

Audited Financial Statements and
Other Supplementary Information

Warren School District

June 30, 2017



Proven Expertise and Integrity

WARREN SCHOOL DISTRICT

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JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

School Board
Warren School District
Warren, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Warren School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Warren 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, each major fund, and the aggregate remaining fund information of the Warren School District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 11 and 52 through 55 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 Warren School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and 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 and 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 and 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 Warren 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 Warren 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 Warren 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 one separate column for the one type of School District activity. The type of activity presented for the School District is:

- *Governmental activities* – The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). All of the School District's basic services are reported in governmental activities, which include regular education, special education, speech and essential early education, school administration, and buildings & grounds operation/maintenance.

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 one category: governmental funds.

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

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

The School District presents four columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's major funds are the general fund, Medicaid 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.

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 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

Required Supplementary Information

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

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining 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 activities. The School District's total net position for governmental activities decreased by \$33,549 from \$220,321 to \$186,772.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for governmental activities to a deficit balance of \$97,082 at the end of this year.

**Table 1
Warren School District
Net Position
June 30,**

	Governmental Activities	
	2017	2016
Assets:		
Current Assets	\$ 495,171	\$ 216,446
Capital Assets	526,553	434,860
Total Assets	1,021,724	651,306
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	45,882	28,648
Total Deferred Outflows of Resources	45,882	28,648
Liabilities:		
Current Liabilities	506,571	386,627
Long-term Obligations Outstanding	371,803	73,006
Total Liabilities	878,374	459,633
Deferred Inflows of Resources:		
Deferred Inflows Related to Pensions	2,460	-
Total Deferred Inflows of Resources	2,460	-
Net Position:		
Net Investment in Capital Assets	196,331	378,403
Restricted	87,523	67,745
Unrestricted (Deficit)	(97,082)	(225,827)
Total Net Position	\$ 186,772	\$ 220,321

Revenues and Expenses

Revenues for the School District increased by 14.46% from the prior year, while expenses also increased by 10.77%. The largest increase in revenues was in grants and contributions. The biggest increase in expenses was in capital outlay.

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

	Governmental Activities	
	2017	2016
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 235,418	\$ 148,455
Operating grants and contributions	464,891	330,626
<i>General Revenues:</i>		
Grants and contributions not restricted to specific programs	2,485,615	2,349,656
Miscellaneous	94,310	37,118
Total Revenues	3,280,234	2,865,855
Expenses		
Regular education - classroom (k to grade 6)	815,404	882,710
Early education - pre kindergarten	244,395	148,526
Art	28,197	26,479
Foreign language - french	-	21,620
Physical education	54,438	46,682
Music/drama	43,490	43,623
Technology	26,540	33,819
Special education, speech & EEE	455,005	460,923
School wide (CFG funded)	58,643	47,046
Guidance services/home school coordinator	60,690	58,038
School nurse	26,772	25,630
Library/media	94,830	93,326
Board expense	10,698	16,296
Washington West general assessment	74,647	62,853
School administration	170,059	197,971
Fiscal services	45,950	41,067
Buliding & grounds operation/maintenance	200,689	185,172
Daily transportation	99,936	101,170
Field trips transportation	4,313	4,975
On-behalf payments	423,462	289,084
Program expenditures	167,900	133,557
Interest on long-term debt	9,531	7,597
Capital outlay	197,267	25,703
Unallocated depreciation	927	37,803
Total Expenses	3,313,783	2,991,670
Change in Net Position	(33,549)	(125,815)
Net Position - July 1	220,321	346,136
Net Position - June 30	\$ 186,772	\$ 220,321

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
Warren School District
Fund Balances - Governmental Funds
June 30,

	2017	2016
Major Funds:		
General Fund:		
Nonspendable	\$ -	\$ 720
Unassigned	(67,094)	(173,211)
Medicaid Fund:		
Restricted	41,447	20,422
Total Major Funds	\$ (25,647)	\$ (152,069)
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 673	\$ 672
Restricted	46,076	47,323
Unassigned	-	(180)
Capital Projects Funds:		
Committed	15	-
Total Nonmajor Funds	\$ 46,764	\$ 47,815

The general fund total fund balance increased by \$105,397 from the prior fiscal year. The medicaid fund total fund balance increased by \$21,025 from the prior fiscal year. Total nonmajor fund balances decreased by \$1,051 from the prior fiscal year.

Budgetary Highlights

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

The general fund actual revenues exceeded budgeted revenues by \$161,042 primarily due to receipts exceeding budgeted amounts for tuition, Title I and CFG SCW funding.

The general fund actual expenditures were over budget by \$55,645 primarily due to actual expenditures exceeding budgeted amounts for early education - pre kindergarten, special education, speech, EEE and school wide (CFG funded).

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2017, the School District's capital assets increased by \$91,693. This increase was the result of capital additions of \$123,389 less current year depreciation expense of \$31,696.

Warren School District Capital Assets (Net of Depreciation) June 30,

	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 341,004	\$ 345,517
Machinery and equipment	15,663	17,811
Infrastructure	69,297	71,532
Total	<u>\$ 526,553</u>	<u>\$ 434,860</u>

Debt

At June 30, 2017, the School District had \$330,222 in a bond and note payable versus \$52,464 in the prior fiscal year. Other obligations include 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 Warren 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 will become 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.

WARREN SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 253,143
Accounts receivable (net of allowance for uncollectibles)	236,048
Due from other governments	5,307
Inventory	673
Total current assets	<u>495,171</u>
Noncurrent assets:	
Buildings and improvements, net of accumulated depreciation	341,004
Infrastructure, net of accumulated depreciation	69,297
Machinery and equipment, net of accumulated depreciation	15,663
Total noncurrent assets	<u>526,553</u>
TOTAL ASSETS	<u>1,021,724</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	45,882
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>45,882</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,067,606</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 157,193
Accrued expenses	104,753
Current expense note	200,000
Due to other governments	12,108
Retirement incentive program	6,000
Current portion of long-term obligations	26,517
Total current liabilities	<u>506,571</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bond payable	303,705
Net pension liability	68,098
Total noncurrent liabilities	<u>371,803</u>
TOTAL LIABILITIES	<u>878,374</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,460
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,460</u>
NET POSITION	
Net investment in capital assets	196,331
Restricted: Medicaid fund	41,447
Special revenue funds	46,076
Unrestricted (deficit)	(97,082)
TOTAL NET POSITION	<u>186,772</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,067,606</u>

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

WARREN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Revenue & Changes in Net Position
					Total Governmental Activities
Governmental activities:					
Regular education - classroom (k to grade 6)	\$ 815,404	\$ 189,371	\$ -	\$ -	\$ (626,033)
Early education - pre kindergarten	244,395	-	-	-	(244,395)
Art	28,197	-	-	-	(28,197)
Physical education	54,438	-	-	-	(54,438)
Music/drama	43,490	-	-	-	(43,490)
Technology	26,540	-	-	-	(26,540)
Special education, speech & EEE	455,005	-	-	-	(455,005)
School wide (CFG funded)	58,643	-	-	-	(58,643)
Guidance services/home school coordinator	60,690	-	-	-	(60,690)
School nurse	26,772	-	-	-	(26,772)
Library/media	94,830	-	-	-	(94,830)
Board expense	10,698	-	-	-	(10,698)
Washington West general assessment	74,647	-	-	-	(74,647)
School administration	170,059	-	-	-	(170,059)
Fiscal services	45,950	-	-	-	(45,950)
Buliding & grounds operation/maintenance	200,689	-	-	-	(200,689)
Daily transportation	99,936	-	41,429	-	(58,507)
Field trips transportation	4,313	-	-	-	(4,313)
On-behalf payments	423,462	-	423,462	-	-
Program expenditures	167,900	46,047	-	-	(121,853)
Capital outlay	197,267	-	-	-	(197,267)
Interest on long-term debt	9,531	-	-	-	(9,531)
Unallocated depreciation*	927	-	-	-	(927)
Total governmental activities	<u>\$ 3,313,783</u>	<u>\$ 235,418</u>	<u>\$ 464,891</u>	<u>\$ -</u>	<u>(2,613,474)</u>

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

STATEMENT B (CONTINUED)
WARREN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(2,613,474)</u>
General revenues:	
Grants and contributions not restricted to specific programs	2,485,615
Miscellaneous	94,310
Total general revenues	<u>2,579,925</u>
Change in net position	(33,549)
NET POSITION - JULY 1	<u>220,321</u>
NET POSITION - JUNE 30	<u>\$ 186,772</u>

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

STATEMENT C

WARREN SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Medicaid	Debt Service Fund	All Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 252,669	\$ -	\$ -	\$ 474	\$ 253,143
Accounts receivable (net of allowance for uncollectibles)	35,814	-	189,187	11,047	236,048
Due from other governments	1,482	3,825	-	-	5,307
Due from other funds	84,456	37,622	-	40,534	162,612
Inventory	-	-	-	673	673
TOTAL ASSETS	\$ 374,421	\$ 41,447	\$ 189,187	\$ 52,728	\$ 657,783
LIABILITIES					
Accounts payable	\$ 46,837	\$ -	\$ 106,941	\$ 3,415	\$ 157,193
Accrued expenses	104,414	-	-	339	104,753
Current expense note	200,000	-	-	-	200,000
Due to other governments	12,108	-	-	-	12,108
Due to other funds	78,156	-	82,246	2,210	162,612
TOTAL LIABILITIES	441,515	-	189,187	5,964	636,666
FUND BALANCES (DEFICITS)					
Nonspendable - prepaid and inventory	-	-	-	673	673
Restricted	-	41,447	-	46,076	87,523
Committed	-	-	-	15	15
Assigned	-	-	-	-	-
Unassigned	(67,094)	-	-	-	(67,094)
TOTAL FUND BALANCES (DEFICITS)	(67,094)	41,447	-	46,764	21,117
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 374,421	\$ 41,447	\$ 189,187	\$ 52,728	\$ 657,783

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

WARREN SCHOOL DISTRICT

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

	Total Governmental Funds
Total Fund Balances	\$ 21,117
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	526,553
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	45,882
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bond payable	(303,705)
Note payable	(26,517)
Net pension liability	(68,098)
For governmental funds, the liability for retirement incentive payable is not recorded. The expense is recorded when incurred.	(6,000)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(2,460)
Net position of governmental activities	\$ 186,772

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

WARREN SCHOOL DISTRICT

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

	General Fund	Medicaid	Debt Service Fund	All Nonmajor Funds	Total Governmental Funds
REVENUES					
Intergovernmental revenues	\$ 2,449,457	\$ 19,329	\$ -	\$ 58,258	\$ 2,527,044
Charges for services	-	-	-	46,047	46,047
Tuition	189,371	-	-	-	189,371
Investment income	7,719	-	-	15	7,734
State on-behalf payments	107,838	-	-	-	107,838
Miscellaneous	57,620	1,696	-	27,260	86,576
TOTAL REVENUES	<u>2,812,005</u>	<u>21,025</u>	<u>-</u>	<u>131,580</u>	<u>2,964,610</u>
EXPENDITURES					
Current:					
Regular education - classroom (k to grade 6)	838,556	-	-	-	838,556
Early education - pre kindergarten	244,395	-	-	-	244,395
Art	28,197	-	-	-	28,197
Physical education	54,438	-	-	-	54,438
Music/drama	43,490	-	-	-	43,490
Technology	30,533	-	-	-	30,533
Special education, speech & EEE	455,005	-	-	-	455,005
School wide (CFG funded)	58,643	-	-	-	58,643
Guidance services/home school coordinator	60,690	-	-	-	60,690
School nurse	26,772	-	-	-	26,772
Library/media	94,830	-	-	-	94,830
Board expense	10,698	-	-	-	10,698
Washington West general assessment	74,647	-	-	-	74,647
School administration	170,059	-	-	-	170,059
Fiscal services	45,950	-	-	-	45,950
Buliding & grounds operation/maintenance	200,689	-	-	-	200,689
Daily transportation	99,936	-	-	-	99,936
Field trips transportation	4,313	-	-	-	4,313
On-behalf payments	107,838	-	-	-	107,838
Program expenditures	-	-	-	137,131	137,131
Capital outlay	-	-	303,705	16,951	320,656
Debt service:					
Principal	25,947	-	-	-	25,947
Interest	9,531	-	-	-	9,531
TOTAL EXPENDITURES	<u>2,685,157</u>	<u>-</u>	<u>303,705</u>	<u>154,082</u>	<u>3,142,944</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>126,848</u>	<u>21,025</u>	<u>(303,705)</u>	<u>(22,502)</u>	<u>(178,334)</u>
OTHER FINANCING SOURCES (USES)					
Loan proceeds	-	-	303,705	-	303,705
Transfers in	-	-	-	21,451	21,451
Transfers (out)	(21,451)	-	-	-	(21,451)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(21,451)</u>	<u>-</u>	<u>303,705</u>	<u>21,451</u>	<u>303,705</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	105,397	21,025	-	(1,051)	125,371
FUND BALANCES (DEFICITS) - JULY 1	<u>(172,491)</u>	<u>20,422</u>	<u>-</u>	<u>47,815</u>	<u>(104,254)</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ (67,094)</u>	<u>\$ 41,447</u>	<u>\$ -</u>	<u>\$ 46,764</u>	<u>\$ 21,117</u>

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

WARREN 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>\$ 125,371</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	123,389
Depreciation expense	<u>(31,696)</u>
	<u>91,693</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	<u>(303,705)</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>17,234</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>29,940</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>(2,460)</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:	
Retirement incentive payable	29,987
Net pension liability	<u>(21,609)</u>
	<u>8,378</u>
Change in net position of governmental activities (Statement B)	<u>\$ (33,549)</u>

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

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Warren 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.

WARREN 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

WARREN 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 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.

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.

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.

WARREN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

1. Governmental Funds:

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

Major Funds

- a. The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Medicaid Fund is used to account for medically related services provided to students in accordance with an Individual Education Plan (IEP). The School District bills Medicaid directly for services provided and receives reimbursements from the State of Vermont, Agency of Education for the claims submitted to Medicaid.
- c. 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

- d. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- e. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

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.

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.

WARREN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Revenues per budgetary basis	\$2,704,167
Add: On-behalf payments	<u>107,838</u>
Total GAAP basis	<u>\$2,812,005</u>
Expenditures per budgetary basis	\$2,598,770
Add: On-behalf basis	<u>107,838</u>
Total GAAP basis	<u>\$2,706,608</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.
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:

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Inventories

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

Interfund Receivables and Payables

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

Transactions Between Funds

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

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 \$241,355 for the year ended June 30, 2017. The allowance for uncollectible amounts is estimated to be \$0 as of June 30, 2017.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. 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	10 - 40 years
Buildings	25 - 50 years
Building improvements	10 - 50 years
Infrastructure	10 - 50 years
Machinery and equipment	3 - 30 years

Long-term Obligations

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists of a bond payable, note payable, a capital lease 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.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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

Net Position

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

Fund Balance

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

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

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

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the School District. The inhabitants of the School District through School 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.

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.

WARREN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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.

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 \$253,143 was comprised of bank balances of \$315,934. All of the bank deposits were fully covered by federal depository insurance, and consequently were not exposed to custodial credit risk.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking account	\$ 75,000
Sweep account	240,934
	<u>\$ 315,934</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.

The School District had \$0 of investments at June 30, 2017.

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:

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General Fund	\$ 84,456	\$ 78,156
Medicaid Fund	37,622	-
Debt Service Fund	-	82,246
Nonmajor Special Revenue Funds	40,534	1,751
Nonmajor Capital Projects Funds	-	459
	<u>\$ 162,612</u>	<u>\$ 162,612</u>

WARREN 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	\$ -	\$ 100,589	\$ -	\$ 100,589
	-	100,589	-	100,589
Depreciated assets:				
Land improvements	\$ 21,847	\$ -	\$ -	\$ 21,847
Buildings and improvements	1,192,840	22,800	-	1,215,640
Machinery and equipment	99,686	-	-	99,686
Infrastructure	89,415	-	-	89,415
	1,403,788	22,800	-	1,426,588
Less: accumulated depreciation				
Land improvements	(21,847)	-	-	(21,847)
Buildings and improvements	(847,323)	(27,313)	-	(874,636)
Machinery and equipment	(81,875)	(2,148)	-	(84,023)
Infrastructure	(17,883)	(2,235)	-	(20,118)
	(968,928)	(31,696)	-	(1,000,624)
Net capital assets	<u>\$ 434,860</u>	<u>\$ 91,693</u>	<u>\$ -</u>	<u>\$ 526,553</u>
<u>Current year depreciation:</u>				
School wide				\$ 927
Food service				30,769
Total depreciation expense				<u>\$ 31,696</u>

NOTE 5 - SHORT-TERM DEBT

On July 1, 2016, the School District issued a tax anticipation note to provide liquidity for governmental operations financed by property taxes. The tax anticipation note allowed principal draws of up to \$400,000 with interest at 1.35% per annum. At June 30, 2017, the note was paid in full.

On May 16, 2016, the School District issued a current expense note to provide liquidity for governmental operations financed by property taxes. The current expense note allowed principal draws up to \$200,000 at 1.5% interest per annum with a maturity date of May 15, 2017. At June 30, 2017 the balance on the note was \$200,000.

WARREN 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, is as follows:

	Balance 7/1/16	Additions	Reductions	Balance 6/30/17
Tax Anticipation Note	\$ -	\$ 400,000	\$ (400,000)	\$ -
Current Expense Note	200,000	-	-	200,000
Total	\$ 200,000	\$ 400,000	\$ (400,000)	\$ 200,000

Interest expense for short-term debt activity during the year totaled \$8,377.

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>					
Bond payable	\$ -	\$ 303,705	\$ -	\$ 303,705	\$ -
Note payable	52,464	-	(25,947)	26,517	26,517
Capital lease payable	3,993	-	(3,993)	-	-
Net pension liability	46,489	24,069	(2,460)	68,098	-
	\$ 102,946	\$ 327,774	\$ (32,400)	\$ 398,320	\$ 26,517

WARREN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - LONG-TERM DEBT (CONTINUED)

A summary of the outstanding bond and note payable is as follows:

Governmental activities

Bond Payable:

\$2,550,000, Vermont Municipal Bond Bank capital improvement bond of which \$303,705 has been drawn down. Principal payments of \$127,500 due annually and varying interest rates of 1.55% to 3.82% due semi-annually. Matures in November of 2037.	\$ 303,705
Total Bond Payable	\$ 303,705

Note Payable:

\$127,000, Community National Bank capital improvement note due in five annual principal and interest installments of \$27,101 at 2.20% interest. Matures in July of 2017.	\$ 26,517
Total Note Payable	\$ 26,517

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

Year	Principal	Interest	Total Debt Service
2018	\$ 26,517	\$ 93,404	\$ 119,921
2019	127,500	75,652	203,152
2020	127,500	73,568	201,068
2021	127,500	71,254	198,754
2022	127,500	68,697	196,197
2023-2027	637,500	295,435	932,935
2028-2032	637,500	196,460	833,960
2033-2037	637,500	83,862	721,362
2038-2042	127,500	2,435	129,935
	\$ 2,576,517	\$ 960,767	\$ 3,537,284

WARREN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 7 - RETIREMENT INCENTIVES

A retirement incentive program was offered to one teacher who announced retirement from the School District as of June 30, 2017.

Teachers who elected to take this retirement incentive shall receive a severance cash payment equal to 50% of their 2016-2017 salary. The severance cash payment shall be made in two (2) equal annual installments during the first two (2) years following retirement and deposited into the teacher's 403(b) retirement account.

The liability to the School District as of June 30, 2017 is as follows:

<u>Year</u>	<u>Cash Payment</u>	<u>Total</u>
2017	<u>\$ 6,000</u>	<u>\$ 6,000</u>
	<u>\$ 6,000</u>	<u>\$ 6,000</u>

NOTE 8 - OVERSPENT APPROPRIATIONS

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

Early education - prekindergarten	\$ 73,277
Physical education	6,137
Music/drama	1,058
Special education, speech & EEE	20,735
School wide (CFG funded)	33,465
Guidance services/home school coordinator	85
School administration	2,387
Fiscal services	1,614
Field trips transportation	1,313
	<u>\$ 140,071</u>

NOTE 9 - NONSPENDABLE FUND BALANCES

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

Nonmajor special revenue funds (Schedule E)	<u>\$ 673</u>
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WARREN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 10 - RESTRICTED FUND BALANCES

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

Medicaid fund	\$	41,447
Nonmajor special revenue funds (Schedule E)		46,076
	<u>\$</u>	<u>87,523</u>

NOTE 11 - COMMITTED FUND BALANCES

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

Nonmajor capital projects funds (Schedule G)	<u>\$</u>	<u>15</u>
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NOTE 12 - DEFICIT FUND BALANCES

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

General fund	<u>\$</u>	<u>67,094</u>
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NOTE 13 - 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, 2017, 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.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

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

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

Benefits Provided

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

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

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

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

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - 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 \$107,838 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 \$48,920 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 \$930,437 for the year ended June 30, 2017.

WARREN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - 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

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

The School District participates in Group A. 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

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - 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 \$6,750 and \$5,026, respectively. The School District contributed \$10,799 and \$8,042 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 \$269,985.

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:

WARREN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 13 - 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		<u>2,387,569</u>
Total	\$	<u>2,387,569</u>

The State of Vermont's proportionate share of the net pension liability associated with the School District is equal to the collective net pension liability, actuarially measured as of June 30, 2016, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2016, the School District's proportion was 0.18232%, which was an increase of 0.00955% from its proportion measured as of June 30, 2015.

VMERS Plan

At June 30, 2017, the School District reported a liability of \$68,098 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liabilities were based on a projection of the School District's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2016, the School District's proportion was 0.05291% for VMERS, which was a decrease of 0.00739% 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 \$423,462 and expense of \$423,462 for support provided by the State of Vermont for the VSTRS plan. In the same period, the School District recognized pension expense of \$6,835 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:

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - 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	\$ -	\$ -	\$ 1,399	\$ -
Changes of assumptions	-	-	10,936	-
Net difference between projected and actual earnings on pension plan investments	-	-	22,081	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	409	2,460
Contributions subsequent to the measurement date	-	-	10,799	-
Total	\$ -	\$ -	\$ 45,624	\$ 2,460

\$10,799 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	\$ -	\$ 8,371
2018	-	8,371
2019	-	12,071
2020	-	3,810
2021	-	-
Thereafter	-	-

Significant Actuarial Assumptions and Methods

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

Investment Rate of Return: For both plans, a select-and-ultimate interest rate set is used, specified below. The interest rate is restarted every year:

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - 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.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

Spouse's age assumptions used in the June 30, 2016 valuation set a husband's age at three years greater than their wives.

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

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

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:

WARREN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 13 - 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 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:

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - 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	\$ 113,049	\$ 68,098	\$ 30,460

Pension Plan Fiduciary Net Position

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

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

NOTE 14 - 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.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - RISK MANAGEMENT (CONTINUED)

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 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,

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - RISK MANAGEMENT (CONTINUED)

the program will be terminated with each member assessed their proportionate share of the deficit.

NOTE 15 - 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 16 - RELATED ORGANIZATION

On behalf of Warren 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 17 - COMPARATIVE DATA/RECLASSIFICATIONS

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

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 18 - 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 was 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.

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

WARREN 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	\$ (172,491)	\$ (172,491)	\$ (172,491)	\$ -
Resources (Inflows):				
Intergovernmental:				
State support	2,069,103	2,069,103	2,068,346	(757)
Other	293,432	293,432	381,111	87,679
Tuition	115,460	115,460	189,371	73,911
Investment income	7,500	7,500	7,719	219
Miscellaneous	57,630	57,630	57,620	(10)
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>2,370,634</u>	<u>2,370,634</u>	<u>2,531,676</u>	<u>161,042</u>
Charges to Appropriations (Outflows):				
Current:				
Regular education - classroom (k to grade 6)	859,104	859,104	838,556	20,548
Early education - pre kindergarten	171,118	171,118	244,395	(73,277)
Art	28,691	28,691	28,197	494
Foreign language - french	23,490	23,490	-	23,490
Physical education	48,301	48,301	54,438	(6,137)
Music/drama	42,432	42,432	43,490	(1,058)
Technology	30,579	30,579	30,533	46
Special education, speech & EEE	434,270	434,270	455,005	(20,735)
School wide (CFG funded)	25,178	25,178	58,643	(33,465)
Guidance services/home school coordinator	60,605	60,605	60,690	(85)
School nurse	29,037	29,037	26,772	2,265
Improvement of instruction & inservice	3,000	3,000	-	3,000
Library/media	99,683	99,683	94,830	4,853
Board expense	14,068	14,068	10,698	3,370
Washington West general assessment	75,113	75,113	74,647	466
School administration	167,672	167,672	170,059	(2,387)
Fiscal services	44,336	44,336	45,950	(1,614)
Building & grounds operation/maintenance	207,747	207,747	200,689	7,058
Daily transportation	102,049	102,049	99,936	2,113
Field trips transportation	3,000	3,000	4,313	(1,313)
Debt service:				
Principal	25,947	25,947	25,947	-
Interest	14,154	14,154	9,531	4,623
Transfers to other funds	33,551	33,551	21,451	12,100
Total Charges to Appropriations	<u>2,543,125</u>	<u>2,543,125</u>	<u>2,598,770</u>	<u>(55,645)</u>
Budgetary Fund Balance, June 30	<u>\$ (172,491)</u>	<u>\$ (172,491)</u>	<u>\$ (67,094)</u>	<u>\$ 105,397</u>

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

WARREN SCHOOL DISTRICT

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>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	<u>2,387,569</u>	<u>2,049,895</u>	<u>1,708,823</u>
Total	<u>\$ 2,387,569</u>	<u>\$ 2,049,895</u>	<u>\$ 1,708,823</u>
Covered-employee payroll	\$ 1,181,087	\$ 1,145,784	\$ 963,539
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	0.05%	0.06%	0.03%
Proportionate share of the net pension liability	\$ 68,098	\$ 46,489	\$ 7,618
Covered-employee payroll	\$ 201,052	\$ 210,725	\$ 185,500
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.87%	22.06%	4.11%
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.

WARREN 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	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 930,437	\$ 1,181,087	\$ 1,145,784
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%
<u>VMERS:</u>			
Contractually required contribution	\$ 10,799	\$ 8,042	\$ 8,429
Contributions in relation to the contractually required contribution	<u>(10,799)</u>	<u>(8,042)</u>	<u>(8,429)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 269,985	\$ 201,052	\$ 210,725
Contributions as a percentage of covered-employee payroll	4.00%	4.00%	4.00%

* 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.

WARREN 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.

Other Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- 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

WARREN 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	\$ 2,069,103	\$ 2,069,103	\$ 2,068,346	\$ (757)
Transportation Reimbursement	43,794	43,794	41,429	(2,365)
Mainstream Block Grant	52,511	52,511	52,511	-
General SPED Reimbursement	128,863	128,863	166,286	37,423
Extraordinary Reimbursement	-	-	27	27
Title I and CFG SCW Funding	33,800	33,800	59,738	25,938
Safety Grant	-	-	10,000	10,000
Erate	-	-	3,891	3,891
Essential Early Education	14,362	14,362	20,118	5,756
Federal Forest Revenue	15,000	15,000	21,252	6,252
Capital Debt Reimbursement	5,102	5,102	5,859	757
Tuition	115,460	115,460	189,371	73,911
Interest Income	7,500	7,500	7,719	219
Miscellaneous:				
Other Receipts	57,630	57,630	57,620	(10)
Transfer From Other Funds	-	-	-	-
Amounts Available for Appropriation	<u>\$ 2,543,125</u>	<u>\$ 2,543,125</u>	<u>\$ 2,704,167</u>	<u>\$ 161,042</u>

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

WARREN 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 - classroom (kindergarten through grade 6) -				
Salaries	\$ 578,117	\$ 578,117	\$ 575,983	\$ 2,134
Benefits & staff development	253,897	253,897	228,240	25,657
Services, materials & equipment	27,090	27,090	34,333	(7,243)
	<u>859,104</u>	<u>859,104</u>	<u>838,556</u>	<u>20,548</u>
Early education - prekindergarten -				
Salaries	110,042	110,042	126,825	(16,783)
Benefits & staff development	38,530	38,530	45,526	(6,996)
WWSU assessment	14,362	14,362	49,892	(35,530)
Services, materials & equipment	8,184	8,184	22,152	(13,968)
	<u>171,118</u>	<u>171,118</u>	<u>244,395</u>	<u>(73,277)</u>
Art -				
Salaries	23,711	23,711	24,156	(445)
Benefits & staff development	3,180	3,180	2,172	1,008
Services, materials & equipment	1,800	1,800	1,869	(69)
	<u>28,691</u>	<u>28,691</u>	<u>28,197</u>	<u>494</u>
Foreign language - french -				
Salaries	20,309	20,309	-	20,309
Benefits & staff development	2,381	2,381	-	2,381
Services, materials & equipment	800	800	-	800
	<u>23,490</u>	<u>23,490</u>	<u>-</u>	<u>23,490</u>
Physical education -				
Salaries	36,060	36,060	42,105	(6,045)
Benefits & staff development	11,441	11,441	11,685	(244)
Services, materials & equipment	800	800	648	152
	<u>48,301</u>	<u>48,301</u>	<u>54,438</u>	<u>(6,137)</u>
Music/drama -				
Salaries	30,120	30,120	30,013	107
Benefits & staff development	11,512	11,512	12,624	(1,112)
Services, materials & equipment	800	800	853	(53)
	<u>42,432</u>	<u>42,432</u>	<u>43,490</u>	<u>(1,058)</u>
Technology -				
Technology coordinator (MOU with WWSU)	13,000	13,000	13,861	(861)
Equipment repair/maintenance	500	500	80	420
Supplies and software	4,850	4,850	5,147	(297)
Equipment	12,229	12,229	11,445	784
	<u>30,579</u>	<u>30,579</u>	<u>30,533</u>	<u>46</u>

SCHEDULE B (CONTINUED)
WARREN SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Special education, speech & essential early education (eligible & ineligible for reimbursement) -				
Salaries	\$ 80,442	\$ 80,442	\$ 86,747	\$ (6,305)
Benefits & staff development	21,698	21,698	33,370	(11,672)
WWSU essential early education assessment (Act 153/156)	332,130	332,130	334,853	(2,723)
Materials and equipment	-	-	35	(35)
	<u>434,270</u>	<u>434,270</u>	<u>455,005</u>	<u>(20,735)</u>
School wide (CFG funded) -				
Salaries	22,734	22,734	44,085	(21,351)
Benefits & staff development	2,444	2,444	14,558	(12,114)
	<u>25,178</u>	<u>25,178</u>	<u>58,643</u>	<u>(33,465)</u>
Guidance services/home school coordinator -				
Salaries	44,311	44,311	44,484	(173)
Benefits & staff development	15,894	15,894	15,925	(31)
Services, materials & equipment	400	400	281	119
	<u>60,605</u>	<u>60,605</u>	<u>60,690</u>	<u>(85)</u>
School nurse -				
Salaries	25,618	25,618	23,685	1,933
Benefits & staff development	2,599	2,599	2,569	30
Supplies and equipment	820	820	518	302
	<u>29,037</u>	<u>29,037</u>	<u>26,772</u>	<u>2,265</u>
Improvement of instruction & inservice	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Library/media -				
Salaries	63,757	63,757	62,212	1,545
Benefits & staff development	27,776	27,776	27,045	731
Services, materials & equipment	8,150	8,150	5,573	2,577
	<u>99,683</u>	<u>99,683</u>	<u>94,830</u>	<u>4,853</u>
Board expense -				
Board member reimbursement	2,500	2,500	2,000	500
Board secretary	1,000	1,000	1,400	(400)
Benefits	318	318	317	1
Legal expense	2,500	2,500	2,108	392
Liability insurance expense	3,200	3,200	1,676	1,524
Board printing/advertising/postage	3,300	3,300	2,104	1,196
VSBA dues	1,250	1,250	1,093	157
	<u>14,068</u>	<u>14,068</u>	<u>10,698</u>	<u>3,370</u>

SCHEDULE B (CONTINUED)
WARREN SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Washington West general assessment	75,113	75,113	74,647	466
School administration -				
Principal & secretary salaries	136,560	136,560	136,392	168
Benefits & staff development	28,662	28,662	31,788	(3,126)
Postage, supplies & equipment	2,450	2,450	1,879	571
	<u>167,672</u>	<u>167,672</u>	<u>170,059</u>	<u>(2,387)</u>
Fiscal services -				
WWSU fiscal services assessment	39,086	39,086	38,843	243
Financial audit and fees	5,250	5,250	7,107	(1,857)
	<u>44,336</u>	<u>44,336</u>	<u>45,950</u>	<u>(1,614)</u>
Buildings & grounds operations/maintenance -				
Salaries	55,289	55,289	56,507	(1,218)
Benefits & staff development	27,105	27,105	25,872	1,233
Building supplies, utilities & operations	125,353	125,353	118,310	7,043
	<u>207,747</u>	<u>207,747</u>	<u>200,689</u>	<u>7,058</u>
Daily transportation	<u>102,049</u>	<u>102,049</u>	<u>99,936</u>	<u>2,113</u>
Field trips transportation	<u>3,000</u>	<u>3,000</u>	<u>4,313</u>	<u>(1,313)</u>
Debt service -				
Short-term interest (TAN)	13,000	13,000	8,377	4,623
Interest - classroom	1,154	1,154	1,154	-
Principal - classroom	25,947	25,947	25,947	-
	<u>40,101</u>	<u>40,101</u>	<u>35,478</u>	<u>4,623</u>
Transfers to other funds -				
Maintenance reserve fund	16,951	16,951	16,951	-
Special revenue funds	16,600	16,600	4,500	12,100
	<u>33,551</u>	<u>33,551</u>	<u>21,451</u>	<u>12,100</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 2,543,125</u></u>	<u><u>\$ 2,543,125</u></u>	<u><u>\$ 2,598,770</u></u>	<u><u>\$ (55,645)</u></u>

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

WARREN 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	\$ -	\$ 474	\$ 474
Accounts receivable (net of allowance for uncollectibles)	11,047	-	11,047
Due from other funds	40,534	-	40,534
Inventory	673	-	673
TOTAL ASSETS	<u>\$ 52,254</u>	<u>\$ 474</u>	<u>\$ 52,728</u>
LIABILITIES			
Accounts payable	\$ 3,415	\$ -	\$ 3,415
Due to other funds	1,751	459	2,210
Accrued expenses	339	-	339
TOTAL LIABILITIES	<u>5,505</u>	<u>459</u>	<u>5,964</u>
FUND BALANCES			
Nonspendable - inventory	673	-	673
Restricted	46,076	-	46,076
Committed	-	15	15
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>46,749</u>	<u>15</u>	<u>46,764</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 52,254</u>	<u>\$ 474</u>	<u>\$ 52,728</u>

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

WARREN 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	\$ 58,258	\$ -	\$ 58,258
Charges for services	46,047	-	46,047
Investment income	-	15	15
Other income	27,260	-	27,260
TOTAL REVENUES	131,565	15	131,580
EXPENDITURES			
Other	137,131	-	137,131
Capital outlay	-	16,951	16,951
TOTAL EXPENDITURES	137,131	16,951	154,082
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,566)	(16,936)	(22,502)
OTHER FINANCING SOURCES (USES)			
Transfers in	4,500	16,951	21,451
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	4,500	16,951	21,451
NET CHANGE IN FUND BALANCES	(1,066)	15	(1,051)
FUND BALANCES - JULY 1	47,815	-	47,815
FUND BALANCES - JUNE 30	\$ 46,749	\$ 15	\$ 46,764

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.

WARREN SCHOOL DISTRICT

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

	Technology	Roy Foundation	Food Service Program	Book Fair	Summer Learning Program	Teacher Of The Year
ASSETS						
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ 8,978	\$ -	\$ 870	\$ -
Due from other funds	1,292	3,314	-	3,091	8,664	-
Inventory	-	-	673	-	-	-
TOTAL ASSETS	\$ 1,292	\$ 3,314	\$ 9,651	\$ 3,091	\$ 9,534	\$ -
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 39	\$ -	\$ -	\$ -
Due to other funds	-	-	552	-	-	-
Accrued expenses	-	-	339	-	-	-
TOTAL LIABILITIES	-	-	930	-	-	-
FUND BALANCES						
Nonspendable - inventory	-	-	673	-	-	-
Restricted	1,292	3,314	8,048	3,091	9,534	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	1,292	3,314	8,721	3,091	9,534	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,292	\$ 3,314	\$ 9,651	\$ 3,091	\$ 9,534	\$ -

WARREN SCHOOL DISTRICT

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

	Wellness	Safe Routes To School	Sunshine	Upper Unit	Principal's Discretionary Fund	Eco Program	Warren School Maker Space
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	1,607	-	10,612	200	6,705	1,210
Inventory	-	-	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ 1,607	\$ -	\$ 10,612	\$ 200	\$ 6,705	\$ 1,210
LIABILITIES							
Accounts payable	\$ -	\$ 381	\$ -	\$ -	\$ -	\$ 43	\$ -
Due to other funds	-	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	381	-	-	-	43	-
FUND BALANCES							
Nonspendable - inventory	-	-	-	-	-	-	-
Restricted	-	1,226	-	10,612	200	6,662	1,210
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	-	1,226	-	10,612	200	6,662	1,210
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 1,607	\$ -	\$ 10,612	\$ 200	\$ 6,705	\$ 1,210

WARREN SCHOOL DISTRICT

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

	Primary Unit Field Trips	Intermediate Unit Field Trips	Upper Unit Field Trips	New Classroom Fund	911 Compliance Grant	Piano	Total
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ 1,199	\$ -	11,047
Due from other funds	228	-	1,670	1,054	-	887	40,534
Inventory	-	-	-	-	-	-	673
TOTAL ASSETS	\$ 228	\$ -	\$ 1,670	\$ 1,054	\$ 1,199	\$ 887	\$ 52,254
LIABILITIES							
Accounts payable	\$ 228	\$ -	\$ 1,670	\$ 1,054	\$ -	\$ -	\$ 3,415
Due to other funds	-	-	-	-	1,199	-	1,751
Accrued expenses	-	-	-	-	-	-	339
TOTAL LIABILITIES	228	-	1,670	1,054	1,199	-	5,505
FUND BALANCES							
Nonspendable - inventory	-	-	-	-	-	-	673
Restricted	-	-	-	-	-	887	46,076
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	-	-	-	-	-	887	46,749
TOTAL LIABILITIES AND FUND BALANCES	\$ 228	\$ -	\$ 1,670	\$ 1,054	\$ 1,199	\$ 887	\$ 52,254

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

WARREN SCHOOL DISTRICT

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

	Technology	Roy Foundation	Food Service Program	Book Fair	Summer Learning Program	Teacher Of The Year
REVENUES						
Intergovernmental	\$ -	\$ -	\$ 51,367	\$ -	\$ 5,692	\$ -
Charges for services	-	-	45,782	-	265	-
Other income	-	-	762	2,195	3,268	-
TOTAL REVENUES	-	-	97,911	2,195	9,225	-
EXPENDITURES						
Other	-	-	102,157	1,773	12,957	2
TOTAL EXPENDITURES	-	-	102,157	1,773	12,957	2
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(4,246)	422	(3,732)	(2)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	4,500	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	4,500	-	-	-
NET CHANGE IN FUND BALANCES	-	-	254	422	(3,732)	(2)
FUND BALANCES (DEFICITS) - JULY 1	1,292	3,314	8,467	2,669	13,266	2
FUND BALANCES (DEFICITS) - JUNE 30	\$ 1,292	\$ 3,314	\$ 8,721	\$ 3,091	\$ 9,534	\$ -

WARREN SCHOOL DISTRICT

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

	Wellness	Safe Routes To School	Sunshine	Upper Unit	Principal's Discretionary Fund	Eco Program	Warren School Maker Space
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Other income	-	-	180	575	200	15,000	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>180</u>	<u>575</u>	<u>200</u>	<u>15,000</u>	<u>-</u>
EXPENDITURES							
Other	27	424	-	5,839	-	8,338	85
TOTAL EXPENDITURES	<u>27</u>	<u>424</u>	<u>-</u>	<u>5,839</u>	<u>-</u>	<u>8,338</u>	<u>85</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(27)</u>	<u>(424)</u>	<u>180</u>	<u>(5,264)</u>	<u>200</u>	<u>6,662</u>	<u>(85)</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>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(27)</u>	<u>(424)</u>	<u>180</u>	<u>(5,264)</u>	<u>200</u>	<u>6,662</u>	<u>(85)</u>
FUND BALANCES (DEFICITS) - JULY 1	<u>27</u>	<u>1,650</u>	<u>(180)</u>	<u>15,876</u>	<u>-</u>	<u>-</u>	<u>1,295</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>	<u>\$ 1,226</u>	<u>\$ -</u>	<u>\$ 10,612</u>	<u>\$ 200</u>	<u>\$ 6,662</u>	<u>\$ 1,210</u>

WARREN SCHOOL DISTRICT

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

	Primary Unit Field Trips	Intermediate Unit Field Trips	Upper Unit Field Trips	New Classroom Fund	911 Compliance Grant	Piano	Total
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 1,199	\$ -	\$ 58,258
Charges for services	-	-	-	-	-	-	46,047
Other income	912	1,151	2,267	-	-	750	27,260
TOTAL REVENUES	912	1,151	2,267	-	1,199	750	131,565
EXPENDITURES							
Other	912	1,151	2,267	-	1,199	-	137,131
TOTAL EXPENDITURES	912	1,151	2,267	-	1,199	-	137,131
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	-	750	(5,566)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	4,500
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	4,500
NET CHANGE IN FUND BALANCES	-	-	-	-	-	750	(1,066)
FUND BALANCES (DEFICITS) - JULY 1	-	-	-	-	-	137	47,815
FUND BALANCES (DEFICITS) - JUNE 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 887	\$ 46,749

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.

WARREN SCHOOL DISTRICT

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

	<u>Maintenance Reserve</u>
ASSETS	
Cash and cash equivalents	\$ 474
TOTAL ASSETS	<u>\$ 474</u>
LIABILITIES	
Due to other funds	\$ 459
TOTAL LIABILITIES	<u>459</u>
FUND BALANCES	
Nonspendable	-
Restricted	-
Committed	15
Assigned	-
Unassigned	-
TOTAL FUND BALANCES	<u>15</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 474</u>

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

WARREN SCHOOL DISTRICT

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

	<u>Maintenance Reserve</u>
REVENUES	
Interest income	\$ 15
TOTAL REVENUES	<u>15</u>
EXPENDITURES	
Capital outlay	<u>16,951</u>
TOTAL EXPENDITURES	<u>16,951</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(16,936)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	16,951
Transfers (out)	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>16,951</u>
NET CHANGE IN FUND BALANCES	15
FUND BALANCES - JULY 1	<u>-</u>
FUND BALANCES - JUNE 30	<u>\$ 15</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.

WARREN 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	\$ 100,589	\$ 1,237,487	\$ 79,786	\$ 89,415	\$ 1,507,277
Food service	-	-	19,900	-	19,900
Total General Capital Assets	100,589	1,237,487	99,686	89,415	1,527,177
Less: Accumulated Depreciation	-	(896,483)	(84,023)	(20,118)	(1,000,624)
Net General Capital Assets	<u>\$ 100,589</u>	<u>\$ 341,004</u>	<u>\$ 15,663</u>	<u>\$ 69,297</u>	<u>\$ 526,553</u>

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

WARREN 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	\$ 1,383,888	\$ 123,389	\$ -	\$ 1,507,277
Food service	19,900	-	-	19,900
Total General Capital Assets	1,403,788	123,389	-	1,527,177
Less: Accumulated Depreciation	(968,928)	(31,696)	-	(1,000,624)
Net General Capital Assets	<u>\$ 434,860</u>	<u>\$ 91,693</u>	<u>\$ -</u>	<u>\$ 526,553</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
Warren School District
Warren, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Warren School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Warren 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 Warren 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 Warren School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Warren 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 Warren 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