

Audited Financial Statements

Warren School District

June 30, 2016



Proven Expertise and Integrity

WARREN SCHOOL DISTRICT

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JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

School Board
Warren School District
Warren, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Warren School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Warren School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Warren School District as of June 30, 2016, 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 53 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Warren School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the

basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016, on our consideration of the Warren School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Warren School District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
November 4, 2016

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

(UNAUDITED)

The following management's discussion and analysis of the Warren School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

The School District's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and pension schedules, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the School District's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the School District's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have one separate column for the one type of School District activity. The type of activity presented for the School District is:

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

Fund Financial Statements

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

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

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

The School District presents 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 Medicaid fund. All other funds are shown as nonmajor and are combined in the "All Nonmajor Funds" column on these statements.

The general fund is the only fund for which the School District legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the School District's governmental activities. The School District's total net position for governmental activities decreased by \$125,815 from \$346,136 to \$220,321.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a deficit balance of \$225,827 at the end of this year.

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

	Governmental Activities	
	2016	2015 (Restated)
Assets:		
Current Assets	\$ 216,446	\$ 189,253
Capital Assets	434,860	410,438
Total Assets	651,306	599,691
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	28,648	16,950
Total Deferred Outflows of Resources	28,648	16,950
Liabilities:		
Current Liabilities	386,627	161,973
Long-term Obligations Outstanding	73,006	92,344
Total Liabilities	459,633	254,317
Deferred Inflows of Resources:		
Deferred Inflows Related to Pensions	-	16,188
Total Deferred Inflows of Resources	-	16,188
Net Position:		
Net Investment in Capital Assets	378,403	316,837
Restricted	67,745	53,136
Unrestricted (Deficit)	(225,827)	(23,837)
Total Net Position	\$ 220,321	\$ 346,136

Revenues and Expenses

The prior year comparatives have not been presented as there were several reclassifications in line items due to presentation of budget changes.

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

	Governmental Activities
	2016
Revenues	
<i>Program Revenues:</i>	
Charges for services	\$ 148,455
Operating grants and contributions	193,194
<i>General Revenues:</i>	
Grants and contributions not restricted to specific programs	2,349,656
Miscellaneous	37,118
Total Revenues	2,728,423
Expenses	
Regular education - classroom (k to grade 6)	882,710
Early education - pre kindergarten	148,526
Art	26,479
Foreign language - french	21,620
Physical education	46,682
Music/drama	43,623
Technology	33,819
Special education, speech & EEE	460,923
School wide (CFG funded)	47,046
Guidance services/home school coordinator	58,038
School nurse	25,630
Library/media	93,326
Board expense	16,296
Washington West general assessment	62,853
School administration	197,971
Fiscal services	41,067
Building & grounds operation/maintenance	185,172
Daily transportation	101,170
Field trips transportation	4,975
On-behalf payments	151,652
Program expenditures	133,557
Interest on long-term debt	7,597
Capital outlay	25,703
Unallocated depreciation	37,803
Total Expenses	2,854,238
 Change in Net Position	 (125,815)
 Net Position - July 1, Restated	 346,136
 Net Position - June 30	 \$ 220,321

Financial Analysis of the School District's Fund Statements

Governmental funds: The financial reporting focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the School District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
Warren School District
Fund Balances - Governmental Funds
June 30,

	2016	2015 (Restated)
Major Funds:		
General Fund:		
Nonspendable	\$ 720	\$ -
Committed	-	16,951
Unassigned	(173,211)	8,259
Medicaid Fund:		
Restricted	20,422	3,780
Total Major Funds	\$ (152,069)	\$ 28,990
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 672	\$ 673
Restricted	47,323	49,356
Unassigned	(180)	(180)
Capital Projects Funds:		
Committed	-	26,723
Unassigned	-	-
Total Nonmajor Funds	\$ 47,815	\$ 76,572

The general fund total fund balance decreased by \$197,701 from the prior fiscal year. The medicaid fund total fund balance increased by \$16,642 from the prior fiscal year. Total nonmajor fund balances decreased by \$28,757 from the prior fiscal year.

Budgetary Highlights

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

The general fund actual revenues were over budgeted revenues by \$37,929 primarily due to receipts exceeding budgeted amounts for tuition and Title I and CFG SCW funding.

The general fund actual expenditures were over budget by \$218,679 primarily due to actual exceeding budgeted amounts for regular education – classroom (kindergarten to grade 6), early education – pre kindergarten, school wide (CFG funded), school administration and building & grounds operation/maintenance.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2016, the School District's capital assets increased by \$24,422. This increase was the result of capital additions of \$71,752 less current year depreciation expense of \$47,330.

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

	<u>2016</u>	<u>2015</u> <u>(Restated)</u>
Buildings and improvements	\$ 345,517	\$ 299,210
Machinery and equipment	17,811	37,416
Infrastructure	71,532	73,812
Total	<u>\$ 434,860</u>	<u>\$ 410,438</u>

Debt

At June 30, 2016, the School District had \$52,464 in a note payable versus \$77,852 in the prior fiscal year. Other obligations include a capital lease 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 2016-2017 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 Warren School District will no longer be operational as of June 30, 2017 in accordance with the Articles of Agreement forming the Harwood Unified Union School District, which will become operational on July 1, 2017.

Contacting the School District's Financial Management

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

WARREN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 174,616
Accounts receivable (net of allowance for uncollectibles)	241
Due from other governments	40,197
Prepaid items	720
Inventory	672
Total current assets	216,446
Noncurrent assets:	
Buildings and improvements, net of accumulated depreciation	345,517
Infrastructure, net of accumulated depreciation	71,532
Machinery and equipment, net of accumulated depreciation	17,811
Total noncurrent assets	434,860
TOTAL ASSETS	651,306
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	28,648
TOTAL DEFERRED OUTFLOWS OF RESOURCES	28,648
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 679,954
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 13,246
Accrued expenses	92,015
Current expense note	200,000
Due to other governments	15,439
Retirement incentive program	35,987
Current portion of long-term obligations	29,940
Total current liabilities	386,627
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Note payable	26,517
Net pension liability	46,489
Total noncurrent liabilities	73,006
TOTAL LIABILITIES	459,633
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Net investment in capital assets	378,403
Restricted: Medicaid fund	20,422
Special revenue funds	47,323
Unrestricted (deficit)	(225,827)
TOTAL NET POSITION	220,321
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 679,954

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

WARREN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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 - classroom (k to grade 6)	\$ 882,710	\$ 108,494	\$ -	\$ -	\$ (774,216)
Early education - pre kindergarten	148,526	-	-	-	(148,526)
Art	26,479	-	-	-	(26,479)
Foreign language - french	21,620	-	-	-	(21,620)
Physical education	46,682	-	-	-	(46,682)
Technology	33,819	-	-	-	(33,819)
Special education, speech & EEE	460,923	-	-	-	(460,923)
School wide (CFG funded)	47,046	-	-	-	(47,046)
Guidance services/home school coordinator	58,038	-	-	-	(58,038)
School nurse	25,630	-	-	-	(25,630)
Library/media	93,326	-	-	-	(93,326)
Board expense	16,296	-	-	-	(16,296)
Washington West general assessment	62,853	-	-	-	(62,853)
School administration	197,971	-	-	-	(197,971)
Fiscal services	41,067	-	-	-	(41,067)
Buliding & grounds operation/maintenance	185,172	-	-	-	(185,172)
Daily transportation	101,170	-	41,542	-	(59,628)
Field trips transportation	4,975	-	-	-	(4,975)
On-behalf payments	151,652	-	151,652	-	-
Program expenditures	133,557	39,961	-	-	(93,596)
Capital outlay	25,703	-	-	-	(25,703)
Interest on long-term debt	7,597	-	-	-	(7,597)
Unallocated depreciation*	37,803	-	-	-	(37,803)
Total governmental activities	<u>\$ 2,854,238</u>	<u>\$ 148,455</u>	<u>\$ 193,194</u>	<u>\$ -</u>	<u>(2,512,589)</u>

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

STATEMENT B (CONTINUED)
WARREN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(2,512,589)</u>
General revenues:	
Grants and contributions not restricted to specific programs	2,349,656
Miscellaneous	<u>37,118</u>
Total general revenues	<u>2,386,774</u>
Change in net position	(125,815)
NET POSITION - JULY 1, RESTATED	<u>346,136</u>
NET POSITION - JUNE 30	<u><u>\$ 220,321</u></u>

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

WARREN SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Medicaid	All Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 174,608	\$ -	\$ 8	\$ 174,616
Accounts receivable (net of allowance for uncollectibles)	-	-	241	241
Due from other governments	24,459	3,534	12,204	40,197
Due from other funds	3,979	16,888	41,723	62,590
Prepaid items	720	-	-	720
Inventory	-	-	672	672
TOTAL ASSETS	<u>\$ 203,766</u>	<u>\$ 20,422</u>	<u>\$ 54,848</u>	<u>\$ 279,036</u>
LIABILITIES				
Accounts payable	\$ 10,530	\$ -	\$ 2,716	\$ 13,246
Accrued expenses	91,677	-	338	92,015
Current expense note	200,000	-	-	200,000
Due to other governments	15,439	-	-	15,439
Due to other funds	58,611	-	3,979	62,590
TOTAL LIABILITIES	<u>376,257</u>	<u>-</u>	<u>7,033</u>	<u>383,290</u>
FUND BALANCES (DEFICITS)				
Nonspendable - prepaid and inventory	720	-	672	1,392
Restricted	-	20,422	47,323	67,745
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	(173,211)	-	(180)	(173,391)
TOTAL FUND BALANCES (DEFICITS)	<u>(172,491)</u>	<u>20,422</u>	<u>47,815</u>	<u>(104,254)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 203,766</u>	<u>\$ 20,422</u>	<u>\$ 54,848</u>	<u>\$ 279,036</u>

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

WARREN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

	Total Governmental Funds
Total Fund Balances	\$ (104,254)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	434,860
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	28,648
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Note payable	(52,464)
Capital leases payable	(3,993)
Net pension liability	(46,489)
For governmental funds, the liability for retirement incentive payable is not recorded. The expense is recorded when incurred.	(35,987)
Net position of governmental activities	\$ 220,321

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

WARREN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Medicaid	All Nonmajor Funds	Total Governmental Funds
REVENUES				
Intergovernmental revenues	\$ 2,322,315	\$ 17,929	\$ 50,954	\$ 2,391,198
Charges for services	-	-	39,961	39,961
Tuition	108,494	-	-	108,494
Investment income	7,485	-	35	7,520
State on-behalf payments	151,652	-	-	151,652
Miscellaneous	56	-	29,542	29,598
TOTAL REVENUES	<u>2,590,002</u>	<u>17,929</u>	<u>120,492</u>	<u>2,728,423</u>
EXPENDITURES				
Current:				
Regular education - classroom (k to grade 6)	908,085	-	-	908,085
Early education - pre kindergarten	148,526	-	-	148,526
Art	26,479	-	-	26,479
Foreign language - french	21,620	-	-	21,620
Physical education	46,682	-	-	46,682
Music/drama	43,623	-	-	43,623
Technology	42,635	-	-	42,635
Special education, speech & EEE	460,923	-	-	460,923
School wide (CFG funded)	47,046	-	-	47,046
Guidance services/home school coordinator	58,038	-	-	58,038
School nurse	25,630	-	-	25,630
Library/media	93,326	-	-	93,326
Board expense	16,296	-	-	16,296
Washington West general assessment	62,853	-	-	62,853
School administration	197,971	-	-	197,971
Fiscal services	41,067	-	-	41,067
Buliding & grounds operation/maintenance	185,172	-	-	185,172
Daily transportation	101,170	-	-	101,170
Field trips transportation	4,975	-	-	4,975
On-behalf payments	151,652	-	-	151,652
Program expenditures	-	1,287	131,343	132,630
Capital outlay	45,146	-	43,709	88,855
Debt service:				
Principal	25,388	-	-	25,388
Interest	7,597	-	-	7,597
TOTAL EXPENDITURES	<u>2,761,900</u>	<u>1,287</u>	<u>175,052</u>	<u>2,938,239</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(171,898)</u>	<u>16,642</u>	<u>(54,560)</u>	<u>(209,816)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	28,818	28,818
Transfers (out)	(25,803)	-	(3,015)	(28,818)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(25,803)</u>	<u>-</u>	<u>25,803</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(197,701)	16,642	(28,757)	(209,816)
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	<u>25,210</u>	<u>3,780</u>	<u>76,572</u>	<u>105,562</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ (172,491)</u>	<u>\$ 20,422</u>	<u>\$ 47,815</u>	<u>\$ (104,254)</u>

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

WARREN SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (209,816)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	71,752
Depreciation expense	<u>(47,330)</u>
	<u>24,422</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>11,698</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	
	<u>37,144</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>16,188</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Retirement incentive payable	35,788
Net pension liability	<u>(41,239)</u>
	<u>(5,451)</u>
Change in net position of governmental activities (Statement B)	<u>\$ (125,815)</u>

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

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The School District's combined financial statements include all accounts and all operations of the School District. We have determined that the School District has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 72, "*Fair Value Measurement and Application*". The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has determined the impact of this Statement is not material to the financial statements.

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.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*". This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. 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.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

WARREN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

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

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.

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.

WARREN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

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

Budget

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

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

Revenues per budgetary basis	\$2,438,350
Add: On-behalf payments	<u>151,652</u>
Total GAAP basis	<u>\$2,590,002</u>
Expenditures per budgetary basis	\$2,636,051
Add: On-behalf basis	<u>151,652</u>
Total GAAP basis	<u>\$2,787,703</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.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposits and Investments

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

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

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

Warren School District 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.

WARREN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

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

Transactions Between Funds

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

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2016.

Capital Assets

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

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

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

WARREN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 - 30 years

Long-term Obligations

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

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

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

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.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

Fund Balance

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

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

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

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.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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. The School District has only one type of item, deferred inflows related to pensions, which arises only under an accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the statement of net position. All items in this category are deferred and recognized as inflows of resources in the period that the amounts become available.

Program Revenues

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

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.

WARREN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

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, 2016, the School District's cash balance of \$174,616 was comprised of bank balances of \$187,564. All of the bank deposits were fully covered by federal depository insurance, and consequently were not exposed to custodial credit risk.

Account Type	Bank Balance
Checking account	\$ 75,000
Money market account	8
Sweep account	112,556
	\$ 187,564

WARREN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2016.

Credit risk – Statutes for the State of Vermont authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The School District does not have an investment policy on credit risk.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2016 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 3,979	\$ 58,611
Medicaid Fund	16,888	-
Nonmajor Special Revenue Funds	41,723	3,971
Nonmajor Capital Projects Funds	-	8
	\$ 62,590	\$ 62,590

WARREN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	Balance 7/1/15 (Restated)	Additions	Disposals	Balance 6/30/16
<u>Governmental activities:</u>				
Depreciated assets:				
Land improvements	\$ 21,847	\$ -	\$ -	\$ 21,847
Buildings and improvements	1,129,688	71,752	(8,600)	1,192,840
Machinery and equipment	99,686	-	-	99,686
Infrastructure	89,415	-	-	89,415
	<u>1,340,636</u>	<u>71,752</u>	<u>(8,600)</u>	<u>1,403,788</u>
Less: accumulated depreciation				
Land improvements	(21,847)	-	-	(21,847)
Buildings and improvements	(830,478)	(25,445)	8,600	(847,323)
Machinery and equipment	(62,270)	(19,605)	-	(81,875)
Infrastructure	(15,603)	(2,280)	-	(17,883)
	<u>(930,198)</u>	<u>(47,330)</u>	<u>8,600</u>	<u>(968,928)</u>
Net capital assets	<u>\$ 410,438</u>	<u>\$ 24,422</u>	<u>\$ -</u>	<u>\$ 434,860</u>
<u>Current year depreciation:</u>				
School wide				\$ 37,803
Food service				927
Total depreciation expense				<u>\$ 38,730</u>

NOTE 5 - SHORT-TERM DEBT

On July 1, 2015, the School District issued a tax and revenue anticipation note to provide liquidity for governmental operations financed by property taxes. The tax and revenue anticipation note allowed principal draws up to \$500,000 at 1.19% interest per annum with a maturity date of June 30, 2016.

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

WARREN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - SHORT-TERM DEBT (CONTINUED)

Short-term debt activity for the year ended June 30, 2016, is as follows:

	Balance 7/1/15	Additions	Reductions	Balance 6/30/16
Tax Anticipation Note	\$ -	\$ 500,000	\$ (500,000)	\$ -
Current Expense Note	-	200,000	-	200,000
Total	\$ -	\$ 700,000	\$ (500,000)	\$ 200,000

Interest expense for short-term debt activity during the year totaled \$5,884.

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2016:

	Balance 7/1/15 (Restated)	Additions	Deletions	Balance 6/30/16	Current Portion
<u>Governmental activities:</u>					
Note payable	\$ 77,852	\$ -	\$ (25,388)	\$ 52,464	\$ 25,947
Capital lease payable	15,749	-	(11,756)	3,993	3,993
Net pension liability	5,250	187,100	(145,861)	46,489	-
	<u>\$ 98,851</u>	<u>\$ 187,100</u>	<u>\$ (183,005)</u>	<u>\$ 102,946</u>	<u>\$ 29,940</u>

A summary of the outstanding note payable is as follows:

Governmental activities

Note Payable:

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

\$ 52,464

Total Note Payable

\$ 52,464

WARREN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 6 - LONG-TERM DEBT (CONTINUED)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 25,947	\$ 1,155	\$ 27,102
2018	26,517	584	27,101
	<u>\$ 52,464</u>	<u>\$ 1,739</u>	<u>\$ 54,203</u>

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

Capital lease payable to General Electric Capital Corporation, interest at a rate of 7.13%, annual payments of principal and interest of \$4,278. Maturity in July of 2017.	<u>\$ 3,993</u>
Total Capital Lease Payable	<u>\$ 3,993</u>

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

<u>Year Ending June 30:</u>	
2017	<u>\$ 4,278</u>
Total minimum lease payment	4,278
Less amount representing interest	<u>(285)</u>
Present value of future minimum lease payments	<u>\$ 3,993</u>

NOTE 7 - RETIREMENT INCENTIVES

A retirement incentive program was offered to three teachers who announced retirement from the School District as of June 30, 2015.

Teachers who elected to take this retirement incentive shall receive a severance cash payment equal to 50% of their 2014-2015 salary. The severance cash payment shall be made in two (2) equal annual installments during the first two (2) years following retirement and deposited into the teacher's 403(b) retirement account.

WARREN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 7 - RETIREMENT INCENTIVES (CONTINUED)

The liability to the School District as of June 30, 2016 is as follows:

<u>Year</u>	<u>Cash Payment</u>	<u>Total</u>
2017	<u>\$ 35,987</u>	<u>\$ 35,987</u>
	<u>\$ 35,987</u>	<u>\$ 35,987</u>

NOTE 8 - OVERSPENT APPROPRIATIONS

For the year ended June 30, 2016, the School District had the following overspent appropriations:

Regular education - classroom (kindergarten through grade 6)	\$ 102,967
Early education - prekindergarten	53,090
Physical education	259
Technology	1,596
School wide (CFG funded)	25,055
Guidance services/home school coordinator	10,404
School nurse	375
Library/media	12,794
Board expense	2,228
School administration	22,824
Buildings & grounds operations/maintenance	18,427
Daily transportation	2,572
	<u>\$ 252,591</u>

NOTE 9- NONSPENDABLE FUND BALANCES

At June 30, 2016, the School District had the following nonspendable fund balances:

General fund:	
Prepaid items	\$ 720
Nonmajor special revenue funds (Schedule E)	672
	<u>\$ 1,392</u>

WARREN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 10 - RESTRICTED FUND BALANCES

At June 30, 2016, the School District had the following restricted fund balances:

Medicaid fund	\$	20,422
Nonmajor special revenue funds (Schedule E)		47,323
		67,745
	\$	67,745

NOTE 11 - DEFICIT FUND BALANCES

At June 30, 2016, the School District had the following deficit fund balances:

General fund	\$	172,491
Nonmajor special revenue funds:		
Sunshine		180
		172,671
	\$	172,671

NOTE 12 - 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, 2016, the retirement system consisted of 288 participating employers.

The plan was established effective July 1, 1947, and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

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

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

Benefits Provided

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

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

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

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

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - 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 \$151,652 or 12.84% 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 \$61,537 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 \$1,181,087 for the year ended June 30, 2016.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. It is designed for School Districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. Employees of the School District other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year.

The general administration and responsibility for formulating administrative policy and procedures of the Retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Districts and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance & Management website at:

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

Benefits Provided

The pension plan is divided into four membership groups:

- Group A – general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B & C – general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D – sworn police officers, firefighters and emergency medical personnel

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

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

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

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

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

Contributions

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

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - 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, 2016, and 2015 totaled \$5,026 and \$5,268, respectively. The School District contributed \$8,042 and \$8,429 for the years ended June 30, 2016 and 2015, respectively. The School District's total payroll for the year ended June 30, 2016 for all employees covered under this plan was \$201,052.

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, 2016. The State's portion of the collective net pension liability that was associated with the School District was as follows:

WARREN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

School District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the School District		<u>2,049,895</u>
Total	\$	<u>2,049,895</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, 2015, 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, 2015, the School District's proportion was 0.17277%, which was a decrease of 0.00553% from its proportion measured as of June 30, 2014.

VMERS Plan

At June 30, 2016, the School District reported a liability of \$46,489 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liabilities were based on a projection of the School District's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2015, the School District's proportion was 0.06030% for VMERS, which was an increase of 0.00278% from its proportion measured as of June 30, 2014 for VMERS.

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

For the year ended June 30, 2016, the School District recognized pension revenue of \$137,432 and expense of \$137,432 for support provided by the State of Vermont for the VSTRS plan. In the same period, the School District recognized pension expense of \$12,965 for the VMERS plan. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 1,470	\$ -
Changes of assumptions	-	-	9,258	-
Net difference between projected and actual earnings on pension plan investments	-	-	8,981	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	897	-
Contributions subsequent to the measurement date	-	-	8,042	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,648</u>	<u>\$ -</u>

\$8,042 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, 2017. 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:		
2016	\$ -	\$ 4,097
2017	-	4,097
2018	-	4,097
2019	-	8,316
2020	-	-
2021	-	-
Thereafter	-	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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, 2010:

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

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - 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	8.40%
30	7.05%
35	6.15%
40	5.45%
45	4.95%
50	4.60%
55	4.35%
60	4.25%
64	4.25%

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

Deaths After Retirement: For the VSTRS plan, the 1995 Buck Mortality Tables are used, with a three-year set-back for males and one-year for females, for retirees, terminated vested members and beneficiaries; the RP-2000 Disabled Life Table with projection to 2016 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 were based on 50% of the probabilities in the 1995 Buck Mortality Tables for males and females, non-disabled retirees and terminated vested participants were based on the 1995 Buck Mortality Tables with no set-back for males and a one-year set-back for females, disabled retirees were based on the RP-2000 Disabled Life Tables, and the 1995 Buck Mortality Tables for males and females was applied to beneficiaries.

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

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

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

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

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

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

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

The *long-term expected rate of return* on both plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. 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, 2015 are summarized in the following table:

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	31.50%	8.61%
Fixed income	33.00%	1.91%
Alternative	15.50%	6.93%
Multi-strategy	20.00%	4.88%
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:

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - 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	\$ 92,859	\$ 46,489	\$ 7,618

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 13 - 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, 2016. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

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

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - RISK MANAGEMENT (CONTINUED)

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

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

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

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

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

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - CONTINGENCIES

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

The School District participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the School District's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 15 - RELATED ORGANIZATION

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

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

NOTE 16 - COMPARATIVE DATA/RECLASSIFICATIONS

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

NOTE 17 - RESTATEMENTS

The beginning fund balance of the special revenue funds, the beginning fund balance of the capital projects funds, the beginning net position of the governmental activities, the beginning net position of the business-type activities and the beginning amount held for agency funds have been restated as of July 1, 2015.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 17 - RESTATEMENTS (CONTINUED)

The beginning fund balance of the special revenue funds restatement results from the inclusion of the Book Fair Fund, Summer Learning Program, Teacher Of The Year, Wellness, Safe Routes To School, Sunshine, Upper Unit, Preschool Playground Improvement, and Piano Funds as part of governmental activities in fiscal year 2016. Prior to fiscal year 2016 these funds were presented as agency funds. Also, the Food Service Program Fund was presented as part of governmental activities in fiscal year 2016. Prior to fiscal year 2016 the Food Service Program Fund was presented as a business-type activity. These reclassifications of the Book Fair Fund, Summer Learning Program, Teacher Of The Year, Wellness, Safe Routes To School, Sunshine, Upper Unit, Preschool Playground Improvement, and Piano Funds as well as the Food Service Program Fund resulted in an increase in the beginning fund balance of the special revenue funds of \$45,243.

The beginning fund balance of the capital projects funds was restated to correct the omission of interest income earned in the Maintenance Reserve Fund money market account for March through June of 2015. This restatement resulted in an increase in the beginning fund balance of the capital projects funds of \$18.

The beginning net position of the governmental activities restatement results from the restatements presented in the two preceding paragraphs as well as a decrease in the note payable of \$50 and increases in the capital lease payable of \$2,940, net pension liability of \$92 and net capital assets, related to the reclassification of the Food Service Program Fund as a special revenue fund, of \$9,265. The beginning note payable, capital lease payable, net pension liability, Food Service Program Fund capital assets, and associated accumulated depreciation, were restated to correct the balances at the beginning of the year.

The beginning fund balance of the special revenue funds has increased by \$45,243, the beginning fund balance of the capital projects funds has increased by \$18 and the net position of the governmental activities has increased by \$51,544. The beginning net position of the business-type activities has decreased to \$0 and the beginning amounts held for agency funds has decreased to \$0.

NOTE 18 - SUBSEQUENT EVENTS

On July 1, 2016, the School District issued a tax anticipation note to provide liquidity for governmental operations financed by property taxes. The tax anticipation note allows principal draws of up to \$400,000 with interest at 1.35% per annum and will mature on June 30, 2017.

WARREN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 18 - SUBSEQUENT EVENTS (CONTINUED)

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 will become fully operational on July 1, 2017. During the year of transition, a newly formed board will begin working on the budget for the 2017-2018 fiscal year. A single budget for the operations of a coordinated PK-12 system will be presented to voters on Town Meeting Day in March of 2017. On July 1, 2017, the seven boards of WWSU will be replaced with one 14-member board overseeing the unified district, with one blended tax rate adjusted for Common Level Appraisal in each Town.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information

WARREN SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 25,210	\$ 25,210	\$ 25,210	\$ -
Resources (Inflows):				
Intergovernmental:				
State support	1,975,211	1,975,211	1,975,211	-
Other	360,210	360,210	347,104	(13,106)
Tuition	57,500	57,500	108,494	50,994
Investment income	7,500	7,500	7,485	(15)
Miscellaneous	-	-	56	56
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>2,425,631</u>	<u>2,425,631</u>	<u>2,463,560</u>	<u>37,929</u>
Charges to Appropriations (Outflows):				
Current:				
Regular education - classroom (k to grade 6)	805,118	805,118	908,085	(102,967)
Early education - pre kindergarten	95,436	95,436	148,526	(53,090)
Art	26,934	26,934	26,479	455
Foreign language - french	21,935	21,935	21,620	315
Physical education	46,423	46,423	46,682	(259)
Music/drama	43,695	43,695	43,623	72
Technology	41,039	41,039	42,635	(1,596)
Special education, speech & EEE	471,204	471,204	460,923	10,281
School wide (CFG funded)	21,991	21,991	47,046	(25,055)
Guidance services/home school coordinator	47,634	47,634	58,038	(10,404)
School nurse	25,255	25,255	25,630	(375)
Improvement of instruction & inservice	3,000	3,000	-	3,000
Library/media	80,532	80,532	93,326	(12,794)
Board expense	14,068	14,068	16,296	(2,228)
Washington West general assessment	62,853	62,853	62,853	-
School administration	175,147	175,147	197,971	(22,824)
Fiscal services	41,967	41,967	41,067	900
Building & grounds operation/maintenance	166,745	166,745	185,172	(18,427)
Daily transportation	98,598	98,598	101,170	(2,572)
Field trips transportation	8,148	8,148	4,975	3,173
Capital Outlay	45,146	45,146	45,146	-
Debt service:				
Principal	25,388	25,388	25,388	-
Interest	10,113	10,113	7,597	2,516
Transfers to other funds	39,003	39,003	25,803	13,200
Total Charges to Appropriations	<u>2,417,372</u>	<u>2,417,372</u>	<u>2,636,051</u>	<u>(218,679)</u>
Budgetary Fund Balance, June 30	<u>\$ 8,259</u>	<u>\$ 8,259</u>	<u>\$ (172,491)</u>	<u>\$ (180,750)</u>
Utilization of committed fund balance	<u>\$ 16,951</u>	<u>\$ 16,951</u>	<u>\$ -</u>	<u>\$ (16,951)</u>

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

WARREN SCHOOL DISTRICT

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

	<u>2016</u>	<u>2015</u>
<u>VSTRS:</u>		
Proportion of the net pension liability	0.00%	0.00%
Proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	<u>2,049,895</u>	<u>1,708,823</u>
Total	<u>\$ 2,049,895</u>	<u>\$ 1,708,823</u>
Covered-employee payroll	\$ 1,181,087	\$ 1,145,784
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.22%	64.02%
<u>VMERS:</u>		
Proportion of the net pension liability	0.03%	0.03%
Proportionate share of the net pension liability	\$ 46,489	\$ 5,250
Covered-employee payroll	\$ 201,052	\$ 210,725
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.12%	2.49%
Plan fiduciary net position as a percentage of the total pension liability	87.42%	98.32%

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

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

WARREN SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2016</u>	<u>2015</u>
<u>VSTRS:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,181,087	\$ 1,145,784
Contributions as a percentage of covered- employee payroll	0.00%	0.00%
<u>VMERS:</u>		
Contractually required contribution	\$ 8,042	\$ 8,429
Contributions in relation to the contractually required contribution	<u>(8,042)</u>	<u>(8,429)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 201,052	\$ 210,725
Contributions as a percentage of covered- employee payroll	4.00%	4.00%

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

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

WARREN SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Changes of Assumptions

The discount rate used to measure the net pension liability was lowered from 8.15% to 7.95%, due to the adoption by the Board of Trustees of a 7.95% expected future rate of return on assets for funding purposes.

Other Supplementary Information

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

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

WARREN SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental Revenues:				
State Education Spending Grant	\$ 1,975,211	\$ 1,975,211	\$ 1,975,211	\$ -
Town Reimbursement	61,816	61,816	57,630	(4,186)
Transportation Reimbursement	39,092	39,092	41,542	2,450
Mainstream Block Grant	52,864	52,864	52,864	-
General SPED Reimbursement	123,306	123,306	80,130	(43,176)
IDEA B	15,000	15,000	13,122	(1,878)
IDEA B-Preschool	3,600	3,600	-	(3,600)
Title I and CFG SCW Funding	22,000	22,000	47,046	25,046
Erate	-	-	3,082	3,082
Essential Early Education	15,000	15,000	21,275	6,275
Federal Forest Revenue	20,000	20,000	22,881	2,881
Capital Debt Reimbursement	7,532	7,532	7,532	-
Tuition	57,500	57,500	108,494	50,994
Interest Income	7,500	7,500	7,485	(15)
Miscellaneous:				
Other Receipts	-	-	56	56
Transfer From Other Funds	-	-	-	-
Amounts Available for Appropriation	<u>\$ 2,400,421</u>	<u>\$ 2,400,421</u>	<u>\$ 2,438,350</u>	<u>\$ 37,929</u>

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

WARREN SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Regular education - classroom (kindergarten through grade 6) -				
Salaries	\$ 558,292	\$ 558,292	\$ 609,486	\$ (51,194)
Benefits & staff development	216,736	216,736	274,895	(58,159)
Services, materials & equipment	30,090	30,090	23,704	6,386
	<u>805,118</u>	<u>805,118</u>	<u>908,085</u>	<u>(102,967)</u>
Early education - prekindergarten -				
Salaries	71,019	71,019	108,483	(37,464)
Benefits & staff development	22,417	22,417	37,225	(14,808)
Services, materials & equipment	2,000	2,000	2,818	(818)
	<u>95,436</u>	<u>95,436</u>	<u>148,526</u>	<u>(53,090)</u>
Art -				
Salaries	22,119	22,119	22,564	(445)
Benefits & staff development	3,015	3,015	2,314	701
Services, materials & equipment	1,800	1,800	1,601	199
	<u>26,934</u>	<u>26,934</u>	<u>26,479</u>	<u>455</u>
Foreign language - french -				
Salaries	18,881	18,881	19,167	(286)
Benefits & staff development	2,254	2,254	1,666	588
Services, materials & equipment	800	800	787	13
	<u>21,935</u>	<u>21,935</u>	<u>21,620</u>	<u>315</u>
Physical education -				
Salaries	34,460	34,460	34,602	(142)
Benefits & staff development	11,163	11,163	11,235	(72)
Services, materials & equipment	800	800	845	(45)
	<u>46,423</u>	<u>46,423</u>	<u>46,682</u>	<u>(259)</u>
Music/drama -				
Salaries	31,589	31,589	30,728	861
Benefits & staff development	11,306	11,306	12,249	(943)
Services, materials & equipment	800	800	646	154
	<u>43,695</u>	<u>43,695</u>	<u>43,623</u>	<u>72</u>
Technology -				
Technology coordinator (MOU with WWSU)	11,960	11,960	12,432	(472)
Equipment repair/maintenance	500	500	136	364
Supplies and software	8,850	8,850	9,558	(708)
Equipment	19,729	19,729	20,509	(780)
	<u>41,039</u>	<u>41,039</u>	<u>42,635</u>	<u>(1,596)</u>

SCHEDULE B (CONTINUED)
WARREN SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Special education, speech, & essential early education (eligible & ineligible for reimbursement) -				
Salaries	\$ 329,900	\$ 329,900	\$ 290,790	\$ 39,110
Benefits & staff development	112,726	112,726	89,261	23,465
Special education purchased professional services	25,528	25,528	79,739	(54,211)
Materials and equipment	3,050	3,050	1,133	1,917
	<u>471,204</u>	<u>471,204</u>	<u>460,923</u>	<u>10,281</u>
School wide (CFG funded) -				
Salaries	20,000	20,000	26,211	(6,211)
Benefits & staff development	1,991	1,991	20,835	(18,844)
	<u>21,991</u>	<u>21,991</u>	<u>47,046</u>	<u>(25,055)</u>
Guidance services/home school coordinator -				
Salaries	42,413	42,413	42,595	(182)
Benefits & staff development	4,821	4,821	15,388	(10,567)
Services, materials & equipment	400	400	55	345
	<u>47,634</u>	<u>47,634</u>	<u>58,038</u>	<u>(10,404)</u>
School nurse -				
Salaries	21,804	21,804	22,309	(505)
Benefits & staff development	2,631	2,631	2,474	157
Supplies and equipment	820	820	847	(27)
	<u>25,255</u>	<u>25,255</u>	<u>25,630</u>	<u>(375)</u>
Improvement of instruction & inservice	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Library/media -				
Salaries	52,612	52,612	61,104	(8,492)
Benefits & staff development	19,770	19,770	25,865	(6,095)
Services, materials & equipment	8,150	8,150	6,357	1,793
	<u>80,532</u>	<u>80,532</u>	<u>93,326</u>	<u>(12,794)</u>
Board expense -				
Board member reimbursement	2,500	2,500	2,500	-
Board secretary	1,000	1,000	1,000	-
Benefits	318	318	311	7
Legal expense	2,500	2,500	3,054	(554)
Liability insurance expense	3,200	3,200	2,670	530
Board printing/advertising/postage	3,300	3,300	5,668	(2,368)
VSBA dues	1,250	1,250	1,093	157
	<u>14,068</u>	<u>14,068</u>	<u>16,296</u>	<u>(2,228)</u>

SCHEDULE B (CONTINUED)
WARREN SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Washington West general assessment	62,853	62,853	62,853	-
School administration -				
Principal & secretary salaries	128,911	128,911	160,922	(32,011)
Benefits & staff development	43,786	43,786	31,262	12,524
Postage, supplies & equipment	2,450	2,450	5,787	(3,337)
	<u>175,147</u>	<u>175,147</u>	<u>197,971</u>	<u>(22,824)</u>
Fiscal services -				
WWSU fiscal services assessment	37,367	37,367	37,367	-
Financial audit and fees	4,600	4,600	3,700	900
	<u>41,967</u>	<u>41,967</u>	<u>41,067</u>	<u>900</u>
Buildings & grounds operations/maintenance -				
Salaries	58,738	58,738	54,861	3,877
Benefits & staff development	29,549	29,549	26,551	2,998
Building supplies, utilities & operations	78,458	78,458	103,760	(25,302)
	<u>166,745</u>	<u>166,745</u>	<u>185,172</u>	<u>(18,427)</u>
Daily transportation	<u>98,598</u>	<u>98,598</u>	<u>101,170</u>	<u>(2,572)</u>
Field trips transportation	<u>8,148</u>	<u>8,148</u>	<u>4,975</u>	<u>3,173</u>
Capital outlay	<u>45,146</u>	<u>45,146</u>	<u>45,146</u>	<u>-</u>
Debt service -				
Short-term interest (TAN)	8,400	8,400	5,884	2,516
Interest - classroom	1,713	1,713	1,713	-
Principal - classroom	25,388	25,388	25,388	-
	<u>35,501</u>	<u>35,501</u>	<u>32,985</u>	<u>2,516</u>
Transfers to other funds -				
Maintenance reserve fund	16,951	16,951	16,951	-
Special revenue funds	22,052	22,052	8,852	13,200
	<u>39,003</u>	<u>39,003</u>	<u>25,803</u>	<u>13,200</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 2,417,372</u></u>	<u><u>\$ 2,417,372</u></u>	<u><u>\$ 2,636,051</u></u>	<u><u>\$ (218,679)</u></u>

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

WARREN SCHOOL DISTRICT

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Accounts receivable (net of uncollectible allowance)	\$ 241	\$ -	\$ 241
Due from other governments	12,204	-	12,204
Due from other funds	41,723	-	41,723
Inventory	672	-	672
TOTAL ASSETS	<u>\$ 54,840</u>	<u>\$ 8</u>	<u>\$ 54,848</u>
LIABILITIES			
Accounts payable	\$ 2,716	\$ -	\$ 2,716
Due to other funds	3,971	8	3,979
Accrued expenses	338	-	338
TOTAL LIABILITIES	<u>7,025</u>	<u>8</u>	<u>7,033</u>
FUND BALANCES (DEFICITS)			
Nonspendable - inventory	672	-	672
Restricted	47,323	-	47,323
Committed	-	-	-
Assigned	-	-	-
Unassigned	(180)	-	(180)
TOTAL FUND BALANCES (DEFICITS)	<u>47,815</u>	<u>-</u>	<u>47,815</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 54,840</u>	<u>\$ 8</u>	<u>\$ 54,848</u>

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

WARREN SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental	\$ 50,954	\$ -	\$ 50,954
Charges for services	39,961	-	39,961
Investment income	-	35	35
Other income	29,542	-	29,542
TOTAL REVENUES	<u>120,457</u>	<u>35</u>	<u>120,492</u>
EXPENDITURES			
Other	131,343	-	131,343
Capital outlay	-	43,709	43,709
TOTAL EXPENDITURES	<u>131,343</u>	<u>43,709</u>	<u>175,052</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,886)</u>	<u>(43,674)</u>	<u>(54,560)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	11,867	16,951	28,818
Transfers (out)	(3,015)	-	(3,015)
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,852</u>	<u>16,951</u>	<u>25,803</u>
NET CHANGE IN FUND BALANCES	(2,034)	(26,723)	(28,757)
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	<u>49,849</u>	<u>26,723</u>	<u>76,572</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 47,815</u>	<u>\$ -</u>	<u>\$ 47,815</u>

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

Special Revenue Funds

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

WARREN SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Technology	Roy Foundation	Food Service Program	Book Fair	Summer Learning Program	Teacher Of The Year
ASSETS						
Accounts receivable (net of uncollectible allowance)	\$ -	\$ -	\$ 241	\$ -	\$ -	\$ -
Due from other governments	-	-	11,771	-	433	-
Due from other funds	1,292	3,314	-	2,669	12,833	2
Inventory	-	-	672	-	-	-
TOTAL ASSETS	\$ 1,292	\$ 3,314	\$ 12,684	\$ 2,669	\$ 13,266	\$ 2
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 88	\$ -	\$ -	\$ -
Due to other funds	-	-	3,791	-	-	-
Accrued expenses	-	-	338	-	-	-
TOTAL LIABILITIES	-	-	4,217	-	-	-
FUND BALANCES (DEFICITS)						
Nonspendable - inventory	-	-	672	-	-	-
Restricted	1,292	3,314	7,795	2,669	13,266	2
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	1,292	3,314	8,467	2,669	13,266	2
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 1,292	\$ 3,314	\$ 12,684	\$ 2,669	\$ 13,266	\$ 2

WARREN SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2016

	Wellness	Safe Routes To School	Sunshine	Upper Unit	Pre School Playground Improvement	Warren School Maker Space
ASSETS						
Accounts receivable (net of uncollectible allowance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
Due from other funds	27	1,650	-	17,918	-	1,451
Inventory	-	-	-	-	-	-
TOTAL ASSETS	\$ 27	\$ 1,650	\$ -	\$ 17,918	\$ -	\$ 1,451
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ 2,042	\$ -	\$ 156
Due to other funds	-	-	180	-	-	-
Accrued expenses	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	180	2,042	-	156
FUND BALANCES (DEFICITS)						
Nonspendable - inventory	-	-	-	-	-	-
Restricted	27	1,650	-	15,876	-	1,295
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	(180)	-	-	-
TOTAL FUND BALANCES (DEFICITS)	27	1,650	(180)	15,876	-	1,295
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 27	\$ 1,650	\$ -	\$ 17,918	\$ -	\$ 1,451

WARREN SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2016

	Primary Unit Field Trips	Intermediate Unit Field Trips	Upper Unit Field Trips	Piano	Total
ASSETS					
Accounts receivable (net of uncollectible allowance)	\$ -	\$ -	\$ -	\$ -	241
Due from other governments	-	-	-	-	12,204
Due from other funds	-	36	394	137	41,723
Inventory	-	-	-	-	672
TOTAL ASSETS	\$ -	\$ 36	\$ 394	\$ 137	\$ 54,840
LIABILITIES					
Accounts payable	\$ -	\$ 36	\$ 394	\$ -	\$ 2,716
Due to other funds	-	-	-	-	3,971
Accrued expenses	-	-	-	-	338
TOTAL LIABILITIES	-	36	394	-	7,025
FUND BALANCES (DEFICITS)					
Nonspendable - inventory	-	-	-	-	672
Restricted	-	-	-	137	47,323
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(180)
TOTAL FUND BALANCES (DEFICITS)	-	-	-	137	47,815
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ -	\$ 36	\$ 394	\$ 137	\$ 54,840

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

WARREN SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Technology	Roy Foundation	Food Service Program	Book Fair	Summer Learning Program	Teacher Of The Year
REVENUES						
Intergovernmental	\$ -	\$ -	\$ 50,954	\$ -	\$ -	\$ -
Charges for services	-	-	39,961	-	-	-
Other income	-	-	822	2,530	5,877	-
TOTAL REVENUES	-	-	91,737	2,530	5,877	-
EXPENDITURES						
Other	-	-	98,265	2,512	3,141	-
TOTAL EXPENDITURES	-	-	98,265	2,512	3,141	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(6,528)	18	2,736	-
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	8,000	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	8,000	-	-	-
NET CHANGE IN FUND BALANCES	-	-	1,472	18	2,736	-
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	1,292	3,314	6,995	2,651	10,530	2
FUND BALANCES (DEFICITS) - JUNE 30	\$ 1,292	\$ 3,314	\$ 8,467	\$ 2,669	\$ 13,266	\$ 2

WARREN SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Wellness	Safe Routes To School	Sunshine	Upper Unit	Pre School Playground Improvement	Warren School Maker Space
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Other income	-	-	-	-	-	2,500
TOTAL REVENUES	-	-	-	-	-	2,500
EXPENDITURES						
Other	-	150	-	2,042	2,400	1,205
TOTAL EXPENDITURES	-	150	-	2,042	2,400	1,205
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(150)	-	(2,042)	(2,400)	1,295
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	(3,015)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(3,015)	-	-
NET CHANGE IN FUND BALANCES	-	(150)	-	(5,057)	(2,400)	1,295
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	27	1,800	(180)	20,933	2,400	-
FUND BALANCES (DEFICITS) - JUNE 30	\$ 27	\$ 1,650	\$ (180)	\$ 15,876	\$ -	\$ 1,295

WARREN SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Primary Unit Field Trips	Intermediate Unit Field Trips	Upper Unit Field Trips	Piano	Total
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 50,954
Charges for services	-	-	-	-	39,961
Other income	938	1,831	13,179	1,865	29,542
TOTAL REVENUES	938	1,831	13,179	1,865	120,457
EXPENDITURES					
Other	1,488	2,133	16,194	1,813	131,343
TOTAL EXPENDITURES	1,488	2,133	16,194	1,813	131,343
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(550)	(302)	(3,015)	52	(10,886)
OTHER FINANCING SOURCES (USES)					
Transfers in	550	302	3,015	-	11,867
Transfers (out)	-	-	-	-	(3,015)
TOTAL OTHER FINANCING SOURCES (USES)	550	302	3,015	-	8,852
NET CHANGE IN FUND BALANCES	-	-	-	52	(2,034)
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	-	-	-	85	49,849
FUND BALANCES (DEFICITS) - JUNE 30	\$ -	\$ -	\$ -	\$ 137	\$ 47,815

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

Capital Projects Funds

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

WARREN SCHOOL DISTRICT

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016

	<u>Maintenance Reserve</u>
ASSETS	
Cash and cash equivalents	\$ 8
TOTAL ASSETS	<u>\$ 8</u>
LIABILITIES	
Due to other funds	\$ 8
TOTAL LIABILITIES	<u>8</u>
FUND BALANCES	
Nonspendable	-
Restricted	-
Committed	-
Assigned	-
Unassigned	-
TOTAL FUND BALANCES	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8</u>

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

WARREN SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Maintenance Reserve</u>
REVENUES	
Interest income	\$ 35
TOTAL REVENUES	<u>35</u>
EXPENDITURES	
Capital outlay	43,709
TOTAL EXPENDITURES	<u>43,709</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(43,674)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	16,951
Transfers (out)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>16,951</u>
NET CHANGE IN FUND BALANCES	(26,723)
FUND BALANCES (DEFICITS) - JULY 1	<u>26,723</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>

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

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

WARREN SCHOOL DISTRICT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2016

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
School wide	\$ -	\$ 1,214,687	\$ 79,786	\$ 89,415	\$ 1,383,888
Food service	-	-	19,900	-	19,900
Total General Capital Assets	-	1,214,687	99,686	89,415	1,403,788
Less: Accumulated Depreciation	-	(869,170)	(81,875)	(17,883)	(968,928)
Net General Capital Assets	\$ -	\$ 345,517	\$ 17,811	\$ 71,532	\$ 434,860

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

WARREN SCHOOL DISTRICT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2016

	General Capital Assets 7/1/15	Additions	Deletions	General Capital Assets 6/30/16
School wide	\$ 1,320,736	\$ 71,752	\$ (8,600)	\$ 1,383,888
Food service	19,900	-	-	19,900
Total General Capital Assets	1,340,636	71,752	(8,600)	1,403,788
Less: Accumulated Depreciation	(930,198)	(47,330)	8,600	(968,928)
Net General Capital Assets	<u>\$ 410,438</u>	<u>\$ 24,422</u>	<u>\$ -</u>	<u>\$ 434,860</u>

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



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

School Board
Warren School District
Warren, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Warren School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Warren School District's basic financial statements, and have issued our report thereon dated November 4, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
November 4, 2016