

Audited Financial Statements and
Other Supplementary Information

Waterbury-Duxbury Union School
District #45

June 30, 2017



Proven Expertise and Integrity

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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JUNE 30, 2017

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FEDERAL COMPLIANCE

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	88 - 89
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INDEPENDENT AUDITORS' REPORT

School Board
Waterbury-Duxbury Union School District #45
Duxbury, 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 Waterbury-Duxbury Union School District #45, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Waterbury-Duxbury Union School District #45'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 Waterbury-Duxbury Union School District #45 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 55 through 58 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 Waterbury-Duxbury Union School District #45'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 Waterbury-Duxbury Union School District #45'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 Waterbury-Duxbury Union School District #45'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 Waterbury-Duxbury Union School District #45'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 & early essential education, operations & maintenance, administration and regular education intervention/SCW.

Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the School District's governmental activities. The School District's total net position for governmental activities increased by \$268,854 from \$8,751,233 to \$9,020,087.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a balance of \$762,290 at the end of this year.

Table 1
Waterbury-Duxbury School District
Net Position
June 30,

	Governmental Activities	
	2017	2016
Assets:		
Current Assets	\$ 1,889,997	\$ 1,660,154
Capital Assets	11,172,308	11,313,389
Total Assets	13,062,305	12,973,543
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	374,426	201,687
Total Deferred Outflows of Resources	374,426	201,687
Liabilities:		
Current Liabilities	1,158,448	1,067,165
Long-term Obligations Outstanding	3,242,007	3,356,832
Total Liabilities	4,400,455	4,423,997
Deferred Inflows of Resources:		
Deferred Revenues	16,189	-
Total Deferred Inflows of Resources	16,189	-
Net Position:		
Net Investment in Capital Assets	8,112,771	7,758,513
Restricted	145,026	65,760
Unrestricted (Deficit)	762,290	926,960
Total Net Position	\$ 9,020,087	\$ 8,751,233

Revenues and Expenses

Revenues for the School District increased by 1.78% over the prior fiscal year and expenses increased by 3.26% from the prior year. The largest increase in revenues was in grants and contributions. The biggest increase in expenses was in special education, speech and EEE.

Table 2
Waterbury-Duxbury School District
Change in Net Position
For the Years Ended June 30,

	Governmental Activities	
	2017	2016
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 171,077	\$ 162,041
Operating grants and contributions	1,737,163	728,946
<i>General Revenues:</i>		
Grants and contributions not restricted to specific programs	12,065,729	12,922,655
Miscellaneous	175,698	88,880
Total Revenues	14,149,667	13,902,522
Expenses		
Regular education	3,325,175	3,068,728
Regular education intervention/SCW	416,691	413,520
Early education/school wide (pre kindergarten)	309,429	322,719
ELL/english language learning	55,214	62,920
Regular education art program	213,975	207,721
Regular education foreign language	57,386	71,391
Regular education physical education	249,165	239,119
Regular education technology education	83,186	80,370
Regular education music	232,057	251,993
Sustainability - science	86,334	83,218
Literacy coach	-	17,114
Math coach	-	5,233
Co-curricular	44,014	76,245
Guidance	166,662	161,790
School nurse	161,092	152,332
Health education	72,400	70,794
Library/media & technology	239,450	229,881
Technology	285,277	327,075
School board	29,926	30,595
Washington West SU general assessment	332,004	283,046
Administration	570,981	657,631
Washington West SU fiscal services	172,640	168,278
Operations & maintenance	914,244	838,031
Transportation (WWSU assessment)	331,193	337,946
Special education, speech & EEE	2,834,595	2,371,362
Student support & behavior intervention	253,023	199,388
School based clinician	33,992	-
On-behalf payments	1,599,805	1,721,917
Program expenditures	515,392	477,784
Capital outlay	(170,691)	-
Interest on long-term debt	141,930	171,319
Unallocated depreciation	324,272	343,445
Total Expenses	13,880,813	13,442,905
Change in Net Position	268,854	459,617
Net Position - July 1	8,751,233	8,291,616
Net Position - June 30	\$ 9,020,087	\$ 8,751,233

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
Waterbury-Duxbury School District
Fund Balances - Governmental Funds
June 30,

	2017	2016
Major Funds:		
General Fund:		
Nonspendable	\$ 5,513	\$ 5,084
Assigned	215,204	215,204
Unassigned	414,036	391,204
Maintenance Reserve Fund:		
Committed	294,369	388,807
Total Major Funds	\$ 929,122	\$ 1,000,299
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 2,609	\$ 2,609
Restricted	145,026	65,760
Unassigned	(1,250)	(6,906)
Capital Projects Funds:		
Committed	14,066	26,566
Total Nonmajor Funds	\$ 160,451	\$ 88,029

The general fund total fund balance increased by \$23,261 from the prior fiscal year. The maintenance reserve fund total fund balance decreased by \$94,438 from the prior fiscal year. Total nonmajor fund balances increased by \$72,422 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 \$437,755. Receipted revenue exceeded budgeted amounts for all revenue categories.

The general fund actual expenditures exceeded budgeted amounts by \$199,290. Most expenditure categories were within or below budget with the exception of ELL/English language learning, regular education art program, library/media technology, Washington West SU general assessment, Washington West SU fiscal services and special education, speech, and EEE.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2017, the School District's capital assets decreased by \$141,081. This decrease was the result of capital additions of \$183,191 less current year depreciation expense of \$324,272.

Table 4
Waterbury-Duxbury School District
Capital Assets (Net of Depreciation)
June 30,

	<u>2017</u>	<u>2016</u>
Construction in progress	\$ 6,290	\$ 6,290
Buildings and improvements	10,941,771	11,055,073
Infrastructure	67,238	72,410
Machinery and equipment	157,009	179,616
Total	<u>\$ 11,172,308</u>	<u>\$ 11,313,389</u>

Debt

At June 30, 2017, the School District had \$3,045,000 in bonds payable outstanding versus \$3,525,000 in the prior year. Other obligations include capital leases payable and net pension liability. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The 2017-2018 budget could be severely impacted by the reduction of funding from the State. There is no indication of reduced funding from the State for 2016-2017 as of the date this report was issued.

The Waterbury-Duxbury Union School District #45 will no longer be operational as of June 30, 2017 in accordance with the Articles of Agreement forming the Harwood Unified Union School District, which became operational on July 1, 2017.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michelle J. Baker, Director of Finance & Operations, at Washington West Supervisory Union located at 340 Mad River Park, Suite 7, Waitsfield, VT 05673.

STATEMENT A

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,751,619
Accounts receivable (net of allowance for uncollectibles)	97,085
Due from other governments	33,171
Prepaid items	5,513
Inventory	2,609
Total current assets	1,889,997
Noncurrent assets:	
Construction in progress not being depreciated	6,290
Buildings and improvements, net of accumulated depreciation	10,941,771
Infrastructure, net of accumulated depreciation	67,238
Machinery and equipment, net of accumulated depreciation	157,009
Total noncurrent assets	11,172,308
TOTAL ASSETS	13,062,305
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	374,426
TOTAL DEFERRED OUTFLOWS OF RESOURCES	374,426
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 13,436,731
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 290,389
Accrued expenses	479,299
Due to other governments	14,547
Current portion of long-term obligations	374,213
Total current liabilities	1,158,448
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	2,765,000
Capital leases payable	1,710
Net pension liability	475,297
Total noncurrent liabilities	3,242,007
TOTAL LIABILITIES	4,400,455
DEFERRED INFLOWS OF RESOURCES	
Deferred revenues	16,189
TOTAL DEFERRED INFLOWS OF RESOURCES	16,189
NET POSITION	
Net investment in capital assets	8,112,771
Restricted: Special revenue funds	145,026
Unrestricted	762,290
TOTAL NET POSITION	9,020,087
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 13,436,731

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities
Governmental activities:					
Regular education	\$ 3,325,175	\$ -	\$ -	\$ -	\$ (3,325,175)
Regular education intervention/SCW	416,691	-	-	-	(416,691)
Early education/school wide (pre kindergarten)	309,429	-	-	-	(309,429)
ELL/english language learning	55,214	-	-	-	(55,214)
Regular education art program	213,975	-	-	-	(213,975)
Regular education foreign language	57,386	-	-	-	(57,386)
Regular education physical education	249,165	-	-	-	(249,165)
Regular education technology education	83,186	-	-	-	(83,186)
Regular education music	232,057	-	-	-	(232,057)
Sustainability - science	86,334	-	-	-	(86,334)
Co-curricular	44,014	-	-	-	(44,014)
Guidance	166,662	-	-	-	(166,662)
School nurse	161,092	-	-	-	(161,092)
Health education	72,400	-	-	-	(72,400)
Library/media & technology	239,450	-	-	-	(239,450)
Technology	285,277	-	-	-	(285,277)
School board	29,926	-	-	-	(29,926)
Washington West SU general assessment	332,004	-	-	-	(332,004)
Administration	570,981	-	-	-	(570,981)
Washington West SU fiscal services	172,640	-	-	-	(172,640)
Operations & maintenance	914,244	-	-	-	(914,244)
Transportation (WWSU assessment)	331,193	-	137,358	-	(193,835)
Special education, speech & EEE	2,834,595	-	-	-	(2,834,595)
Student support & behavior intervention	253,023	-	-	-	(253,023)
On-behalf payments	1,599,805	-	1,599,805	-	-
Program expenditures	515,392	171,077	-	-	(344,315)
Interest on long-term debt	141,930	-	-	-	(141,930)
Unallocated depreciation*	324,272	-	-	-	(324,272)
Total governmental activities	<u>\$ 13,880,813</u>	<u>\$ 171,077</u>	<u>\$ 1,737,163</u>	<u>\$ -</u>	<u>(11,972,573)</u>

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

STATEMENT B (CONTINUED)
WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(11,972,573)</u>
General revenues:	
Grants and contributions not restricted to specific programs	12,065,729
Miscellaneous	175,698
Total general revenues	<u>12,241,427</u>
Change in net position	268,854
NET POSITION - JULY 1	<u>8,751,233</u>
NET POSITION - JUNE 30	<u><u>\$ 9,020,087</u></u>

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Maintenance Reserve	All Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,457,250	\$ 294,369	\$ -	\$ 1,751,619
Accounts receivable (net of allowance for uncollectibles)	88,586	-	8,499	97,085
Due from other governments	7,988	-	25,183	33,171
Due from other funds	26,076	-	161,621	187,697
Prepaid items	5,513	-	-	5,513
Inventory	-	-	2,609	2,609
TOTAL ASSETS	\$ 1,585,413	\$ 294,369	\$ 197,912	\$ 2,077,694
LIABILITIES				
Accounts payable	\$ 279,004	\$ -	\$ 11,385	\$ 290,389
Accrued expenses	479,299	-	-	479,299
Due to other governments	14,547	-	-	14,547
Due to other funds	161,621	-	26,076	187,697
TOTAL LIABILITIES	934,471	-	37,461	971,932
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues	16,189	-	-	16,189
TOTAL DEFERRED INFLOWS OF RESOURCES	16,189	-	-	16,189
FUND BALANCES (DEFICITS)				
Nonspendable	5,513	-	2,609	8,122
Restricted	-	-	145,026	145,026
Committed	-	294,369	14,066	308,435
Assigned	215,204	-	-	215,204
Unassigned	414,036	-	(1,250)	412,786
TOTAL FUND BALANCES (DEFICITS)	634,753	294,369	160,451	1,089,573
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 1,585,413	\$ 294,369	\$ 197,912	\$ 2,077,694

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	Total Governmental Funds
Total Fund Balances	\$ 1,089,573
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	11,172,308
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	374,426
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(3,045,000)
Capital leases payable	(14,537)
Net pension liability	(556,683)
Net position of governmental activities	\$ 9,020,087

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	General Fund	Maintenance Reserve	All Nonmajor Funds	Total Governmental Funds
REVENUES				
Intergovernmental revenues	\$ 12,055,175	\$ -	\$ 147,912	\$ 12,203,087
Charges for services	13,000	-	158,077	171,077
Investment income	23,789	857	-	24,646
State on-behalf payments	457,895	-	-	457,895
Miscellaneous	16,467	-	134,585	151,052
TOTAL REVENUES	12,566,326	857	440,574	13,007,757
EXPENDITURES				
Current:				
Regular education	3,238,526	-	-	3,238,526
Regular education intervention/SCW	416,691	-	-	416,691
Early education/school wide (pre kindergarten)	309,429	-	-	309,429
ELL/english language learning	55,214	-	-	55,214
Regular education art program	213,975	-	-	213,975
Regular education foreign language	57,386	-	-	57,386
Regular education physical education	249,165	-	-	249,165
Regular education technology education	98,525	-	-	98,525
Regular education music	232,057	-	-	232,057
Sustainability - science	86,334	-	-	86,334
Co-curricular	44,014	-	-	44,014
Guidance	166,662	-	-	166,662
School nurse	161,092	-	-	161,092
Health education	72,400	-	-	72,400
Library/media & technology	239,450	-	-	239,450
Technology	285,277	-	-	285,277
School board	29,926	-	-	29,926
Washington West SU general assessment	332,004	-	-	332,004
Administration	570,981	-	-	570,981
Washington West SU fiscal services	172,640	-	-	172,640
Operations & maintenance	914,244	-	-	914,244
Transportation (WWSU assessment)	331,193	-	-	331,193
Special education, speech & EEE	2,834,595	-	-	2,834,595
Student support & behavior intervention	253,023	-	-	253,023
On-behalf payments	457,895	-	-	457,895
Program expenditures	-	135,295	380,097	515,392
Capital outlay	-	-	12,500	12,500
Debt service:				
Principal	480,000	-	-	480,000
Interest	141,930	-	-	141,930
TOTAL EXPENDITURES	12,478,620	135,295	392,597	13,006,512
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	87,706	(134,438)	47,977	1,245
OTHER FINANCING SOURCES (USES)				
Transfers in	3,555	40,000	30,947	74,502
Transfers (out)	(68,000)	-	(6,502)	(74,502)
TOTAL OTHER FINANCING SOURCES (USES)	(64,445)	40,000	24,445	-
NET CHANGE IN FUND BALANCES	23,261	(94,438)	72,422	1,245
FUND BALANCES - JULY 1	611,492	388,807	88,029	1,088,328
FUND BALANCES - JUNE 30	\$ 634,753	\$ 294,369	\$ 160,451	\$ 1,089,573

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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>\$ 1,245</u>
<p>Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:</p>	
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:</p>	
Capital asset acquisitions	183,191
Depreciation expense	<u>(324,272)</u>
	<u>(141,081)</u>
<p>Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds</p>	
	<u>172,739</u>
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position</p>	
	<u>495,339</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p>	
Net pension liability	<u>(259,388)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 268,854</u></u>

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017

	Agency Funds
	<u>Student</u>
	Activities
	<u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>37,125</u>
TOTAL ASSETS	<u><u>\$ 37,125</u></u>
LIABILITIES	
Deposits held for others	\$ <u>37,125</u>
TOTAL LIABILITIES	<u><u>\$ 37,125</u></u>

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Waterbury-Duxbury Union School District #45 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, operations & maintenance, 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.

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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.

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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 Maintenance Reserve Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities or equipment.

Nonmajor Funds

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the School District's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

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

The emphasis in fund financial statements is on the major funds in the governmental 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.

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Budget

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

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

Revenues per budgetary basis	\$12,111,986
Add: On-behalf payments	<u>457,895</u>
Total GAAP basis	<u>\$12,569,881</u>
Expenditures per budgetary basis	\$12,088,725
Add: On-behalf basis	<u>457,895</u>
Total GAAP basis	<u>\$12,546,620</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.

MORETOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

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

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

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

Waterbury-Duxbury Union School District #45 has no formal investment policy but instead follows the State of Vermont Statutes.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$130,256 for the year ended June 30, 2017. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2017.

Capital Assets

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

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

Infrastructure assets include a side walk at Crossett Brook Middle School. The School District has not retroactively recorded infrastructure.

MORETOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 - 50 years

Long-term Obligations

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

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) and the Vermont Municipal Employees' Retirement System (VMERS) Plans and additions to/deductions from the VSTRS and VMERS Plans' fiduciary net position have been determined on the same basis as they are reported by the 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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Deferred revenue qualifies for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. Accordingly, this item is reported in the statement of net position. All items in this category are deferred and recognized as inflows of resources in the period that the amounts become available.

Program Revenues

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

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.

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$1,788,744 was comprised of bank balances of \$1,651,750. Bank deposits of \$1,912,424 were either fully covered by federal depository insurance, and consequently were not exposed to custodial credit risk, or were collateralized by securities held by the financial institution in the School District's name. The remaining bank deposits of \$44,369 were neither fully covered by federal depository insurance or collateralized by securities held by the financial institution in the School District's name, and consequently were exposed to custodial credit risk.

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 112,073
Money market accounts	294,369
Sweep accounts	1,243,046
Savings accounts	2,262
	<u>\$ 1,651,750</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.

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

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

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 26,076	\$ 161,621
Nonmajor Special Revenue Funds	147,555	26,076
Nonmajor Capital Projects Funds	14,066	-
	<u>\$ 187,697</u>	<u>\$ 187,697</u>

NOTE 4 - CAPITAL ASSETS

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

	Balance 7/1/16	Additions	Disposals	Balance 6/30/17
<u>Governmental activities:</u>				
Non-depreciated assets:				
Construction in progress	\$ 6,290	\$ -	\$ -	\$ 6,290
	<u>6,290</u>	<u>-</u>	<u>-</u>	<u>6,290</u>
Depreciated assets:				
Land improvements	445,416	-	-	445,416
Buildings and improvements	15,012,566	183,191	-	15,195,757
Infrastructure	103,443	-	-	103,443
Machinery and equipment	732,268	-	-	732,268
	<u>16,293,693</u>	<u>183,191</u>	<u>-</u>	<u>16,476,884</u>
Less: accumulated depreciation				
Land improvements	(445,416)	-	-	(445,416)
Buildings and improvements	(3,957,493)	(296,493)	-	(4,253,986)
Infrastructure	(31,033)	(5,172)	-	(36,205)
Machinery and equipment	(552,652)	(22,607)	-	(575,259)
	<u>(4,986,594)</u>	<u>(324,272)</u>	<u>-</u>	<u>(5,310,866)</u>
Net capital assets	<u>\$ 11,313,389</u>	<u>\$ (141,081)</u>	<u>\$ -</u>	<u>\$ 11,172,308</u>

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation:

School wide	\$ 324,272
Total depreciation expenses	<u>\$ 324,272</u>

NOTE 5 - SHORT-TERM DEBT

On July 1, 2016, the District issued a tax anticipation note to provide liquidity for governmental operations financed by property taxes. The tax anticipation note allows principal draws of up to \$750,000 with interest at 1.35% per annum and will mature on June 30, 2017.

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

	Balance 7/1/16	Additions	Reductions	Balance 6/30/17
Tax anticipation note	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ (750,000)</u>	<u>\$ -</u>

Interest expense for short-term debt activity during the year totaled \$5,048.

NOTE 6 - LONG TERM DEBT

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

	Balance 7/1/16	Additions	Deletions	Balance 6/30/17	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 3,525,000	\$ -	\$ (480,000)	\$ 3,045,000	\$ 280,000
Capital leases payable	29,876	-	(15,339)	14,537	12,827
Net pension liability	297,295	259,388	-	556,683	81,386
	<u>\$ 3,852,171</u>	<u>\$ 259,388</u>	<u>\$ (495,339)</u>	<u>\$ 3,616,220</u>	<u>\$ 374,213</u>

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - LONG TERM DEBT (CONTINUED)

Bonds Payable:

\$3,605,000, Vermont Municipal Bond Bank 2015 Series 1 Refunding Bond due in annual principal installments of \$280,000 for the first six years and \$275,000 thereafter through November of 2027. Interest ranging from 4.285% to 4.715% payable semi-annually through November of 2027, with savings allocations ranging from \$637 to \$22,297 rebated from November of 2015 through November of 2027.

\$ 3,045,000

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

Governmental activities:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 280,000	\$ 127,078	\$ 407,078
2019	280,000	98,861	378,861
2020	280,000	87,596	367,596
2021	280,000	75,668	355,668
2022	275,000	62,575	337,575
2023-2027	1,375,000	133,562	1,508,562
2028-2032	275,000	35	275,035
	<u>\$ 3,045,000</u>	<u>\$ 585,375</u>	<u>\$ 3,630,375</u>

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

Capital Leases Payable:

Capital lease payable to Univest Capital, Inc., interest at a rate of 4.338%, monthly payments of principal and interest of \$566. Maturity in September of 2019.

\$ 14,537

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - LONG TERM DEBT (CONTINUED)

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

Year Ending June 30:	
2018	\$ 6,792
2019	6,792
2020	<u>1,722</u>
Total minimum lease payment	15,306
Less amount representing interest	<u>(769)</u>
Present value of future minimum lease payments	<u><u>\$ 14,537</u></u>

NOTE 7 - OPERATING LEASES

Operating Leases Payable:

Waterbury-Duxbury School District entered into a lease, dated August 13, 2013, payable to Green Lantern Capital, LLC for a solar photovoltaic electricity generating facility for Crosset Brook Middle School, monthly payments of \$3,022 for a period of 20 years. \$ 595,334

Waterbury-Duxbury School District entered into a lease, dated May 14, 2014, payable to Green Lantern Capital, LLC for a solar photovoltaic electricity generating facility for Thatcher Brook Primary School, monthly payments of \$2,552, lease term being 20 years. 535,920

Total Operating Leases Payable \$ 1,131,254

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - OPERATING LEASES (CONTINUED)

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

Year Ending June 30:	
2018	\$ 6,688
2019	6,688
2020	66,888
2021	66,888
2022	66,888
2023 - 2027	334,440
2028 - 2033	334,440
2034 - 2038	<u>248,334</u>
Total minimum lease payment	<u><u>\$ 1,131,254</u></u>

NOTE 8 - OVERSPENT APPROPRIATIONS

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

ELL/english language learning	\$ 13,381
Regular education art program	3,323
Library/media & technology	3,009
Washington West SU general assessment	1,808
Washington West SU fiscal services	820
Special education, speech & EEE	<u>616,003</u>
	<u><u>\$ 638,344</u></u>

NOTE 9 - NONSPENDABLE FUND BALANCES

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

General fund:	
Prepaid items	\$ 5,513
Nonmajor special revenue funds (Schedule E)	<u>2,609</u>
	<u><u>\$ 8,122</u></u>

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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:

Nonmajor special revenue funds (Schedule E)	<u>\$ 145,026</u>
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NOTE 11 - COMMITTED FUND BALANCES

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

Maintenance reserve fund	294,369
Nonmajor capital projects funds (Schedule G)	<u>14,066</u>
	<u>\$ 308,435</u>

NOTE 12 - DEFICIT FUND BALANCES

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

Nonmajor special revenue funds (Schedule E):	
Tobacco grant	<u>\$ 1,250</u>

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.

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.

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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 \$457,895 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 \$208,182 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 \$3,950,779 for the year ended June 30, 2017.

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

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

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

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

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

Contributions

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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 \$62,458 and \$58,271, respectively. The School District contributed \$70,465 and \$65,742 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 \$1,281,194.

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:

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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>9,445,779</u>
Total	<u>\$ 9,445,779</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 0.72131%, which was a decrease of 0.05388% from its proportion measured as of June 30, 2015.

VMERS Plan

At June 30, 2017, the School District reported a liability of \$556,683 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 0.43256% for VMERS, which was an increase of 0.3940% 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 \$1,599,805 and expense of \$1,599,805 for support provided by the State of Vermont for the VSTRS plan. In the same period, the School District recognized pension expense of \$86,649 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:

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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	\$ -	\$ -	\$ 11,436	\$ -
Changes of assumptions	-	-	89,402	-
Net difference between projected and actual earnings on pension plan investments	-	-	180,504	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	22,620	-
Contributions subsequent to the measurement date	-	-	70,465	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 374,427</u>	<u>\$ -</u>

\$70,465 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	\$ -	\$ 81,386
2018	-	81,386
2019	-	110,045
2020	-	31,144
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:

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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.

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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:

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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	100.00%	

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:

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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	\$ 924,150	\$ 556,683	\$ 249,006

Pension Plan Fiduciary Net Position

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

NOTE 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.

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - RISK MANAGEMENT (CONTINUED)

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 Waterbury-Duxbury School District #45, 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.

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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	\$ 611,492	\$ 611,492	\$ 611,492	\$ -
Resources (Inflows):				
Intergovernmental:				
State support	10,194,815	10,194,815	10,194,816	1
Other	1,454,416	1,454,416	1,860,359	405,943
Interest income	20,000	20,000	23,789	3,789
Tuition	-	-	13,000	13,000
Miscellaneous	5,000	5,000	16,467	11,467
Transfers from other funds	-	-	3,555	3,555
Amounts Available for Appropriation	<u>12,285,723</u>	<u>12,285,723</u>	<u>12,723,478</u>	<u>437,755</u>
Charges to Appropriations (Outflows):				
Current:				
Regular education	3,285,616	3,285,616	3,238,526	47,090
Regular education intervention/SCW	422,566	422,566	416,691	5,875
Early education/school wide (pre kindergarten)	341,630	341,630	309,429	32,201
ELL/english language learning	41,833	41,833	55,214	(13,381)
Regular education art program	210,652	210,652	213,975	(3,323)
Regular education foreign language	77,617	77,617	57,386	20,231
Regular education physical education	254,412	254,412	249,165	5,247
Regular education technology education	102,882	102,882	98,525	4,357
Regular education music	265,428	265,428	232,057	33,371
Sustainability - science	89,336	89,336	86,334	3,002
Co-curricular	104,601	104,601	44,014	60,587
Guidance	170,411	170,411	166,662	3,749
School nurse	162,864	162,864	161,092	1,772
Health education	74,084	74,084	72,400	1,684
Library/media & technology	236,441	236,441	239,450	(3,009)
Technology	307,849	307,849	285,277	22,572
School board	45,739	45,739	29,926	15,813
Washington West SU general assessment	330,196	330,196	332,004	(1,808)
Administration	606,554	606,554	570,981	35,573
Washington West SU fiscal services	171,820	171,820	172,640	(820)
Operations & maintenance	962,727	962,727	914,244	48,483
Transportation (WWSU assessment)	376,448	376,448	331,193	45,255
Special education, speech & EEE	2,218,592	2,218,592	2,834,595	(616,003)
Student support & behavior intervention	271,611	271,611	253,023	18,588
School based clinician	34,000	34,000	33,992	8
Debt service:				
Principal	480,000	480,000	480,000	-
Interest	173,526	173,526	141,930	31,596
Transfers to other funds	70,000	70,000	68,000	2,000
Total Charges to Appropriations	<u>11,889,435</u>	<u>11,889,435</u>	<u>12,088,725</u>	<u>(199,290)</u>
Budgetary Fund Balance, June 30	<u>\$ 396,288</u>	<u>\$ 396,288</u>	<u>\$ 634,753</u>	<u>\$ 238,465</u>
Utilization of committed fund balance	<u>\$ 215,204</u>	<u>\$ 215,204</u>	<u>\$ -</u>	<u>\$ (215,204)</u>

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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>9,445,779</u>	<u>9,197,659</u>	<u>6,870,497</u>
Total	<u>\$ 9,445,779</u>	<u>\$ 9,197,659</u>	<u>\$ 6,870,497</u>
Covered-employee payroll	\$ 4,672,659	\$ 4,323,295	\$ 4,063,478
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	0.43%	0.04%	0.03%
Proportionate share of the net pension liability	\$ 556,683	\$ 297,295	\$ 33,791
Covered-employee payroll	\$ 1,195,300	\$ 1,002,853	\$ 868,364
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	46.57%	29.64%	3.89%
Plan fiduciary net position as a percentage of the total pension liability	80.95%	87.42%	98.32%

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

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>VSTRS:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,950,779	\$ 4,672,659	\$ 4,323,295
Contributions as a percentage of covered- employee payroll	0.00%	0.00%	0.00%
<u>VMERS:</u>			
Contractually required contribution	\$ 70,465	\$ 65,742	\$ 53,903
Contributions in relation to the contractually required contribution	<u>(70,465)</u>	<u>(65,742)</u>	<u>(53,903)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,281,194	\$ 1,195,300	\$ 1,002,853
Contributions as a percentage of covered- employee payroll	5.50%	5.50%	5.37%

* 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.

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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	\$ 10,194,815	\$ 10,194,815	\$ 10,194,816	\$ 1
Transportation Reimbursement	139,555	139,555	137,358	(2,197)
Mainstream Block Grant	235,009	235,009	235,009	-
General SPED Reimbursement	729,999	729,999	984,135	254,136
Extraordinary Reimbursement	41,456	41,456	153,113	111,657
Title I-SCW	135,000	135,000	142,365	7,365
Erate	-	-	22,007	22,007
Essential Early Education	54,397	54,397	68,990	14,593
State Medicaid Grant	54,000	54,000	67,985	13,985
School Improvement Grant	65,000	65,000	49,397	(15,603)
Interest income	20,000	20,000	23,789	3,789
Tuition	-	-	13,000	13,000
Miscellaneous:				
Building Use	5,000	5,000	16,414	11,414
Other Receipts	-	-	53	53
Transfers from Other Funds	-	-	3,555	3,555
Amounts Available for Appropriation	<u>\$ 11,674,231</u>	<u>\$ 11,674,231</u>	<u>\$ 12,111,986</u>	<u>\$ 437,755</u>

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

SCHEDULE B

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Grade pre kindergarten through grade 4 budget				
Regular education -				
Salaries (includes retirement payments)	\$ 1,308,265	\$ 1,308,265	\$ 1,324,162	\$ (15,897)
Benefits	511,962	511,962	480,855	31,107
Contracted services	3,000	3,000	6,293	(3,293)
Equipment repairs/maintenance	10,050	10,050	8,198	1,852
Transportation	300	300	2,983	(2,683)
Supplies & materials	50,250	50,250	68,797	(18,547)
Equipment	17,036	17,036	14,747	2,289
Dues/subscriptions	2,500	2,500	3,138	(638)
	<u>1,903,363</u>	<u>1,903,363</u>	<u>1,909,173</u>	<u>(5,810)</u>
Regular education intervention/SCW -				
Salaries	264,597	264,597	268,495	(3,898)
Benefits	84,577	84,577	84,699	(122)
Supplies & materials	-	-	620	(620)
	<u>349,174</u>	<u>349,174</u>	<u>353,814</u>	<u>(4,640)</u>
Early education/school wide (pre kindergarten classroom) -				
Salaries	83,722	83,722	83,413	309
Benefits	23,648	23,648	20,268	3,380
Contracted services	231,900	231,900	203,844	28,056
Supplies & materials	2,360	2,360	1,904	456
	<u>341,630</u>	<u>341,630</u>	<u>309,429</u>	<u>32,201</u>
ELL/english language learning -				
Salaries	20,138	20,138	24,034	(3,896)
Benefits	5,931	5,931	19,574	(13,643)
Contracted services	300	300	-	300
Supplies & materials	350	350	1,621	(1,271)
	<u>26,719</u>	<u>26,719</u>	<u>45,229</u>	<u>(18,510)</u>
Regular education art program -				
Salaries	73,468	73,468	75,789	(2,321)
Benefits	30,648	30,648	30,997	(349)
Contracted services	-	-	3,262	(3,262)
Supplies & materials	7,100	7,100	5,222	1,878
	<u>111,216</u>	<u>111,216</u>	<u>115,270</u>	<u>(4,054)</u>
Regular education physical education -				
Salaries	86,939	86,939	87,483	(544)
Benefits	32,727	32,727	28,604	4,123
Supplies & materials	1,500	1,500	1,232	268
	<u>121,166</u>	<u>121,166</u>	<u>117,319</u>	<u>3,847</u>
Regular education music -				
Salaries	73,468	73,468	40,955	32,513
Benefits	9,729	9,729	12,614	(2,885)
Supplies & materials	1,000	1,000	1,455	(455)
Equipment	1,500	1,500	1,523	(23)
	<u>85,697</u>	<u>85,697</u>	<u>56,547</u>	<u>29,150</u>

SCHEDULE B (CONTINUED)
WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Grade pre kindergarten through grade 4 budget (continued)				
Co-curricular -				
Salaries	28,500	28,500	-	28,500
Benefits	2,180	2,180	-	2,180
Contracted services	6,500	6,500	-	6,500
Supplies & materials	400	400	-	400
	<u>37,580</u>	<u>37,580</u>	<u>-</u>	<u>37,580</u>
Guidance -				
Salaries	56,002	56,002	58,326	(2,324)
Benefits	29,009	29,009	26,671	2,338
Contracted services	100	100	400	(300)
Supplies & materials	200	200	170	30
	<u>85,311</u>	<u>85,311</u>	<u>85,567</u>	<u>(256)</u>
School nurse -				
Salaries	47,187	47,187	50,763	(3,576)
Benefits	28,136	28,136	29,669	(1,533)
Contracted services	200	200	135	65
Transportation	100	100	-	100
Supplies & materials	1,000	1,000	804	196
	<u>76,623</u>	<u>76,623</u>	<u>81,371</u>	<u>(4,748)</u>
Health education -				
Salaries	15,034	15,034	15,069	(35)
Benefits	2,176	2,176	1,571	605
Supplies & materials	500	500	389	111
	<u>17,710</u>	<u>17,710</u>	<u>17,029</u>	<u>681</u>
Library/media & technology -				
Salaries	86,643	86,643	88,235	(1,592)
Benefits	33,444	33,444	31,101	2,343
Other purchase services	100	100	-	100
Supplies & materials	16,250	16,250	20,385	(4,135)
Equipment	600	600	574	26
Dues/subscriptions	250	250	192	58
	<u>137,287</u>	<u>137,287</u>	<u>140,487</u>	<u>(3,200)</u>

SCHEDULE B (CONTINUED)
WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Grade pre kindergarten through grade 4 budget (continued)				
Technology -				
Salaries	62,837	62,837	65,107	(2,270)
Benefits	34,575	34,575	31,780	2,795
Other purchase services	3,500	3,500	2,191	1,309
Supplies & materials	16,500	16,500	4,636	11,864
Equipment	22,000	22,000	45,504	(23,504)
	<u>139,412</u>	<u>139,412</u>	<u>149,218</u>	<u>(9,806)</u>
School board -				
Salaries (board secretary)	400	400	355	45
Benefits	186	186	156	30
Board reimbursement	2,029	2,029	1,450	579
Contracted services	19,190	19,190	15,047	4,143
Dues/subscriptions	1,200	1,200	1,230	(30)
	<u>23,005</u>	<u>23,005</u>	<u>18,238</u>	<u>4,767</u>
Washington West SU general assessment	<u>165,098</u>	<u>165,098</u>	<u>166,002</u>	<u>(904)</u>
Administration -				
Salaries	257,824	257,824	258,194	(370)
Benefits	88,044	88,044	86,717	1,327
Postage, printing, field trips	3,300	3,300	4,254	(954)
Supplies & materials	4,000	4,000	4,157	(157)
Equipment	1,000	1,000	1,789	(789)
Dues/subscriptions	1,500	1,500	1,326	174
	<u>355,668</u>	<u>355,668</u>	<u>356,437</u>	<u>(769)</u>
Washington West SU fiscal service assessment	<u>85,910</u>	<u>85,910</u>	<u>86,380</u>	<u>(470)</u>
Operations & maintenance -				
Salaries	133,896	133,896	143,568	(9,672)
Benefits	79,400	79,400	66,619	12,781
Equipment repairs/maintenance/telephone	57,100	57,100	73,366	(16,266)
Property insurance	20,500	20,500	17,186	3,314
Short term maintenance	29,112	29,112	25,193	3,919
Supplies & materials	122,848	122,848	144,140	(21,292)
Equipment	40,124	40,124	19,457	20,667
	<u>482,980</u>	<u>482,980</u>	<u>489,529</u>	<u>(6,549)</u>
Transportation (WWSU transportation assessment) -				
Contracted transportation	174,809	174,809	162,044	12,765
Field trips	5,000	5,000	6,038	(1,038)
	<u>179,809</u>	<u>179,809</u>	<u>168,082</u>	<u>11,727</u>

SCHEDULE B (CONTINUED)
WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Grade pre kindergarten through grade 4 budget (continued)				
Special education, speech & essential early education (eligible & ineligible for reimbursement) -				
Salaries	205,584	205,584	201,622	3,962
Benefits	76,973	76,973	70,294	6,679
WWSU special education assessment (act 153/156)	615,493	615,493	1,014,920	(399,427)
WWSU EEE assessment (act 153/156)	54,397	54,397	176,654	(122,257)
	<u>952,447</u>	<u>952,447</u>	<u>1,463,490</u>	<u>(511,043)</u>
Student support & behavior intervention -				
Salaries	100,393	100,393	99,420	973
Benefits	57,996	57,996	43,641	14,355
Contracted services	34,000	34,000	33,992	8
Supplies & materials	500	500	210	290
	<u>192,889</u>	<u>192,889</u>	<u>177,263</u>	<u>15,626</u>
Long-term debt -				
Interest 1996 renovation	951	951	(807)	1,758
Interest renovation	138,772	138,772	138,772	-
Principal 1996 renovation	22,000	22,000	22,000	-
Principal renovation	280,000	280,000	280,000	-
	<u>441,723</u>	<u>441,723</u>	<u>439,965</u>	<u>1,758</u>
Short term debt - short term lending tax anticipation note				
	<u>15,000</u>	<u>15,000</u>	<u>5,048</u>	<u>9,952</u>
Transfers to other funds -				
Capital projects funds - maintenance reserve (long-term maintenance)	20,000	20,000	20,000	-
Special revenue funds	15,000	15,000	14,000	1,000
	<u>35,000</u>	<u>35,000</u>	<u>34,000</u>	<u>1,000</u>
SUBTOTAL DEPARTMENTAL OPERATIONS - THATCHER BROOK PRIMARY SCHOOL				
	<u>6,362,417</u>	<u>6,362,417</u>	<u>6,784,887</u>	<u>(422,470)</u>

SCHEDULE B (CONTINUED)
WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Grade 4 through grade 8 budget				
Regular education -				
Salaries (includes retirement payments)	\$ 943,052	\$ 943,052	\$ 917,956	\$ 25,096
Benefits	375,439	375,439	352,508	22,931
Contracted services	6,050	6,050	4,648	1,402
Equipment repairs/maintenance (copier)	8,800	8,800	8,571	229
Supplies & materials	44,912	44,912	44,675	237
Equipment	4,000	4,000	995	3,005
	<u>1,382,253</u>	<u>1,382,253</u>	<u>1,329,353</u>	<u>52,900</u>
Regular education intervention/SCW -				
Salaries	48,441	48,441	50,270	(1,829)
Benefits	22,951	22,951	12,502	10,449
Supplies & materials	2,000	2,000	105	1,895
	<u>73,392</u>	<u>73,392</u>	<u>62,877</u>	<u>10,515</u>
ELL/english language learning -				
Salaries	10,069	10,069	6,008	4,061
Benefits	4,795	4,795	3,977	818
Supplies & materials	250	250	-	250
	<u>15,114</u>	<u>15,114</u>	<u>9,985</u>	<u>5,129</u>
Regular education art program -				
Salaries	69,789	69,789	69,970	(181)
Benefits	24,647	24,647	23,613	1,034
Supplies & materials	3,500	3,500	4,709	(1,209)
Equipment	1,500	1,500	413	1,087
	<u>99,436</u>	<u>99,436</u>	<u>98,705</u>	<u>731</u>
Regular education foreign language -				
Salaries	60,085	60,085	40,920	19,165
Benefits	15,832	15,832	11,756	4,076
Supplies & materials	1,700	1,700	4,710	(3,010)
	<u>77,617</u>	<u>77,617</u>	<u>57,386</u>	<u>20,231</u>
Regular education physical education -				
Salaries	85,762	85,762	88,046	(2,284)
Benefits	42,884	42,884	40,829	2,055
Contracted services	-	-	300	(300)
Supplies & materials	600	600	591	9
Equipment	4,000	4,000	2,080	1,920
	<u>133,246</u>	<u>133,246</u>	<u>131,846</u>	<u>1,400</u>
Regular education technology education -				
Salaries	73,670	73,670	73,864	(194)
Benefits	25,012	25,012	22,294	2,718
Supplies & materials	4,200	4,200	2,367	1,833
	<u>102,882</u>	<u>102,882</u>	<u>98,525</u>	<u>4,357</u>

SCHEDULE B (CONTINUED)
WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Grade 4 through grade 8 budget (continued)				
Regular education music -				
Salaries	\$ 110,468	\$ 110,468	\$ 105,254	\$ 5,214
Benefits	56,963	56,963	55,158	1,805
Contracted services	3,000	3,000	3,763	(763)
Equipment repairs/maintenance	600	600	841	(241)
Transportation	800	800	50	750
Supplies & materials	7,900	7,900	10,444	(2,544)
	<u>179,731</u>	<u>179,731</u>	<u>175,510</u>	<u>4,221</u>
Sustainability - science -				
Salaries	58,145	58,145	58,407	(262)
Benefits	29,191	29,191	26,810	2,381
Supplies & materials	2,000	2,000	1,117	883
	<u>89,336</u>	<u>89,336</u>	<u>86,334</u>	<u>3,002</u>
Co-curricular -				
Salaries	35,500	35,500	20,133	15,367
Benefits	4,521	4,521	2,434	2,087
Contracted services	13,000	13,000	11,312	1,688
Transportation	6,000	6,000	3,061	2,939
Supplies & materials	1,500	1,500	891	609
Equipment	1,500	1,500	1,183	317
Activity account	5,000	5,000	5,000	-
	<u>67,021</u>	<u>67,021</u>	<u>44,014</u>	<u>23,007</u>
Guidance -				
Salaries	55,872	55,872	54,980	892
Benefits	28,828	28,828	25,729	3,099
Supplies & materials	400	400	386	14
	<u>85,100</u>	<u>85,100</u>	<u>81,095</u>	<u>4,005</u>
School nurse -				
Salaries	66,562	66,562	50,596	15,966
Benefits	17,779	17,779	27,270	(9,491)
Supplies & materials	1,500	1,500	1,675	(175)
Equipment	400	400	180	220
	<u>86,241</u>	<u>86,241</u>	<u>79,721</u>	<u>6,520</u>
Health education -				
Salaries	40,526	40,526	41,212	(686)
Benefits	15,848	15,848	14,159	1,689
	<u>56,374</u>	<u>56,374</u>	<u>55,371</u>	<u>1,003</u>

SCHEDULE B (CONTINUED)
WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Grade 4 through grade 8 budget (continued)				
Library/media -				
Salaries	52,323	52,323	52,575	(252)
Benefits	28,646	28,646	29,027	(381)
Contracted services	725	725	-	725
Equipment repairs/maintenance	150	150	-	150
Other purchase services	100	100	-	100
Supplies & materials	16,600	16,600	17,248	(648)
Equipment	610	610	113	497
	<u>99,154</u>	<u>99,154</u>	<u>98,963</u>	<u>191</u>
Technology -				
Salaries	62,877	62,877	64,332	(1,455)
Benefits	34,575	34,575	31,811	2,764
Equipment repairs/maintenance	2,500	2,500	4,235	(1,735)
Other purchase services	2,300	2,300	2,109	191
Supplies & materials	24,200	24,200	9,474	14,726
Equipment	41,985	41,985	24,098	17,887
	<u>168,437</u>	<u>168,437</u>	<u>136,059</u>	<u>32,378</u>
School board -				
Salaries (board secretary)	400	400	355	45
Benefits	178	178	156	22
Board reimbursement	1,931	1,931	1,450	481
Contracted services	19,125	19,125	8,497	10,628
Dues/subscriptions	1,100	1,100	1,230	(130)
	<u>22,734</u>	<u>22,734</u>	<u>11,688</u>	<u>11,046</u>
Washington West SU general assessment	<u>165,098</u>	<u>165,098</u>	<u>166,002</u>	<u>(904)</u>
Administration -				
Salaries	173,962	173,962	165,352	8,610
Benefits	65,924	65,924	44,480	21,444
Postage, printing, field trips	4,500	4,500	909	3,591
Supplies & materials	3,500	3,500	1,398	2,102
Equipment	-	-	60	(60)
Dues/subscriptions	3,000	3,000	2,345	655
	<u>250,886</u>	<u>250,886</u>	<u>214,544</u>	<u>36,342</u>
Washington West SU fiscal service assessment	<u>85,910</u>	<u>85,910</u>	<u>86,260</u>	<u>(350)</u>
Operations & maintenance -				
Salaries	144,781	144,781	145,802	(1,021)
Benefits	57,223	57,223	44,741	12,482
Equipment repairs/maintenance/telephone	61,700	61,700	62,474	(774)
Property insurance	20,185	20,185	17,186	2,999
Short term maintenance	29,112	29,112	43,481	(14,369)
Supplies & materials	126,682	126,682	72,149	54,533
Equipment	40,064	40,064	38,882	1,182
	<u>479,747</u>	<u>479,747</u>	<u>424,715</u>	<u>55,032</u>

SCHEDULE B (CONTINUED)
WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Grade 4 through grade 8 budget (continued)				
Transportation (WWSU transportation assessment) -				
Contracted transportation	173,639	173,639	162,868	10,771
Field trips 5th-6th grade	23,000	23,000	243	22,757
	<u>196,639</u>	<u>196,639</u>	<u>163,111</u>	<u>33,528</u>
Special education, speech (eligible & ineligible for reimbursement) -				
Salaries	316,155	316,155	327,568	(11,413)
Benefits	217,112	217,112	186,617	30,495
WWSU special education assessment (act 153/156)	732,878	732,878	856,820	(123,942)
Supplies & materials	-	-	100	(100)
	<u>1,266,145</u>	<u>1,266,145</u>	<u>1,371,105</u>	<u>(104,960)</u>
Planning learning/student support -				
Salaries	47,019	47,019	46,814	205
Benefits	31,703	31,703	28,946	2,757
	<u>78,722</u>	<u>78,722</u>	<u>75,760</u>	<u>2,962</u>
School based clinician	<u>34,000</u>	<u>34,000</u>	<u>33,992</u>	<u>8</u>
Long-term debt -				
Interest renovation	3,803	3,803	-	3,803
Principal renovation	178,000	178,000	178,000	-
	<u>181,803</u>	<u>181,803</u>	<u>178,000</u>	<u>3,803</u>
Short term debt - short term lending tax anticipation note	<u>15,000</u>	<u>15,000</u>	<u>(1,083)</u>	<u>16,083</u>
Transfers to other funds -				
Capital projects funds - maintenance reserve (long-term maintenance)	20,000	20,000	20,000	-
Special revenue funds	15,000	15,000	14,000	1,000
	<u>35,000</u>	<u>35,000</u>	<u>34,000</u>	<u>1,000</u>
SUBTOTAL DEPARTMENTAL OPERATIONS - CROSSETT BROOK MIDDLE SCHOOL	<u>5,527,018</u>	<u>5,527,018</u>	<u>5,303,838</u>	<u>223,180</u>
TOTAL DEPARTMENT OPERATIONS - THATCHER BROOK PRIMARY SCHOOL AND CROSSETT BROOK MIDDLE SCHOOL	<u>\$ 11,889,435</u>	<u>\$ 11,889,435</u>	<u>\$ 12,088,725</u>	<u>\$ (199,290)</u>

See independent auditors' report and notes to financial statements.

SCHEDULE C

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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			
Accounts receivable (net of allowance for uncollectibles)	\$ 8,499	\$ -	\$ 8,499
Due from other governments	25,183	-	25,183
Due from other funds	147,555	14,066	161,621
Inventory	2,609	-	2,609
TOTAL ASSETS	<u>\$ 183,846</u>	<u>\$ 14,066</u>	<u>\$ 197,912</u>
LIABILITIES			
Accounts payable	\$ 11,385	\$ -	\$ 11,385
Due to other funds	26,076	-	26,076
TOTAL LIABILITIES	<u>37,461</u>	<u>-</u>	<u>37,461</u>
FUND BALANCES (DEFICITS)			
Nonspendable	2,609	-	2,609
Restricted	145,026	-	145,026
Committed	-	14,066	14,066
Assigned	-	-	-
Unassigned	(1,250)	-	(1,250)
TOTAL FUND BALANCES (DEFICITS)	<u>146,385</u>	<u>14,066</u>	<u>160,451</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 183,846</u>	<u>\$ 14,066</u>	<u>\$ 197,912</u>

See independent auditors' report and notes to financial statements.

SCHEDULE D

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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	\$ 147,912	\$ -	\$ 147,912
Charges for services	158,077	-	158,077
Other income	134,585	-	134,585
TOTAL REVENUES	<u>440,574</u>	<u>-</u>	<u>440,574</u>
EXPENDITURES			
Other	380,097	-	380,097
Capital outlay	-	12,500	12,500
TOTAL EXPENDITURES	<u>380,097</u>	<u>12,500</u>	<u>392,597</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>60,477</u>	<u>(12,500)</u>	<u>47,977</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	30,947	-	30,947
Transfers (out)	(6,502)	-	(6,502)
TOTAL OTHER FINANCING SOURCES (USES)	<u>24,445</u>	<u>-</u>	<u>24,445</u>
NET CHANGE IN FUND BALANCES	84,922	(12,500)	72,422
FUND BALANCES (DEFICITS) - JULY 1	<u>61,463</u>	<u>26,566</u>	<u>88,029</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u><u>\$ 146,385</u></u>	<u><u>\$ 14,066</u></u>	<u><u>\$ 160,451</u></u>

See 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.

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	Probate Funds	SPED State Placed Students	Tobacco Grant	North Stars TBPS	Berlin City Grants	Safe Routes To School	Exxon Mobile Grant
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ 350	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-	-
Due from other funds	82,463	-	-	4,000	-	-	263
Inventory	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 82,463	\$ -	\$ 350	\$ 4,000	\$ -	\$ -	\$ 263
LIABILITIES							
Accounts payable	\$ 11,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	1,600	-	-	-	-
TOTAL LIABILITIES	11,315	-	1,600	-	-	-	-
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	71,148	-	-	4,000	-	-	263
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	(1,250)	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	71,148	-	(1,250)	4,000	-	-	263
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 82,463	\$ -	\$ 350	\$ 4,000	\$ -	\$ -	\$ 263

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	IBM Grant	Lego Robotics	Food Service Program	Tarrant Grants	Banners Display	Art/Music Enrichment	WDFC Sustainability CBMS
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ 8,149	\$ -	\$ -	\$ -
Due from other governments	-	-	25,183	-	-	-	-
Due from other funds	1,000	-	-	-	-	-	-
Inventory	-	-	2,609	-	-	-	-
TOTAL ASSETS	\$ 1,000	\$ -	\$ 27,792	\$ 8,149	\$ -	\$ -	\$ -
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 70	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	16,327	8,149	-	-	-
TOTAL LIABILITIES	-	-	16,397	8,149	-	-	-
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	2,609	-	-	-	-
Restricted	1,000	-	8,786	-	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	1,000	-	11,395	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 1,000	\$ -	\$ 27,792	\$ 8,149	\$ -	\$ -	\$ -

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	YMCA School Age Programming Partnership	Stars Program TBPS	Girls Peak CBMS	Ereader Grant	Playground	Taber Merchant Donations Library	Lantern Parade
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-	-
Due from other funds	33,671	1,621	619	-	2,846	1,764	6,338
Inventory	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 33,671	\$ 1,621	\$ 619	\$ -	\$ 2,846	\$ 1,764	\$ 6,338
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	33,671	1,621	619	-	2,846	1,764	6,338
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	33,671	1,621	619	-	2,846	1,764	6,338
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 33,671	\$ 1,621	\$ 619	\$ -	\$ 2,846	\$ 1,764	\$ 6,338

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	Family Reads	Dairy Grant	Shaw's Grant CBMS	Cultural Routes CBMS	Stem Grant	Club Cougar CBMS	Garden In Every School
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-	-
Due from other funds	-	673	-	-	-	122	-
Inventory	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ -</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	673	-	-	-	122	-
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>-</u>	<u>673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ -</u>	<u>\$ 673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ -</u>

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	WACC TBPS	Burnham Trust	Ecology Week Fund CBMS	Burnham Trust Fund CBMS	Suicide Prevention Grant	Total
ASSETS						
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,499
Due from other governments	-	-	-	-	-	25,183
Due from other funds	-	532	3,334	7,809	500	147,555
Inventory	-	-	-	-	-	2,609
TOTAL ASSETS	\$ -	\$ 532	\$ 3,334	\$ 7,809	\$ 500	\$ 183,846
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,385
Due to other funds	-	-	-	-	-	26,076
TOTAL LIABILITIES	-	-	-	-	-	37,461
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	2,609
Restricted	-	532	3,334	7,809	500	145,026
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(1,250)
TOTAL FUND BALANCES (DEFICITS)	-	532	3,334	7,809	500	146,385
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ -	\$ 532	\$ 3,334	\$ 7,809	\$ 500	\$ 183,846

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	Probate Funds	SPED State Placed Students	Tobacco Grant	North Stars TBPS	Berlin City Grants	Safe Routes To School	Exxon Mobile Grant
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500
Charges for services	-	-	-	-	-	-	-
Other income	82,463	-	-	-	3,000	-	-
TOTAL REVENUES	<u>82,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>500</u>
EXPENDITURES							
Other	11,315	-	-	-	3,000	-	2,703
TOTAL EXPENDITURES	<u>11,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>2,703</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>71,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,203)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	(4,745)	-	-	-	(406)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(4,745)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(406)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	71,148	(4,745)	-	-	-	(406)	(2,203)
FUND BALANCES (DEFICITS) - JULY 1	<u>-</u>	<u>4,745</u>	<u>(1,250)</u>	<u>4,000</u>	<u>-</u>	<u>406</u>	<u>2,466</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 71,148</u>	<u>\$ -</u>	<u>\$ (1,250)</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263</u>

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	IBM Grant	Lego Robotics	Food Service Program	Tarrant Grants	Banners Display	Art/Music Enrichment	WDFC Sustainability CBMS
REVENUES							
Intergovernmental	\$ -	\$ -	\$ 140,293	\$ 6,319	\$ -	\$ -	\$ -
Charges for services	-	-	158,077	-	-	-	-
Other income	-	-	6,567	1,830	-	-	2,500
TOTAL REVENUES	-	-	304,937	8,149	-	-	2,500
EXPENDITURES							
Other	-	-	332,901	3,191	97	-	3,589
TOTAL EXPENDITURES	-	-	332,901	3,191	97	-	3,589
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(27,964)	4,958	(97)	-	(1,089)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	28,000	-	-	-	1,787
Transfers (out)	-	(9)	-	-	-	(72)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(9)	28,000	-	-	(72)	1,787
NET CHANGE IN FUND BALANCES (DEFICITS)	-	(9)	36	4,958	(97)	(72)	698
FUND BALANCES (DEFICITS) - JULY 1	1,000	9	11,359	(4,958)	97	72	(698)
FUND BALANCES (DEFICITS) - JUNE 30	\$ 1,000	\$ -	\$ 11,395	\$ -	\$ -	\$ -	\$ -

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	YMCA School Age Programming Partnership	Stars Program TBPS	Girls Peak CBMS	Ereader Grant	Playground	Taber Merchant Donations Library	Lantern Parade
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Other income	18,500	1,625	-	-	2,846	-	8,904
TOTAL REVENUES	18,500	1,625	-	-	2,846	-	8,904
EXPENDITURES							
Other	8,855	805	-	-	-	-	7,354
TOTAL EXPENDITURES	8,855	805	-	-	-	-	7,354
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	9,645	820	-	-	2,846	-	1,550
OTHER FINANCING SOURCES (USES)							
Transfers in	910	-	-	-	-	-	250
Transfers (out)	-	-	-	(17)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	910	-	-	(17)	-	-	250
NET CHANGE IN FUND BALANCES (DEFICITS)	10,555	820	-	(17)	2,846	-	1,800
FUND BALANCES (DEFICITS) - JULY 1	23,116	801	619	17	-	1,764	4,538
FUND BALANCES (DEFICITS) - JUNE 30	\$ 33,671	\$ 1,621	\$ 619	\$ -	\$ 2,846	\$ 1,764	\$ 6,338

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	Family Reads	Dairy Grant	Shaw's Grant CBMS	Cultural Routes CBMS	Stem Grant	Club Cougar CBMS	Garden In Every School
REVENUES							
Intergovernmental	\$ -	\$ 800	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Other income	-	-	-	-	-	90	-
TOTAL REVENUES	-	800	-	-	-	90	-
EXPENDITURES							
Other	-	1,378	-	-	-	-	-
TOTAL EXPENDITURES	-	1,378	-	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(578)	-	-	-	90	-
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	(500)	-	(400)	(52)	(48)	-	(3)
TOTAL OTHER FINANCING SOURCES (USES)	(500)	-	(400)	(52)	(48)	-	(3)
NET CHANGE IN FUND BALANCES (DEFICITS)	(500)	(578)	(400)	(52)	(48)	90	(3)
FUND BALANCES (DEFICITS) - JULY 1	500	1,251	400	52	48	32	3
FUND BALANCES (DEFICITS) - JUNE 30	\$ -	\$ 673	\$ -	\$ -	\$ -	\$ 122	\$ -

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	WACC TBPS	Burnham Trust	Ecology Week Fund CBMS	Burnham Trust Fund CBMS	Suicide Prevention Grant	Total
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 147,912
Charges for services	-	-	-	-	-	158,077
Other income	-	-	-	6,260	-	134,585
TOTAL REVENUES	-	-	-	6,260	-	440,574
EXPENDITURES						
Other	-	3,594	500	815	-	380,097
TOTAL EXPENDITURES	-	3,594	500	815	-	380,097
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(3,594)	(500)	5,445	-	60,477
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	30,947
Transfers (out)	(250)	-	-	-	-	(6,502)
TOTAL OTHER FINANCING SOURCES (USES)	(250)	-	-	-	-	24,445
NET CHANGE IN FUND BALANCES (DEFICITS)	(250)	(3,594)	(500)	5,445	-	84,922
FUND BALANCES (DEFICITS) - JULY 1	250	4,126	3,834	2,364	500	61,463
FUND BALANCES (DEFICITS) - JUNE 30	\$ -	\$ 532	\$ 3,334	\$ 7,809	\$ 500	\$ 146,385

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.

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	Crossett Brook Construction Settlement	Total
	<u> </u>	<u> </u>
ASSETS		
Due from other funds	\$ 14,066	14,066
TOTAL ASSETS	<u>\$ 14,066</u>	<u>\$ 14,066</u>
LIABILITIES		
Due to other funds	\$ -	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	-	-
Committed	14,066	14,066
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>14,066</u>	<u>14,066</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,066</u>	<u>\$ 14,066</u>

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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

	Crossett Brook Construction Settlement	Total
	<u> </u>	<u> </u>
REVENUES		
Interest income	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>
EXPENDITURES		
Capital outlay	12,500	12,500
TOTAL EXPENDITURES	<u>12,500</u>	<u>12,500</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(12,500)</u>	<u>(12,500)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers (out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(12,500)	(12,500)
FUND BALANCES - JULY 1	<u>26,566</u>	<u>26,566</u>
FUND BALANCES - JUNE 30	<u>\$ 14,066</u>	<u>\$ 14,066</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.

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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	\$ 6,290	\$ 15,641,173	\$ 608,168	\$ 103,443	\$ 16,359,074
Food service program	-	-	124,100	-	124,100
Total General Capital Assets	6,290	15,641,173	732,268	103,443	16,483,174
Less: Accumulated Depreciation	-	(4,699,402)	(575,259)	(36,205)	(5,310,866)
Net General Capital Assets	<u>\$ 6,290</u>	<u>\$ 10,941,771</u>	<u>\$ 157,009</u>	<u>\$ 67,238</u>	<u>\$ 11,172,308</u>

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

WATERBURY-DUXBURY UNION SCHOOL DISTRICT #45

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	\$ 16,175,883	\$ 183,191	\$ -	\$ 16,359,074
Food service program	124,100	-	-	124,100
Total General Capital Assets	16,299,983	183,191	-	16,483,174
Less: Accumulated Depreciation	(4,986,594)	(324,272)	-	(5,310,866)
Net General Capital Assets	<u>\$ 11,313,389</u>	<u>\$ (141,081)</u>	<u>\$ -</u>	<u>\$ 11,172,308</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
Waterbury-Duxbury Union School District #45
Duxbury, 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 Waterbury-Duxbury Union School District #45 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Waterbury-Duxbury Union School District #45'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 Waterbury-Duxbury Union District #45'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 Waterbury-Duxbury Union School District #45's internal control. Accordingly, we do not express an opinion on the effectiveness of the Waterbury-Duxbury Union School District #45'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.

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 Waterbury-Duxbury Union School District #45'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