

the financial integrity of the fund, and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

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

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 \$13,958 and \$16,002, respectively. The School District contributed \$15,747 and \$18,053 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 \$286,309.

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:

MORETOWN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

School District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the School District		1,887,251
Total	\$	1,887,251

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 0.14412%, which was an increase of 0.00573% from its proportion measured as of June 30, 2015.

VMERS Plan

At June 30, 2017, the School District reported a liability of \$152,867 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, 2015, the School District’s proportion was 0.11878% for VMERS, which was a decrease of 0.00344% 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 pension revenue of \$309,688 and expense of \$309,688 for support provided by the State of Vermont for the VSTRS plan. In the same period, the School District recognized pension expense of \$25,746 for the VMERS plan. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MORETOWN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 3,140	\$ -
Changes of assumptions	-	-	24,550	-
Net difference between projected and actual earnings on pension plan investments	-	-	49,567	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	3,074	2,866
Contributions subsequent to the measurement date	-	-	15,747	-
Total	\$ -	\$ -	\$ 96,078	\$ 2,866

\$15,747 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
Year ended June 30:		
2017	\$ -	\$ 20,697
2018	-	20,697
2019	-	27,518
2020	-	8,552
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:

MORETOWN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

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

Salary Increases: 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.

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.

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

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

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

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

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

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

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

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

MORETOWN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	31.50%	8.54%
Fixed income	33.00%	2.36%
Alternative	15.50%	8.35%
Multi-strategy	20.00%	4.90%
Total	<u>100.00%</u>	

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

Discount Rate

The discount rate used to measure the total pension liability was 7.95% for the VSTRS plan and 7.95% for the VMERS plan. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current VMERS System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the 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 the VSTRS plan and 7.95% for the VMERS plan, 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:

MORETOWN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

	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	\$ 253,774	\$ 152,867	\$ 68,378

Pension Plan Fiduciary Net Position

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

NOTE 12 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance or participates in a public entity and self-insured risk pool.

Based on the coverage provided by the insurance purchased, the School District is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2017. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

In addition, the School District is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker compensation, multi-line intermunicipal school program, and unemployment compensation program, and the Vermont Education Health Initiative (VEHI) for medical benefits. VSBIT and VEHI are nonprofit corporations

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - RISK MANAGEMENT (CONTINUED)

formed to provide insurance and risk management programs for Vermont School Districts and is owned by the participating School Districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, VEHI has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

To provide unemployment coverage, VSBIT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and to provide excess reinsurance protections. Contributions are based on payroll expense and the previous two-year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the program will be terminated with each member assessed their proportionate share of the deficit.

To provide worker's compensation coverage, VSBIT has established a separate trust of funds from member contributions to pay administrative costs and workers compensation coverage. Contributions are based upon formulas applied to payroll expense. At the end of the coverage period, the members will be assessed or refunded any difference between estimated contributions and actual expenses.

Multi-Line Intermunicipal School Program provides coverage for property; inland marine and boiler and machinery; crime; commercial general liability; automobile/garagekeepers; and educators legal liability. Annual contributions are based upon appropriate rates applicable to each member; such rates are set based on recommendations of a qualified actuary, plus a proportionate share of all operational and administrative cost including excess reinsurance premiums incurred by the trust. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the program will be terminated with each member assessed their proportionate share of the deficit.

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - CONTINGENCIES

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

NOTE 14 - RELATED ORGANIZATION

On behalf of Moretown School District, Washington West Supervisory Union entered into a transportation agreement with First Student through June 30, 2018. Annually, Washington West Supervisory Union charges the School District an assessment for their share of the transportation expenditure.

The School District has an ongoing financial responsibility to Washington West Supervisory Union as defined in GASB 14, paragraph 71. Through Washington West 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 Washington West Supervisory Union are available from Washington West Supervisory Union.

NOTE 15 - SUBSEQUENT EVENTS

On June 7, 2016 the voters in all of the School Districts of the Washington West Supervisory Union (WWSU) voted to approve forming a Unified District, to be known as the Harwood Unified Union School District. The new governance structure became fully operational on July 1, 2017. During the year of transition, a newly formed board began working on the budget for the 2017-2018 fiscal year. A single budget for the operations of a coordinated PK-12 system were presented to voters on Town Meeting Day in March of 2017. On July 1, 2017, the seven boards of WWSU were replaced with one 14-member board overseeing the unified district, with one blended tax rate adjusted for Common Level Appraisal in each Town.

MORETOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 16 - 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.

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

MORETOWN 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	\$ (20,667)	\$ (20,667)	\$ (20,667)	\$ -
Resources (Inflows):				
Intergovernmental:				
State support	1,906,160	1,906,160	1,906,160	-
Other	328,105	328,105	272,830	(55,275)
Interest income	10,000	10,000	14,798	4,798
Miscellaneous	-	-	1,109	1,109
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>2,223,598</u>	<u>2,223,598</u>	<u>2,186,598</u>	<u>(37,000)</u>
Charges to Appropriations (Outflows):				
Current:				
Regular education (grade K through 6)	671,121	671,121	675,894	(4,773)
Early education (pre kindergarten)	95,242	95,242	99,360	(4,118)
Regular education - art, PE, french & music	116,457	116,457	114,580	1,877
Special education & early essential ed	516,996	516,996	456,049	60,947
Intervention/SCW (tier II support)	18,872	18,872	-	18,872
Guidance services	28,444	28,444	26,281	2,163
School nurse	56,420	56,420	26,701	29,719
Library/media & technology	91,839	91,839	89,367	2,472
School board expense	8,324	8,324	5,918	2,406
School district treasurer	2,500	2,500	2,500	-
Washington West general assessment	54,787	54,787	54,447	340
School administration	207,201	207,201	209,945	(2,744)
Fiscal services	32,859	32,859	34,884	(2,025)
Building & grounds operations/maintenance	194,807	194,807	205,363	(10,556)
Transportation	69,084	69,084	67,407	1,677
Food service program	13,855	13,855	7,082	6,773
Debt service:				
Principal	55,433	55,433	55,433	-
Interest	18,817	18,817	19,463	(646)
Transfers to other funds	39,000	39,000	39,000	-
Total Charges to Appropriations	<u>2,292,058</u>	<u>2,292,058</u>	<u>2,189,674</u>	<u>102,384</u>
Budgetary Fund Balance, June 30	<u>\$ (68,460)</u>	<u>\$ (68,460)</u>	<u>\$ (3,076)</u>	<u>\$ 65,384</u>
Utilization of committed fund balance	<u>\$ 47,793</u>	<u>\$ 47,793</u>	<u>\$ -</u>	<u>\$ (47,793)</u>

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

MORETOWN SCHOOL DISTRICT

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

	2017	2016	2015
<u>VSTRS:</u>			
Proportion of the net pension liability	0.00%	0.00%	0.00%
Proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	1,887,251	1,641,988	1,234,535
Total	<u>\$ 1,887,251</u>	<u>\$ 1,641,988</u>	<u>\$ 1,234,535</u>
Covered-employee payroll	\$ 933,589	\$ 771,805	\$ 730,152
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	55.31%	58.22%	64.02%
<u>VMERS:</u>			
Proportion of the net pension liability	0.12%	0.12%	0.03%
Proportionate share of the net pension liability	\$ 152,867	\$ 94,229	\$ 11,857
Covered-employee payroll	\$ 328,236	\$ 317,858	\$ 304,691
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	46.57%	29.64%	3.89%
Plan fiduciary net position as a percentage of the total pension liability	80.95%	87.42%	98.32%

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

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

MORETOWN SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>VSTRS:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 801,422	\$ 933,589	\$ 771,805
Contributions as a percentage of covered- employee payroll	0.00%	0.00%	0.00%
<u>VMERS:</u>			
Contractually required contribution	\$ 15,747	\$ 18,053	\$ 17,085
Contributions in relation to the contractually required contribution	<u>(15,747)</u>	<u>(18,053)</u>	<u>(17,085)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 286,309	\$ 328,236	\$ 310,636
Contributions as a percentage of covered- employee payroll	5.50%	5.50%	5.50%

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

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

MORETOWN 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.

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

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 - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

MORETOWN 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:				
State Education Spending Grant	\$ 1,906,160	\$ 1,906,160	\$ 1,906,160	\$ -
Transportation Aid	25,530	25,530	25,128	(402)
Mainstream Block Grant	37,725	37,725	37,725	-
General SPED Reimbursement	209,934	209,934	165,308	(44,626)
Extraordinary Reimbursement	14,435	14,435	-	(14,435)
Erate	-	-	4,440	4,440
Essential Early Education	14,435	14,435	13,874	(561)
Small Schools Grant	26,046	26,046	26,355	309
Tuition	-	-	12,368	12,368
Interest income	10,000	10,000	14,798	4,798
Miscellaneous:				
Other receipts	-	-	1,109	1,109
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>\$ 2,244,265</u>	<u>\$ 2,244,265</u>	<u>\$ 2,207,265</u>	<u>\$ (37,000)</u>

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

SCHEDULE B

MORETOWN SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Regular education (grade K - 6 classroom) -				
Salaries	\$ 480,360	\$ 480,360	\$ 482,563	\$ (2,203)
Benefits & staff development	148,611	148,611	155,840	(7,229)
Services, materials and equipment	42,150	42,150	37,491	4,659
	<u>671,121</u>	<u>671,121</u>	<u>675,894</u>	<u>(4,773)</u>
Early education (pre kindergarten classroom) -				
Salaries	60,627	60,627	61,464	(837)
Benefits & staff development	27,931	27,931	22,402	5,529
Services, materials and equipment	6,684	6,684	15,494	(8,810)
	<u>95,242</u>	<u>95,242</u>	<u>99,360</u>	<u>(4,118)</u>
Regular education - art, PE, french & music -				
Salaries	93,454	93,454	93,679	(225)
Benefits & staff development	19,003	19,003	18,493	510
Services, materials and equipment	4,000	4,000	2,408	1,592
	<u>116,457</u>	<u>116,457</u>	<u>114,580</u>	<u>1,877</u>
Special education/speech & essential early ed (eligible & ineligible SpEd) -				
Salaries	62,687	62,687	77,706	(15,019)
Benefits & staff development	49,269	49,269	58,368	(9,099)
WWSU special education assessment (Act 153/156)	387,523	387,523	319,969	67,554
Contracted services, materials, supplies & equipment	17,517	17,517	6	17,511
	<u>516,996</u>	<u>516,996</u>	<u>456,049</u>	<u>60,947</u>
Intervention and school wide (tier II support) -				
Salaries	10,180	10,180	-	10,180
Benefits & staff development	8,692	8,692	-	8,692
	<u>18,872</u>	<u>18,872</u>	<u>-</u>	<u>18,872</u>
Guidance services -				
Salaries	21,821	21,821	22,128	(307)
Benefits & staff development	6,073	6,073	4,153	1,920
Services, materials and equipment	550	550	-	550
	<u>28,444</u>	<u>28,444</u>	<u>26,281</u>	<u>2,163</u>
School nurse -				
Salaries	39,564	39,564	23,710	15,854
Benefits & staff development	15,856	15,856	2,422	13,434
Materials, supplies & equipment	1,000	1,000	569	431
	<u>56,420</u>	<u>56,420</u>	<u>26,701</u>	<u>29,719</u>
Library/media & technology -				
Salaries	38,850	38,850	40,241	(1,391)
Benefits & staff development	16,722	16,722	15,848	874
Contracted services, materials, supplies & equipment	36,267	36,267	33,278	2,989
	<u>91,839</u>	<u>91,839</u>	<u>89,367</u>	<u>2,472</u>

SCHEDULE B (CONTINUED)
 MORETOWN SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
School board expense -				
Board member reimbursement	500	500	300	200
Board secretary	540	540	-	540
Benefits	434	434	38	396
Legal expense	2,500	2,500	766	1,734
Liability insurance expense	2,500	2,500	2,598	(98)
Board printing/advertising	750	750	94	656
VSBA dues	1,100	1,100	1,093	7
Board other	-	-	1,029	(1,029)
	<u>8,324</u>	<u>8,324</u>	<u>5,918</u>	<u>2,406</u>
School district treasurer	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Washington West general assessment	<u>54,787</u>	<u>54,787</u>	<u>54,447</u>	<u>340</u>
School administration -				
Salaries	136,373	136,373	137,932	(1,559)
Benefits & staff development	65,478	65,478	62,351	3,127
Materials, supplies & equipment	5,350	5,350	9,662	(4,312)
	<u>207,201</u>	<u>207,201</u>	<u>209,945</u>	<u>(2,744)</u>
Fiscal services -				
WWSU fiscal service assessment	28,509	28,509	28,332	177
Audit	4,350	4,350	6,552	(2,202)
	<u>32,859</u>	<u>32,859</u>	<u>34,884</u>	<u>(2,025)</u>
Buildings & grounds operations/maintenance -				
Salaries	58,706	58,706	61,908	(3,202)
Benefits & staff development	32,801	32,801	31,978	823
Building supplies & operations	103,300	103,300	111,477	(8,177)
	<u>194,807</u>	<u>194,807</u>	<u>205,363</u>	<u>(10,556)</u>
Transportation (WWSU transportation assessment) -				
Daily transportation	65,584	65,584	62,015	3,569
Field trips	3,500	3,500	5,392	(1,892)
	<u>69,084</u>	<u>69,084</u>	<u>67,407</u>	<u>1,677</u>
Food service (HUHS and transport)	<u>13,855</u>	<u>13,855</u>	<u>7,082</u>	<u>6,773</u>
Debt service -				
Short-term debt:				
Tax anticipation note interest	10,000	10,000	12,341	(2,341)
	<u>10,000</u>	<u>10,000</u>	<u>12,341</u>	<u>(2,341)</u>
Long-term debt -				
Bond-interest-1996 addition	1,676	1,676	-	1,676
Bond-interest-2008 roof	6,900	6,900	6,881	19
DWSRF loan - water project interest	241	241	241	-
Bond-principal-2008 roof	55,000	55,000	55,000	-
DWSRF loan - water project principal	433	433	433	-
	<u>64,250</u>	<u>64,250</u>	<u>62,555</u>	<u>1,695</u>
Transfers to other funds -				
Debt service fund	39,000	39,000	39,000	-
	<u>39,000</u>	<u>39,000</u>	<u>39,000</u>	<u>-</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 2,292,058</u>	<u>\$ 2,292,058</u>	<u>\$ 2,189,674</u>	<u>\$ 102,384</u>

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

MORETOWN SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 22,516	\$ 22,516
Due from other governments	9,077	-	9,077
Due from other funds	18,965	940	19,905
TOTAL ASSETS	<u>\$ 28,042</u>	<u>\$ 23,456</u>	<u>\$ 51,498</u>
LIABILITIES			
Accounts payable	\$ 1,348	\$ -	\$ 1,348
Due to other governments	2,155	-	2,155
Due to other funds	1,453	-	1,453
TOTAL LIABILITIES	<u>4,956</u>	<u>-</u>	<u>4,956</u>
FUND BALANCES (DEFICITS)			
Nonspendable	-	-	-
Restricted	23,597	-	23,597
Committed	-	23,456	23,456
Assigned	-	-	-
Unassigned	(511)	-	(511)
TOTAL FUND BALANCES (DEFICITS)	<u>23,086</u>	<u>23,456</u>	<u>46,542</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 28,042</u>	<u>\$ 23,456</u>	<u>\$ 51,498</u>

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

SCHEDULE D

MORETOWN SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 16,219	\$ 24,617	\$ 40,836
Interest income	-	14	14
Other income	23,525	-	23,525
TOTAL REVENUES	<u>39,744</u>	<u>24,631</u>	<u>64,375</u>
EXPENDITURES			
Other	41,307	-	41,307
Capital outlay	-	46,948	46,948
TOTAL EXPENDITURES	<u>41,307</u>	<u>46,948</u>	<u>88,255</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,563)</u>	<u>(22,317)</u>	<u>(23,880)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,563)	(22,317)	(23,880)
FUND BALANCES - JULY 1	<u>24,649</u>	<u>45,773</u>	<u>70,422</u>
FUND BALANCES - JUNE 30	<u><u>\$ 23,086</u></u>	<u><u>\$ 23,456</u></u>	<u><u>\$ 46,542</u></u>

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

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

MORETOWN SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Moretown Book Fair	VT Energy Grant	VSBIT Wellness Grant	Medicaid	Field Trip Grade PK	Health Grants
ASSETS						
Due from other governments	\$ -	\$ -	\$ -	\$ 7,878	\$ -	\$ -
Due from other funds	-	-	-	5,711	12	-
TOTAL ASSETS	\$ -	\$ -	\$ -	\$ 13,589	\$ 12	\$ -
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	2,155	-	-
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	2,155	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	11,434	12	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	-	-	-	11,434	12	-
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ -	\$ -	\$ -	\$ 13,589	\$ 12	\$ -

MORETOWN SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Book Fair	Girls On The Run	Tarrant Grant	Field Trip Grades 4-5-6	Field Trip Grade 3	Field Trip Grades 1-2
ASSETS						
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	511	-	-	-	1,213	293
TOTAL ASSETS	\$ 511	\$ -	\$ -	\$ -	\$ 1,213	\$ 293
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	511	-	-	-	1,213	293
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	511	-	-	-	1,213	293
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 511	\$ -	\$ -	\$ -	\$ 1,213	\$ 293

MORETOWN SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Freshies Farmers Market	Field Trip Grade K	STE@M Grant	Principal's Discretionary Fund	Vermont Community Foundation	Lice Busters Donation
ASSETS						
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	1,051	-	298	415	600
TOTAL ASSETS	\$ -	\$ 1,051	\$ -	\$ 298	\$ 415	\$ 600
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-	-	-
Due to other funds	-	-	254	-	-	-
TOTAL LIABILITIES	-	-	254	-	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	1,051	-	298	415	600
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	(254)	-	-	-
TOTAL FUND BALANCES (DEFICITS)	-	1,051	(254)	298	415	600
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ -	\$ 1,051	\$ -	\$ 298	\$ 415	\$ 600

MORETOWN SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Educator Grant	VT Rural Ed Collaborative	Eco Program	911 Compliance Grant	Moretown PTN	Total
ASSETS						
Due from other governments	\$ -	\$ -	\$ -	\$ 1,199	\$ -	\$ 9,077
Due from other funds	-	818	2,792	-	5,251	18,965
TOTAL ASSETS	\$ -	\$ 818	\$ 2,792	\$ 1,199	\$ 5,251	\$ 28,042
LIABILITIES						
Accounts payable	\$ -	\$ 1,075	\$ -	\$ -	\$ 273	\$ 1,348
Due to other governments	-	-	-	-	-	2,155
Due to other funds	-	-	-	1,199	-	1,453
TOTAL LIABILITIES	-	1,075	-	1,199	273	4,956
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	2,792	-	4,978	23,597
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	(257)	-	-	-	(511)
TOTAL FUND BALANCES (DEFICITS)	-	(257)	2,792	-	4,978	23,086
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ -	\$ 818	\$ 2,792	\$ 1,199	\$ 5,251	\$ 28,042

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

MORETOWN SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Moretown Book Fair	VT Energy Grant	VSBIT Wellness Grant	Medicaid	Field Trip Grade PK	Health Grants
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ 16,219	\$ -	\$ -
Other income	-	-	-	-	180	-
TOTAL REVENUES	-	-	-	16,219	180	-
EXPENDITURES						
Other	7	56	10	12,653	168	60
TOTAL EXPENDITURES	7	56	10	12,653	168	60
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7)	(56)	(10)	3,566	12	(60)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES (DEFICITS)	(7)	(56)	(10)	3,566	12	(60)
FUND BALANCES (DEFICITS) - JULY 1	7	56	10	7,868	-	60
FUND BALANCES (DEFICITS) - JUNE 30	\$ -	\$ -	\$ -	\$ 11,434	\$ 12	\$ -

MORETOWN SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Book Fair	Girls On The Run	Tarrant Grant	Field Trip Grades 4-5-6	Field Trip Grade 3	Field Trip Grades 1-2
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	2,766	31	1,509	2,878	713	179
TOTAL REVENUES	<u>2,766</u>	<u>31</u>	<u>1,509</u>	<u>2,878</u>	<u>713</u>	<u>179</u>
EXPENDITURES						
Other	2,255	-	1,509	2,878	-	1,012
TOTAL EXPENDITURES	<u>2,255</u>	<u>-</u>	<u>1,509</u>	<u>2,878</u>	<u>-</u>	<u>1,012</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>511</u>	<u>31</u>	<u>-</u>	<u>-</u>	<u>713</u>	<u>(833)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	511	31	-	-	713	(833)
FUND BALANCES (DEFICITS) - JULY 1	<u>-</u>	<u>(31)</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>1,126</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 511</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,213</u>	<u>\$ 293</u>

MORETOWN SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Freshies Farmers Market	Field Trip Grade K	STE@M Grant	Principal's Discretionary Fund	Vermont Community Foundation	Lice Busters Donation
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	523	640	350	615	-
TOTAL REVENUES	-	523	640	350	615	-
EXPENDITURES						
Other	7	427	669	52	2,200	-
TOTAL EXPENDITURES	7	427	669	52	2,200	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7)	96	(29)	298	(1,585)	-
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES (DEFICITS)	(7)	96	(29)	298	(1,585)	-
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	7	955	(225)	-	2,000	600
FUND BALANCES (DEFICITS) - JUNE 30	\$ -	\$ 1,051	\$ (254)	\$ 298	\$ 415	\$ 600

MORETOWN SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Educator Grant	VT Rural Ed Collaborative	Eco Program	911 Compliance Grant	Moretown PTN	Total
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,219
Other income	-	2,000	807	1,199	9,135	23,525
TOTAL REVENUES	-	2,000	807	1,199	9,135	39,744
EXPENDITURES						
Other	141	4,862	2,872	1,199	8,270	41,307
TOTAL EXPENDITURES	141	4,862	2,872	1,199	8,270	41,307
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(141)	(2,862)	(2,065)	-	865	(1,563)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES (DEFICITS)	(141)	(2,862)	(2,065)	-	865	(1,563)
FUND BALANCES (DEFICITS) - JULY 1	141	2,605	4,857	-	4,113	24,649
FUND BALANCES (DEFICITS) - JUNE 30	\$ -	\$ (257)	\$ 2,792	\$ -	\$ 4,978	\$ 23,086

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

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

MORETOWN SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	<u>Roof Construction</u>	<u>Maintenance Reserve</u>	<u>Playground Equipment</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 22,516	\$ -	\$ 22,516
Due from other funds	940	-	-	940
TOTAL ASSETS	<u><u>\$ 940</u></u>	<u><u>\$ 22,516</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,456</u></u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	940	22,516	-	23,456
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>940</u>	<u>22,516</u>	<u>-</u>	<u>23,456</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 940</u></u>	<u><u>\$ 22,516</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,456</u></u>

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

MORETOWN SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Roof Construction</u>	<u>Maintenance Reserve</u>	<u>Playground Equipment</u>	<u>Total</u>
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 24,617	\$ 24,617
Interest income	-	14	-	14
TOTAL REVENUES	<u>-</u>	<u>14</u>	<u>24,617</u>	<u>24,631</u>
EXPENDITURES				
Capital outlay	-	22,331	24,617	46,948
TOTAL EXPENDITURES	<u>-</u>	<u>22,331</u>	<u>24,617</u>	<u>46,948</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(22,317)</u>	<u>-</u>	<u>(22,317)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(22,317)	-	(22,317)
FUND BALANCES - JULY 1	<u>940</u>	<u>44,833</u>	<u>-</u>	<u>45,773</u>
FUND BALANCES - JUNE 30	<u>\$ 940</u>	<u>\$ 22,516</u>	<u>\$ -</u>	<u>\$ 23,456</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.

MORETOWN 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
School-wide	\$ 16,563	\$ 1,697,991	\$ 46,392	\$ 39,919	\$ 1,800,865
Total General Capital Assets	16,563	1,697,991	46,392	39,919	1,800,865
Less: Accumulated Depreciation	-	(804,480)	(33,876)	(6,387)	(844,743)
Net General Capital Assets	<u>\$ 16,563</u>	<u>\$ 893,511</u>	<u>\$ 12,516</u>	<u>\$ 33,532</u>	<u>\$ 956,122</u>

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

MORETOWN SCHOOL DISTRICT

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

	General Capital Assets 7/1/16	Additions	Deletions	General Capital Assets 6/30/17
School-wide	\$ 1,759,685	\$ 41,180	\$ -	\$ 1,800,865
Total General Capital Assets	1,759,685	41,180	-	1,800,865
Less: Accumulated Depreciation	(794,101)	(50,642)	-	(844,743)
Net General Capital Assets	<u>\$ 965,584</u>	<u>\$ (9,462)</u>	<u>\$ -</u>	<u>\$ 956,122</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

School Board
Moretown School District
Moretown, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Moretown School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Moretown School District's basic financial statements, and have issued our report thereon dated October 16, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
October 16, 2017