

Lamoille North Modified Unified Union School District

BASIC FINANCIAL STATEMENTS

June 30, 2018

Lamoille North Modified Unified Union School District
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Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

INDEPENDENT AUDITOR'S REPORT

To the School Board
Lamoille North Modified Unified Union School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of Lamoille North Modified Unified Union School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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.

Auditor's 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 from 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the Lamoille North Modified Unified Union School District, as of June 30, 2018, 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

Government Combination and Transfer of Operations

As disclosed in Note 25 on March 1, 2016, voters of Belvidere Town School District, Eden Town School District, Hyde Park Town School District, Johnson Town School District, Lamoille Union High School District #18 and Waterville Town School District, encompassing each of the districts. The pre-existing school districts halted governance operations and ceased to exist upon the close of business on June 30, 2017. All assets, debts, and liabilities of each district were transferred to the Lamoille North Modified Unified Union School District upon the close of business on June 30, 2017. The amounts recognized as of July 1, 2017 disclosed in Note 25 of the financial statements.

Change in Accounting Principle

As described in Note 26 to the financial statements, in 2018, the District adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information on pages 49-52, the schedule of the proportionate share of the net pension liability-VSTRS on page 53, the schedule of the proportionate share of the net pension liability-VMERS on page 54, the schedule of contributions-VMERS on page 55, and the schedule of the proportionate share of the net OPEB liability-VSTRS on page 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 Lamoille North Modified Unified Union School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate 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 schedule of expenditures of federal awards is 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 January 18, 2019, on our consideration of the Lamoille North Modified Unified Union School District internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Lamoille North Modified Unified Union School District's internal control over financial reporting and compliance.

 Kittell Branagan & Sargent

St. Albans, Vermont
January 18, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Lamoille North Modified Unified Union School District (LNMUUSD) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements.

Brief Discussion of the Basic Financial Statements:

Using This Annual Report

This annual Report consists of a series of financial statements. The Statement of Net Assets and the Balance Sheet—Governmental Funds provide information about the activities of the District as a whole, and present a longer-term view of the District's finances. Fund financial statements such as the Statement of Activities follow under the Notes section of the Report.

For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

The Statement of Net Assets - Proprietary Funds provides financial information about activities for which the District operates as an "Enterprise Fund". The activity that this Fund reports stems from the construction of a house by the Technical Center for sale to a private owner.

The Statement of Net Assets - Fiduciary Funds provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

The District Administration is responsible for establishing an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual and human resource assets of the District are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Additionally, management strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are attained. The concept of reasonable assurance recognizes that: (1) the cost of any control should not exceed the benefit likely to be derived; (2) the valuation of cost and benefits requires judgments by management.

Reporting the District as a Whole

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets reports the District's net assets and changes in them. You can think of the District's net assets - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's student enrollment and the condition of the District's infrastructure, to assess the overall health of the District.

Lamoille North Modified Unified Union School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

In the Statement of Net Assets and the Statement of Activities, the District's activities are classified solely as governmental activities:

- Governmental activities – The District's basic services are reported here, including: instruction-regular education and special education; supporting education services; operation and maintenance; transportation; administration; and debt service. These activities are further broken down between General Fund and Special Revenue.
 - General Fund Activities – These are the basic core activities of the District – student education. These activities are also supported primarily by property taxes.
 - Special Revenue Activities – These are special purpose activities that are supported by grant funds. These activities may support the core mission of the District, but the activities are being provided because other funds are not available to pay for them. In most cases, special revenue activities would not be provided if grant funding were not available.

Analysis of Overall Financial Information: Because the LNMUUSD district was a newly created entity as of 07/01/2017, all figures entered are for fiscal year '18 alone. Next year there will be a comparison to the previous fiscal year as in past audits.

ASSETS	
	FY18
Total Current Assets	\$ 5,692,025
Total Noncurrent Assets	\$ 36,333,008
Deferred Outflows	\$ 77,416
TOTAL ASSETS	\$ 42,102,449

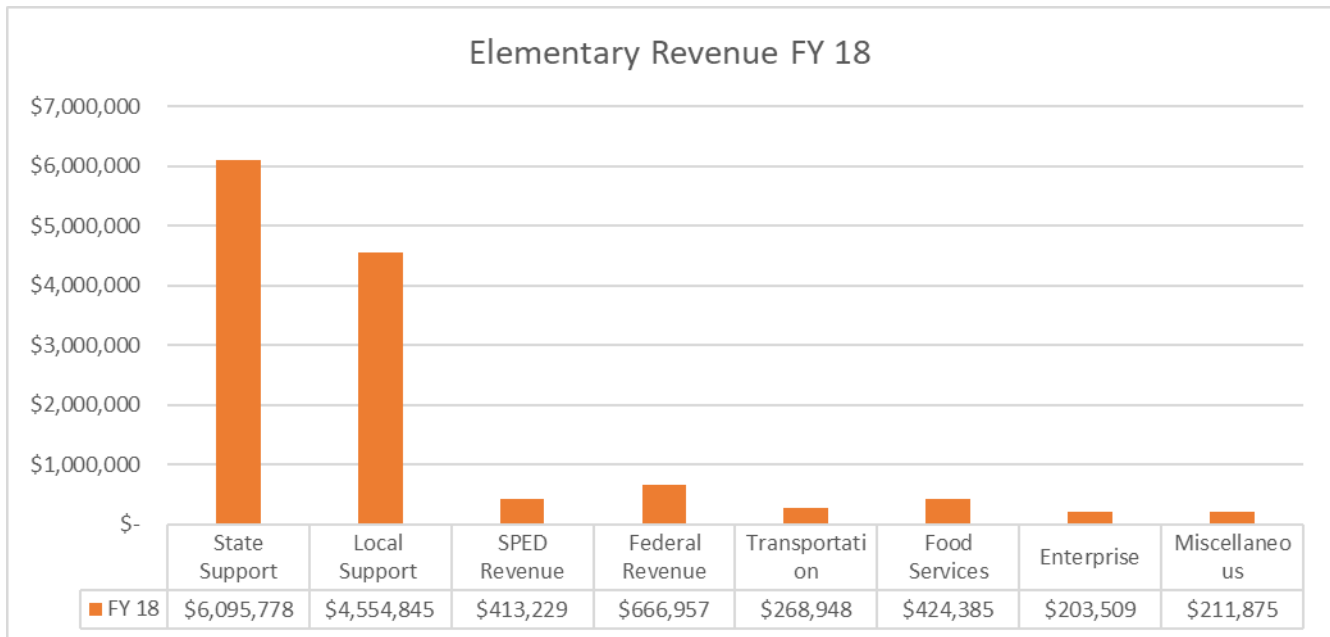
LIABILITIES	
	FY18
Current Liabilities	\$ 1,906,994
Long-Term Liabilities	\$ 17,033,957
TOTAL LIABILITIES	\$ 18,940,951
DEFERRED INFLOW	\$ 3,453

NET POSITION	
	FY18
Net Investment in Capital Assets (net of related debt)	\$ 19,489,622
Restricted	\$ 891,567
Unrestricted	\$ 2,776,856
TOTAL NET ASSETS	\$ 23,158,045

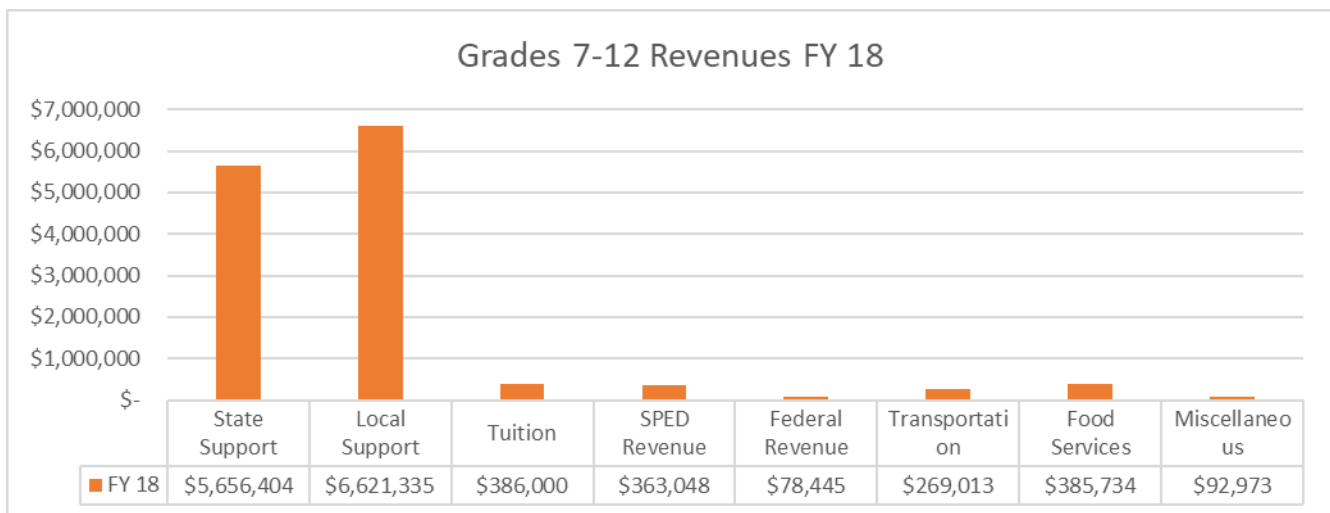
Lamoille North Modified Unified Union School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

REVENUES:

Because the LNMUUSD district was a newly created entity as of 07/01/2017, all figures entered are for fiscal year '18 alone. Next year there will be a comparison to the previous fiscal year as in past audits.

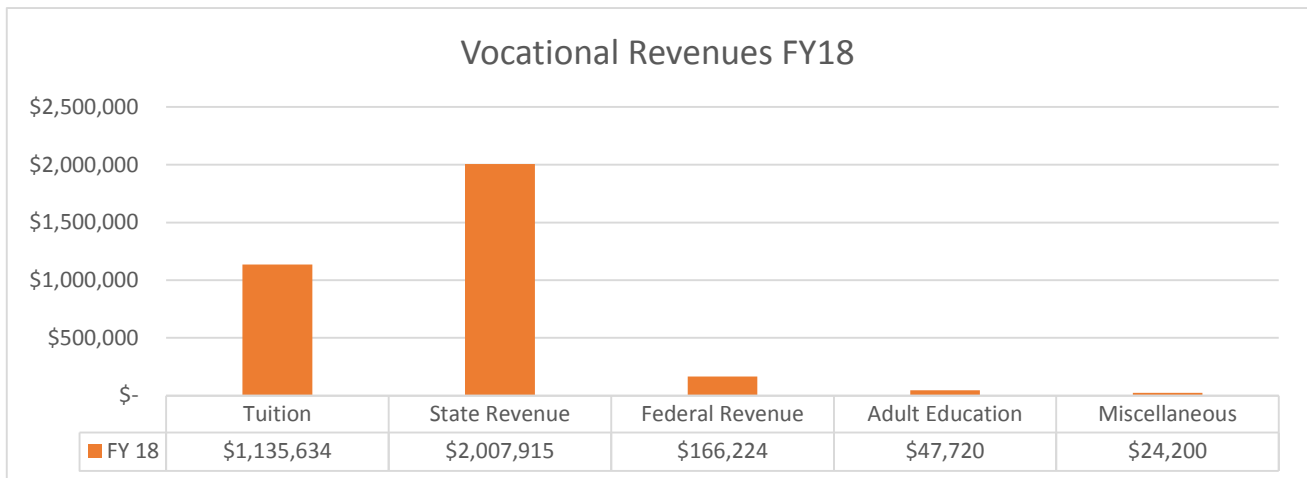


LNMUUSD elementary revenues in FY18 total \$12,839,526. Due to consolidation tuition from Belvidere to Waterville was unnecessary in FY18.



LNMUUSD Grade 7-12 revenue in FY18 total \$13,852,952 in FY18.

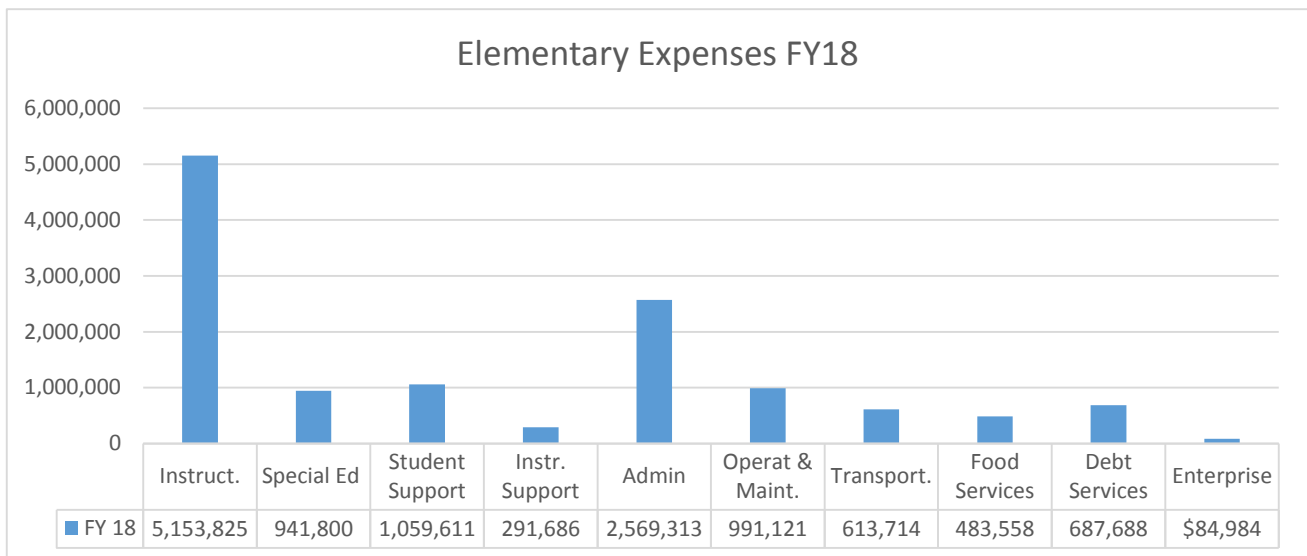
Lamoille North Modified Unified Union School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018



The tech center revenues in FY18 total \$3,381,693.

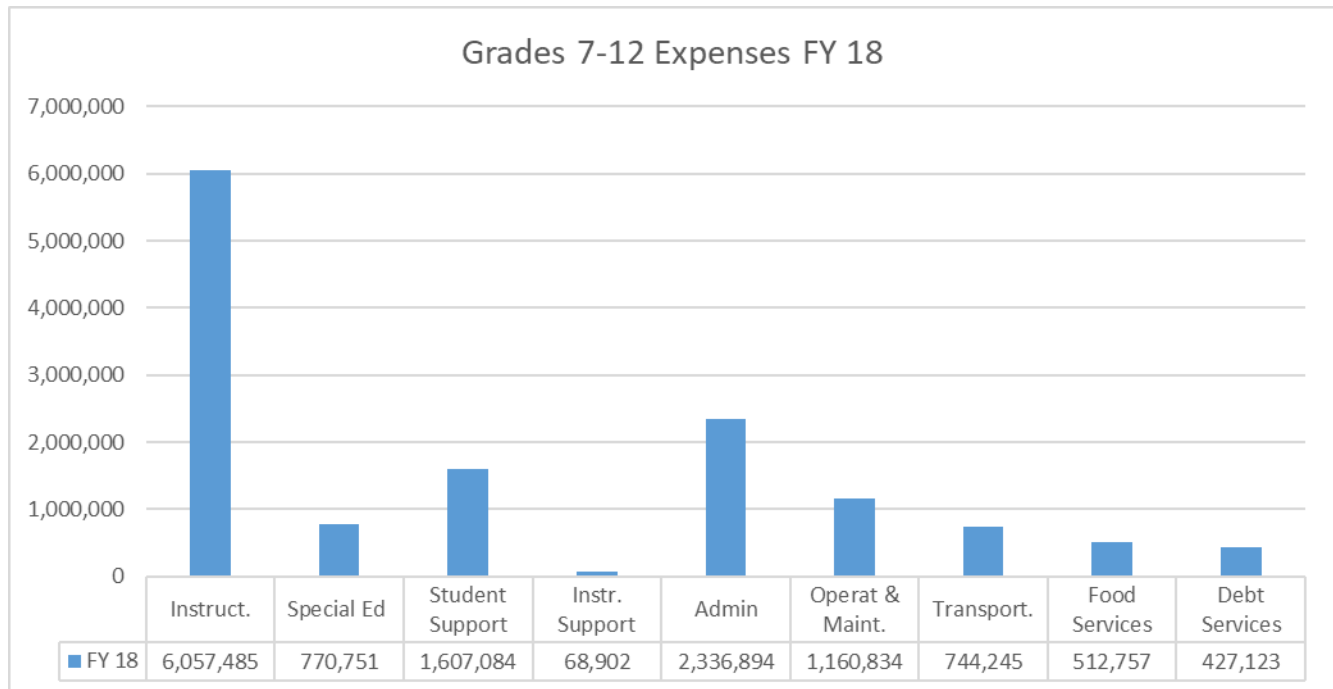
EXPENDITURES:

Because the LNMUUSD district was a newly created entity as of 07/01/2017, all figures entered are for fiscal year '18 alone. Next year there will be a comparison to the previous fiscal year as in past audits.

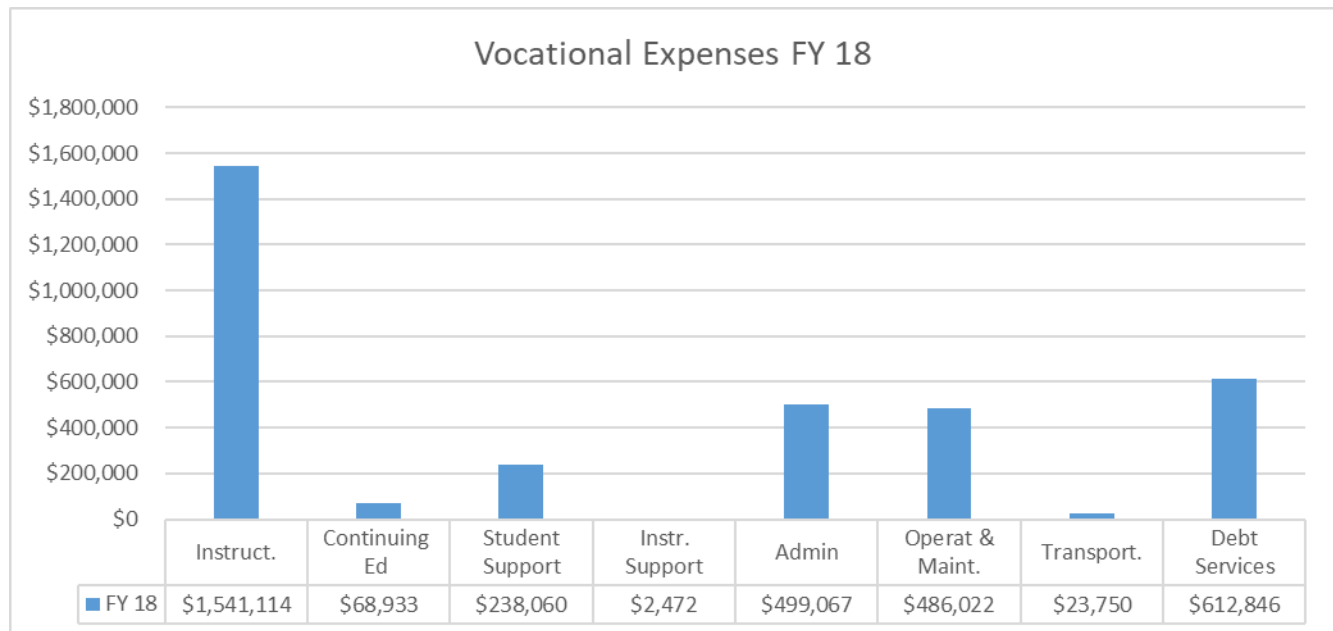


LNMUUSD elementary expenses in FY18 total \$12,877,300.

Lamoille North Modified Unified Union School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018



LNMUUSD grades 7-12 expenses in FY18 total \$13,686,075.



LNMUUSD vocational expenses in FY18 total \$3,472,265.

CHANGE IN GENERAL FUND BALANCE:

The total accumulated fund balance reflects the following and is further detailed in Note 22:

Lamoille North Modified Unified Union School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

LNMUUSD Fund Balances and Pledges 6/30/18

Unassigned High School/Middle School	\$ 197,116
Unassigned Vocational	\$ 64,815
Unassigned Elementary	\$ 177,179
Non-Spendable: Inventory & Prepaid Items	\$ 69,814
Committed for FY19 Elementary Expenditures	\$ 92,595
Committed for FY19 High/Middle School Expenditures	\$ 57,405
Committed for FY19 Vocational Expenditures	\$ 94,140
Committed for Future Capital Expenditures	\$ 76,851
Committed for Eden Bus Reserve	\$ 40,758
Committed for Food Service	\$ 109,683
Committed for Beyond the Bell	\$ 91,099
Committed for Capital Expenditures - Construction Projects	\$ 2,474,718
Committed for Cricket Hill Trail	\$ 962
Committed for LUSD Technology	\$ 24,797
Committed to offset GMTCC FY 19 Expenditures from fund 406	\$ 103,860
Committed for all other Capital Reserves	\$ 1,048,609
Restricted for Investments (QZAB)	\$ 798,542

ASSETS:

As required under Governmental Accounting Standards Board #34, the District is reporting its capital assets as part of the financial statements. The District has researched and documented the historical costs of the various assets owned by the District and applied appropriate charges against the cost to record depreciation. Note 5 of the Report details the status of the District's net capital assets.

Description	Balance - 7/1/17	Increase/Decrease	Balance - 6/30/18
Land	\$278,810		\$278,810
Construction in Progress	\$1,197,539	\$8,553,198	\$9,750,737
Depreciable Assets	\$48,315,278	(\$304,752)	\$48,010,526
Accumulated Depreciation	\$21,721,981	\$783,626	\$22,505,607
Net Assets	\$28,069,646	\$7,464,820	\$35,534,466

LONG-TERM DEBT:

The District has three categories of long-term debt, defined as Bond Payables, Notes Payable and Termination Benefits Payable.

1. As of June 30, 2018 the district had \$17,489,731 in six outstanding bond principals. Further detail can be found in Note 6.
2. As of June 30 notes payable totaled \$7,282 with expected interest of \$1,745 and was for one Eden Campus note for a water project in 2013 (note 7).
3. At June 30, the district had \$369,417 in termination benefits payable. This payable is from accrued employee vacation and sick leave.

Lamoille North Modified Unified Union School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Bond Type	Original Amount	7/01/17 Balance	FY18 Payments	Balance as of 06/30/18	Final Date Pay.
LUHS/LUMS Addition & Renovation	\$9,270,000	\$1,840,000	\$460,000	\$1,380,000	12/1/2020
Tech Center Renovation & Addition	\$7,855,000	\$3,905,000	\$395,000	\$3,510,000	12/1/2026
Qualified Zone Bond – Tech Center Addition & Renovation	\$1,217,000	\$1,217,000	Payments made to QZAB restricted savings acct	\$1,217,000	10/01/2021
JES Campus Renovations	\$1,115,000	\$1,115,000	\$85,769	\$1,029,231	11/15/29
Eden Campus Renovations	\$615,000	\$584,250	\$30,750	\$553,500	11/1/35
Hyde Park Campus Addition & Renovations	\$9,800,000	\$9,800,000	Interest only	\$9,800,000	11/1/47
Belvidere Campus Renovations	\$330,000	\$30,000	\$30,000	\$0	12/1/17

CURRENT ISSUES:

- Collective Bargaining Agreements: All Collective Bargaining Agreements expired on 06/30/2017. New 2 year agreements have been ratified as of December 2017, set to expire June of 2019.
- Consolidation Efforts: Act 153 & Act 156 are provisions in laws that consolidate some functions to the Supervisory Union and offers incentives for districts to consolidate. Some of the consolidation implementations, such as those in special education and transportation took place July 1, 2016. Since Vermont law prohibits supervisory unions from borrowing or owning real estate, some of the more practical approaches to transferring areas of responsibility to the LNSU have been challenging. Subsequently, the legislature passed Act 46 in May, 2015 that provides incentives for consolidation that reduce the tax impact on districts if they voluntarily consolidate as a single district. LNSU established a committee to look at the possibility and impact of consolidating. A vote of its' citizenry was held on April 12, 2016. The Towns of Belvidere, Eden, Johnson and Hyde Park voted to consolidate into one school district. In a subsequent vote on April 25, 2017, Waterville voted to join the consolidated district. In a subsequent vote held on March 7, 2017, Cambridge reaffirmed the vote to not participate in the consolidation. Non-merging districts had until November 2017 to present an alternative structure that meets the requirements of more sustainable, preferred model of governance under Act 46, to the State Board of Education for approval. On or before June 1, 2018 the Secretary of Education, per Act 46, developed and presented to the State Board of Education a proposed plan to move all remaining [non-merged] districts into the more sustainable, preferred model of governance set forth in Sec. 5(b) of Act 46. On 11/28/18 the State Board of Education issued its final report. As of July 1, 2019, Cambridge Elementary School will merge with Lamoille North Modified Unified Union School District.

Lamoille North Modified Unified Union School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

- Like many of Vermont's school districts, the Lamoille North School District has experienced a trend of decreasing student enrollment. This decrease is of concern as the state evaluates costs and numbers of students in their school systems. LNMUUSD's equalized pupil count (EPC) has decreased. This downward trend will continue until 2020 before benefitting from modest enrollment increases in member districts. These lower weighted pupil counts scaled by poverty and other factors have the effect of increased tax rates.

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
LUMS/LUHS	919.86	921.77	911.9	889.77	866.62	854.01	824.81	788.31	794.63
Elementary Schools	—	—	—	—	—	—	—	676.38	680.45

- The Green Mountain Technology & Career Center has seen recent decline in student enrollment. Six semester averaged pupil FTE counts hover between 139 - 174.

FY 2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
171.76	174.05	171.61	167.82	154.01	164.8	153.95	139.30

- Students eligible for special education services have an Individual Education Plan (IEP) developed based on the student's specific needs. Only expenses associated with IEPs are eligible to be classified as special education expenses and eligible for reimbursement at the various State rates.

The level and complexity of services provided through student IEPs has increased dramatically. The School is seeing IEP students with increasingly complex profiles – homelessness, mental health and emotional disturbance issues. These profiles are requiring the School to make greater use of special education consultants, professionals and tuitioning students to independent schools.

- Students qualifying for Free & Reduced lunches in the Elementary Schools and Secondary Schools have reached 48.42% and 41.72% respectively, reflecting a much challenged economic region with a current average at 45.01%.

CONTACT FOR FURTHER INFORMATION:

This financial Report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this Report or additional financial information needs should be directed to Catherine Gallagher, Superintendent of Schools, 96 Cricket Hill Road, Hyde Park, VT 05655, at 802-851-1178 or cgallagher@lnsu.org.

Lamoille North Modified Unified Union School District
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
June 30, 2018

ASSETS AND DEFERRED OUTFLOWS

	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash	\$ 3,889,240	\$ -	\$ 3,889,240
Restricted Cash	1,452,169	-	1,452,169
Other receivables	186,777	-	186,777
Due from other funds	-	33,473	33,473
Inventory	3,748	60,552	64,300
Prepaid expenses	66,066	-	66,066
TOTAL CURRENT ASSETS	<u>5,598,000</u>	<u>94,025</u>	<u>5,692,025</u>
NONCURRENT ASSETS			
Restricted investment	798,542	-	798,542
Capital assets, net	35,534,466	-	35,534,466
TOTAL NONCURRENT ASSETS	<u>36,333,008</u>	<u>-</u>	<u>36,333,008</u>
DEFERRED OUTFLOWS	<u>77,416</u>	<u>-</u>	<u>77,416</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 42,008,424</u>	<u>\$ 94,025</u>	<u>\$ 42,102,449</u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES			
Accounts payable	\$ 640,017	\$ -	\$ 640,017
Due to other funds	36,764	-	36,764
Due to LNSU	23,473	-	23,473
Deposit on house	-	1,000	1,000
Accrued salaries and benefits	159,971	-	159,971
Accrued interest	60,450	-	60,450
Unearned revenue	13,374	-	13,374
Current portion bonds payable	971,519	-	971,519
Current portion notes payable	426	-	426
TOTAL CURRENT LIABILITIES	<u>1,905,994</u>	<u>1,000</u>	<u>1,906,994</u>
LONG-TERM LIABILITIES, net of current portion			
Bonds payable	16,518,212	-	16,518,212
Notes payable	6,856	-	6,856
Termination benefits payable	369,417	-	369,417
Net Pension Liability	139,472	-	139,472
TOTAL LONG-TERM LIABILITIES, net of current portion	<u>17,033,957</u>	<u>-</u>	<u>17,033,957</u>
TOTAL LIABILITIES	<u>18,939,951</u>	<u>1,000</u>	<u>18,940,951</u>
DEFERRED INFLOWS	<u>3,453</u>	<u>-</u>	<u>3,453</u>
NET POSITION			
Net investment in capital assets	19,489,622	-	19,489,622
Restricted	798,542	93,025	891,567
Unrestricted	2,776,856	-	2,776,856
TOTAL NET POSITION	<u>23,065,020</u>	<u>93,025</u>	<u>23,158,045</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 42,008,424</u>	<u>\$ 94,025</u>	<u>\$ 42,102,449</u>

See Accompanying Notes to Basic Financial Statements.

Lamoille North Modified Unified Union School District
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Revenues	Capital Grants and Revenues	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Elementary Instruction	\$ 14,576,325	\$ 203,803	\$ 12,566,164	\$ -	\$ (1,806,358)	\$ -	\$ (1,806,358)
High School & Middle School Instruction	13,252,104	613,804	13,162,792	-	524,492	-	524,492
Vocational Instruction	2,999,269	3,444,570	2,164,660	-	2,609,961	-	2,609,961
Construction Costs	316,134	-	19,623	-	(296,511)	-	(296,511)
Depreciation/amortization - unallocated	1,475,378	-	-	-	(1,475,378)	-	(1,475,378)
Total governmental activities	32,619,210	4,262,177	27,913,239	-	(443,794)	-	(443,794)
Business-type activities:							
Vocational Building Trades	-	-	-	1,217	-	1,217	1,217
Total government	\$ 32,619,210	\$ 4,262,177	\$ 27,913,239	\$ 1,217	(443,794)	1,217	(442,577)
General revenues:							
Unrestricted investment earnings					133,901	73	133,974
Restricted investment earnings					73,251	-	73,251
Donations					480	-	480
Loss on Disposal of Assets					(335,461)	-	(335,461)
Miscellaneous					56,447	-	56,447
Total general revenues					(71,382)	73	(71,309)
Change in net position					(515,176)	1,290	(513,886)
Net position, beginning					23,580,196	91,735	23,671,931
Net position, ending					\$ 23,065,020	\$ 93,025	\$ 23,158,045

See Accompanying Notes to Basic Financial Statements.

Lamoille North Modified Unified Union School District
FUND FINANCIAL STATEMENTS
BALANCE SHEETS - GOVERNMENTAL FUNDS
June 30, 2018

		Governmental Fund Types		
		General Fund	Capital Projects Fund	Total
<u>ASSETS</u>				
CURRENT ASSETS				
Cash		\$ 2,836,859	\$ 1,052,381	\$ 3,889,240
Restricted Cash		-	1,452,169	1,452,169
Other Receivables		186,777	-	186,777
Due from Other Funds		-	1,314,735	1,314,735
Inventory		3,748	-	3,748
Prepaid Expenses		66,066	-	66,066
TOTAL CURRENT ASSETS		3,093,450	3,819,285	6,912,735
NONCURRENT ASSETS				
Restricted Investment		-	798,542	798,542
TOTAL ASSETS		\$ 3,093,450	\$ 4,617,827	\$ 7,711,277
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts Payable		\$ 473,678	\$ 166,339	\$ 640,017
Accrued Payroll and Related Liabilities		159,971	-	159,971
Due to Other Funds		1,351,499	-	1,351,499
Due to LNSU		23,473	-	23,473
Unearned Revenue		13,374	-	13,374
TOTAL CURRENT LIABILITIES		2,021,995	166,339	2,188,334
FUND BALANCES				
Nonspendable		69,814	-	69,814
Restricted		-	798,542	798,542
Committed		562,531	3,652,946	4,215,477
Unassigned		439,110	-	439,110
TOTAL FUND BALANCE		1,071,455	4,451,488	5,522,943
TOTAL LIABILITIES AND FUND BALANCE		\$ 3,093,450	\$ 4,617,827	\$ 7,711,277

See Accompanying Notes to Basic Financial Statements.

Lamoille North Modified Unified Union School District
FUND FINANCIAL STATEMENTS
BALANCE SHEETS - GOVERNMENTAL FUNDS
June 30, 2018

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

Total fund balances - governmental funds **\$ 5,522,943**

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 as assets in governmental funds.

Capital Assets	58,040,073
Accumulated Depreciation	(22,505,607)

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported as liabilities
in the funds. Long-term liabilities at year-end consist of:

Bonds Payable	(17,489,731)
Notes Payable	(7,282)
Accrued Interest Payable	(60,450)
Termination Benefits Payable	(369,417)
Net Pension Liability	(139,472)

Deferred outflows of resources represent the consumption of net position
that is applicable to future reporting period and therefore not reported as
assets in the funds

77,416

Deferred inflows of resources represents the acquisition of net assets
applicable to a future reporting period and therefore are not reported as
liabilities in the funds.

(3,453)

Total net position - governmental activities **\$ 23,065,020**

See Accompanying Notes to Basic Financial Statements.

Lamoille North Modified Unified Union School District
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	Governmental Fund Types		
	General Fund	Capital Projects Fund	Total
REVENUES			
Elementary Education	\$ 12,782,218	\$ -	\$ 12,782,218
High School and Middle School Education	13,794,835	-	13,794,835
Vocational Education	3,366,262	-	3,366,262
Interest Income	130,856	76,298	207,154
Miscellaneous Income	-	95	95
TOTAL REVENUES	<u>30,074,171</u>	<u>76,393</u>	<u>30,150,564</u>
EXPENDITURES			
Elementary Education	12,877,300	-	12,877,300
High School and Middle School Education	13,686,075	-	13,686,075
Vocational Education	3,472,265	-	3,472,265
Construction Costs	-	9,091,376	9,091,376
TOTAL EXPENDITURES	<u>30,035,640</u>	<u>9,091,376</u>	<u>39,127,016</u>
EXCESS/(DEFICIENCIES) OF REVENUES OVER/(UNDER) EXPENDITURES	<u>38,531</u>	<u>(9,014,983)</u>	<u>(8,976,452)</u>
OTHER FINANCING SOURCES (USES)			
Gain on Sale of Asset	1,500	-	1,500
Transfers In	-	684,874	684,874
Transfers Out	<u>(684,874)</u>	<u>-</u>	<u>(684,874)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(683,374)</u>	<u>684,874</u>	<u>1,500</u>
NET CHANGE IN FUND BALANCE	(644,843)	(8,330,109)	(8,974,952)
FUND BALANCE, Beginning of Year	<u>1,716,298</u>	<u>12,781,597</u>	<u>14,497,895</u>
FUND BALANCE, End of Year	<u>\$ 1,071,455</u>	<u>\$ 4,451,488</u>	<u>\$ 5,522,943</u>

See Accompanying Notes to Basic Financial Statements.

Lamoille North Modified Unified Union School District
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
June 30, 2018

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES

Total net change in fund balances - governmental funds **\$ (8,974,952)**

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays are reported in governmental funds as expenditures.
However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense:

Depreciation Expense	(1,475,378)
Capital Outlays	9,275,658
Loss on Disposal of Assets	(335,461)

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:

Termination Benefits Paid	96,269
Termination Benefits Accrued	(143,594)
Pension Expense	(25,289)
Accrued Interest on Long-Term Debt	65,638

Repayment of long-term debt is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net position:

Bond Payments	1,001,519
Note Payments	<u>414</u>

Change in net position of governmental activities **\$ (515,176)**

See Accompanying Notes to Basic Financial Statements.

Lamoille North Modified Unified Union School District
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 June 30, 2018

	<u>Proprietary Fund Types</u> Vocational Building Trades
<u>ASSETS</u>	
ASSETS	
Inventory	\$ 60,552
Due from Other Funds	<u>33,473</u>
 TOTAL ASSETS	 <u>\$ 94,025</u>
 <u>LIABILITIES AND NET POSITION</u>	
LIABILITIES	
Deposit on House	<u>\$ 1,000</u>
NET POSITION	
Restricted	<u>93,025</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 94,025</u>

See Accompanying Notes to Basic Financial Statements.

Lamoille North Modified Unified Union School District
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Proprietary Fund Types
	<u>Vocational Building Trades</u>
OPERATING REVENUE	
Sale of Buildings	<u>\$ 1,217</u>
NON-OPERATING REVENUE	
Interest Income	<u>73</u>
INCREASE IN NET POSITION	1,290
NET POSITION, Beginning of Year	<u>91,735</u>
NET POSITION, End of Year	<u><u>\$ 93,025</u></u>

See Accompanying Notes to Basic Financial Statements.

Lamoille North Modified Unified Union School District
FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	<u>Proprietary Fund Types</u> <u>Vocational Building Trades</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts	\$ 1,217
Cash receipts from interest	73
Cash payments for materials and services	<u>(94,025)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>(92,735)</u>
NET DECREASE IN CASH	(92,735)
CASH- BEGINNING OF YEAR	<u>92,735</u>
CASH- END OF YEAR	<u><u>\$ -</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating Income	\$ 1,290
Adjustment to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Inventory	(1,984)
Accounts Payable	(8,089)
Due to Other Funds	<u>(83,952)</u>
Net cash used by operating activities	<u><u>\$ (92,735)</u></u>

See Accompanying Notes to Basic Financial Statements.

Lamoille North Modified Unified Union School District
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
June 30, 2018

		Fiduciary Fund Type	
		Private Purpose Trusts	Agency Fund
<u>ASSETS</u>			
ASSETS			
Cash		\$ 43,175	\$ 341,795
Due from Other Funds		-	3,291
TOTAL CURRENT ASSETS		<u>\$ 43,175</u>	<u>\$ 345,086</u>
<u>LIABILITIES AND NET POSITION</u>			
LIABILITIES			
Due to Student Groups and Others		\$ -	\$ 345,086
NET POSITION			
Held in Trust for Grammer School Sales and Other Purposes		<u>43,175</u>	<u>-</u>
TOTAL NET POSITION		<u>43,175</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION		<u>\$ 43,175</u>	<u>\$ 345,086</u>

See Accompanying Notes to Basic Financial Statements.

Lamoille North Modified Unified Union School District
 FUND FINANCIAL STATEMENTS
 STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
 June 30, 2018

	Fiduciary Fund Type <u>Private Purpose Trusts</u>
ADDITIONS	
Interest Income	\$ <u>26</u>
DEDUCTIONS	<u>-</u>
CHANGE IN NET POSITION	26
NET POSITION, Beginning of Year	<u>43,149</u>
NET POSITION, End of Year	<u>\$ 43,175</u>

See Accompanying Notes to Basic Financial Statements

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

All operations of the School District are controlled by an eighteen-member Board of School Directors, elected in Town-wide elections, and responsible for all of the School District's activities. The financial statements include all of the School District's operations controlled by the Board of School Directors. Based on criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments), the School District is considered to be an independent reporting entity and has no component units.

The District provides elementary and secondary education for the Towns of Belvidere, Eden, Hyde Park, Johnson and Waterville, Vermont. The District provides secondary education for the towns previously noted and Town of Cambridge, Vermont. The District also operates a Vocational Center, which serves towns located in the Lamoille North Supervisory Union, the Lamoille South Supervisory Union and the Orleans Southwest Supervisory Union. The District is a member of the Lamoille North Supervisory Union (LNSU) from which is received superintendent and business services.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

Assessments, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the School District receives cash.

The School District reports the following major governmental funds:

- * The general fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.
- * The capital projects fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the School District.

The School District reports the following trust funds:

Private-Purpose Trust Funds

- * Assets Held in Trust for Grammar School Sales – these two trust funds are used to hold the proceeds from two old school house buildings that were sold.

Agency Funds

- * Agency Funds- Assets held for student activities for the benefit of students. Agency funds are custodial in nature and therefore their assets equal their liabilities.

Private-sector standards of accounting, and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted on a School District level for the financial funds or the student activities agency fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- * During January of each year, the Principal and Vocational Director submit to the School Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- * Two public hearings are conducted to inform taxpayers of the budget. The first hearing is held at the Annual District Meeting which is held on the third Tuesday in February. The second hearing is held within 10 days prior to the ballot vote.
- * The District budget is voted on Town Meeting Day by Australian ballot. The proposed budget is distributed to the legal voters of the District 10 days before the Annual Meeting.
- * Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the Superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Vermont State law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- * Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenues variances will be negative and overall fund expenditures variances will be positive.

Cash and Cash Equivalents

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.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are reported at fair value. Changes in the fair value of investments are recorded as investment income. The reported value is basically the same as the fair value of the Fund's shares.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current portion of inter-fund loans) or "advances from/to other funds" (i.e., the non-current portion of inter-fund loans). Lamoille North Modified Unified Union School District generally maintains one cash account in the General Fund to pay expenditures and receive payments for efficiency. All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) repayments between funds are made.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories

Inventories are valued at cost, using the first-in, first-out method.

Capital Assets

Capital assets are property owned by the School District and include computers, computer equipment and peripherals: equipment such as vehicles, machinery, copiers, and office equipment; buildings and land: and infrastructure such as roads, bridges, tunnels, rights of way, and culverts.

General capital assets should be capitalized and recorded when all of the following criteria are met:

- (1) The asset is tangible and complete.
- (2) The asset is used in the operation of the School District's activities.
- (3) The asset has a value equal to or greater than \$5,000 and a useful life of more than one year, at the date of acquisition

All general capital assets must be recorded at either historical cost or estimated historical cost. Assets acquired through donation will be recorded at their estimated fair market value on the date of donation. In addition to purchase price or construction cost, costs of capitalization may include incidental costs, such as bond interest and issuance cost, insurance during transit, freight, duties, title search, title registration, installation, and breaking-in costs.

The straight line depreciation method will be used with lives as recommended by the Association of School Business Officials (ASBO).

Long-term Obligations

In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Proprietary Fund Net Position

Government-wide and Proprietary Fund Net Position is divided into the following components:

Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position – consist of net position that are restricted by the District's creditors, by enabling legislation, by grantors (both federal and state), and/or by contributors.

Unrestricted – all other net position reported in this category.

Government Fund Balances

Effective July 1, 2010, the District adopted the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In the governmental fund statements, fund balances are classified as follows:

Restricted – Amounts that can be spent only for specific purposes because of laws, regulations, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by the School Board.

Assigned – Amounts that are designated by management for a particular purpose.

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

Unassigned – All amounts not included in other classifications.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed. For unrestricted amounts of fund balance, it is the district's policy to use the fund balance in the following order, (1) Committed, (2) Assigned, (3) Unassigned.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 CASH

The cash deposits in the School District accounts as of June 30, 2018 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Insured (FDIC)	\$ 1,061,544	\$ 1,063,330
Collateralized *	8,171,207	3,460,880
Right to off-set by Debt	1,202,169	1,202,169
Uninsured	<u>12,983</u>	<u>-</u>
 TOTAL	 <u>\$10,447,903</u>	 <u>\$ 5,726,379</u>

The difference between the book balance and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

* Cash deposits held by the School District at June 30, 2018 are secured through a repurchase agreement with Community Bank, Community National Bank and Peoples United Bank.

NOTE 3 RESTRICTED INVESTMENTS

During the year ended June 30, 2006, Lamoille North Modified Unified Union School District obtained a qualified zone academy bond in the amount of \$1,217,000. Under the terms of this bond, the School District is required to transfer monies annually into an investment account. These annual deposits, as well as any investment earnings, will be used towards the payment of principal at bond maturity in October 2021.

Investments at June 30, 2018 consisted of the following:

	<u>Cost</u>	<u>Market Value</u>
F H L M C Discount Note	\$ 793,086	\$ 798,542
	<u>\$ 793,086</u>	<u>\$ 798,542</u>

All investments are categorized as Level 1 and recorded at fair value as of June 30, 2018 and 2017. As required by professional accounting standards, investment assets are classified entirely based upon the lowest level of input that is significant to the fair value measurement.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 BONDS PAYABLE

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<u>LUHS #18 Campus</u>					
Vermont Municipal Bond Bank, 20 yr. bond, dated 7/10/00, 4.344% to 5.64% interest payable semi-annually, \$465,000 principal payable annually Dec. 1, 2001 to 2014, \$460,000 principal payable annually Dec.1, 2015 to 2020.	\$ 1,840,000	\$ -	\$ (460,000)	\$ 1,380,000	\$ 460,000
Vermont Municipal Bond Bank, 20 yr. bond dated 7/20/06, 3.835% to 4.665% interest payable semi-annually, \$395,000 principal payable annually Dec. 1, 2007 to 2025, \$350,000 principal payable Dec. 1, 2026.	3,905,000	-	(395,000)	3,510,000	395,000
Bank of America Qualified Zone Academy Bond, dated 10/1/06, at 0% interest. Principal payable in full at bond maturity on 10/1/21.	1,217,000	-	-	1,217,000	-
<u>Johnson Campus</u>					
Vermont Municipal Bond Bank, annual principal payments of \$85,769 in 2018 - 2030 and interest due semi-annually at various interest rates, currently 3.115%, matures December, 2029	1,115,000	-	(85,769)	1,029,231	85,769
<u>Eden Campus</u>					
Vermont Municipal Bond Bank, annual principal payments of \$30,750 due annually on November 1st including semi annual interest at 3.4%, due November, 2035	584,250	-	(30,750)	553,500	30,750

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 BONDS PAYABLE (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<u>Belvidere Campus</u>					
Vermont Municipal Bond Bank, 20 yr bond, dated July 1997, variable interest payable semiannually, principal payable annually at declining amounts through December, 2017.	30,000	-	(30,000)	-	-
<u>Hyde Park Campus</u>					
Vermont Municipal Bond Bank, Principal payments due annually beginning on November 1, 2022 and variable interest payments due semiannually through November, 2047.	<u>9,800,000</u>	<u>-</u>	<u>-</u>	<u>9,800,000</u>	<u>-</u>
Total Bonds Payable	<u>\$ 18,491,250</u>	<u>\$ -</u>	<u>\$ (1,001,519)</u>	<u>\$17,489,731</u>	<u>\$ 971,519</u>

Maturities of bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Savings Allocation</u>	<u>Total</u>
2019	\$ 971,519	\$ 631,005	\$ (121,059)	\$ 1,481,465
2020	971,519	585,581	(123,983)	1,433,117
2021	971,519	539,466	(64,064)	1,446,921
2022	1,728,519	505,791	(16,920)	2,217,390
2023	888,442	480,344	(15,924)	1,352,862
2024-2028	4,002,211	1,933,344	(60,713)	5,874,842
2029-2033	2,209,903	1,404,573	-	3,614,476
2034-2038	1,976,865	1,031,703	-	3,008,568
2039-2043	1,884,617	636,058	-	2,520,675
2044-2048	<u>1,884,617</u>	<u>212,019</u>	<u>-</u>	<u>2,096,636</u>
TOTALS	<u>\$ 17,489,731</u>	<u>\$ 7,959,884</u>	<u>\$ (402,663)</u>	<u>\$ 25,046,952</u>

The total interest expense paid on the bonds listed above for the year ended June 30, 2018 was \$608,448.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 NOTES PAYABLE

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Eden Campus note payable with US Bank, payments of \$645 due annually on January 1st at 3.00% interest, due January 2032.	<u>\$ 7,696</u>	<u>\$ -</u>	<u>\$ (414)</u>	<u>\$ 7,282</u>	<u>\$ 426</u>

Maturities of notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 426	\$ 218	\$ 644
2020	439	206	645
2021	452	193	645
2022	466	179	645
2023	480	165	645
2024-2028	2,623	601	3,224
2029-2032	<u>2,396</u>	<u>183</u>	<u>2,579</u>
	<u>\$ 7,282</u>	<u>\$ 1,745</u>	<u>\$ 9,027</u>

The total interest expense paid on the note listed above for the year ended June 30, 2018 was \$231.

NOTE 8 SHORT-TERM DEBT

Short-term debt consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Revenue Anticipation Note (2.85%)	<u>\$ -</u>	<u>\$ 4,152,342</u>	<u>\$ (4,152,342)</u>	<u>\$ -</u>

Total interest expense paid on the revenue anticipation note during the year ended June 30, 2018 was \$117,045.

NOTE 9 OPERATING LEASE

The School District leases equipment and vehicles under operating leases which expire between July, 2018 and January, 2023. Minimum future rental payments under non-cancelable operating leases have remaining terms in excess of one year as of June 30, 2018 as follows:

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 OPERATING LEASE (continued)

Year Ending June 30,	
2019	\$ 33,691
2020	7,226
2021	4,891
2022	4,425
2023	<u>2,581</u>
Total	<u>\$ 52,814</u>

The total lease expense for the year ended June 30, 2018 was \$354,367.

NOTE 10 MASTER LEASE AGREEMENT

The School District has entered into a lease agreement with Apple, Inc. to acquire equipment that falls below the districts capitalization policy. The lease is payable over a three-year period with \$146,322 due annually including interest at 2.39%. The first payment was due on August 10, 2016 and the final payment will be paid on August 10, 2018.

NOTE 11 TERMINATION BENEFITS

Grandfathered Teachers

Upon retirement, teachers with at least ten years of service by July 1, 2010 and have reached the age of 55 are entitled to reimbursement for unused sick leave at the rate of \$50 per day up to a maximum of \$9,250 per the contract with the Teachers' Association.

Non-Grandfathered Teachers

Upon retirement, teachers with at least fifteen years of service to the district and have reached the age of 55 are entitled to reimbursement for unused sick leave at the rate of \$50 per day up to a maximum of \$9,250 per the contract with the Teachers' Association.

Support Staff

Upon retirement, support staff with at least ten years of consecutive service to the district and have reached the age of 55 are entitled to reimbursement for unused sick leave at the rate of \$50 per day up to a maximum of \$7,500 per the contract for support staff. Also, upon termination all support staff are eligible to be paid up to 180 hours of accrued vacation time.

The total amount of these termination benefits accumulated as of June 30, 2018 is \$369,417.

	June 30, 2017 <u>Balance</u>	<u>Additions</u>	Principle <u>Reductions</u>	June 30, 2018 <u>Balance</u>
Termination Benefits	\$ 322,092	\$ 143,594	\$ 96,269	<u>\$ 369,417</u>

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 DEFINED CONTRIBUTION PLAN

The Lamoille North Modified Unified Union School District participates in the Lamoille North Supervisory Retirement Plan, which is a defined contribution plan. Employees not participating in the Vermont State Teachers' Retirement System Plan, who are at least 21 years of age and have completed one year of service (defined as 1,000 hours of service in a plan year) are eligible to participate in the plan. Employer contributions to the plan are discretionary and allocated among participants as a uniform percent of pay.

Lamoille North Supervisory Union began a new retirement plan on July 1, 2008. Under this, new plan employees hired prior to July 1, 2008 will receive an employer match of up to 4% of eligible wages. Employees hired after July 1 will receive an employer match of up to 3% of eligible employee wages. Covered wages under the plan were \$1,826,840 in fiscal year 2018. Contributions accrued at year end by the District to be paid in fiscal year 2018 were \$59,494.

NOTE 13 TEACHERS RETIREMENT- VSTRS

Information Required Under GASB Statement No. 68

Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions requires employers participating in a cost-sharing, multiple-employer defined benefit pension plan to recognize their proportional share of total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The schedules below have been prepared to the Lamoille North Modified Unified Union School District's proportional share of the overall amounts of the Vermont State Teachers' Retirement System (VSTRS) plan. Lamoille North Modified Unified Union School District's portion has been allocated based on Lamoille North Modified Unified Union School District's proportional share of employer contributions to the total contributions to VSTRS during the fiscal year.

Reporting Date, Measurement Date, and Valuation Date

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the Lamoille North Modified Unified Union School District's reporting date (June 30, 2018) and for the Lamoille North Modified Unified Union School District's reporting period (the year ended June 30, 2018). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2018, the State has chosen to use the end of the prior fiscal year (June 30, 2017) as the measurement date, and the year ended June 30, 2017 as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2016, to the measurement date of June 30, 2016.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 TEACHERS RETIREMENT- VSTRS (continued)

Schedule A – Employers’ Allocation as of June 30, 2016

Fiscal Year Ended June 30, 2016						
2016 Allocated Contribution	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Discount Rate)	Net Pension Liability 1% Increase (8.95% Discount Rate)
\$ 1,202,531	1.64223%	\$ 21,505,517	\$ 3,495,217	\$ (1,349,655)	\$ 26,910,532	\$ 16,969,299

Schedule B – Employers’ Allocation as of June 30, 2017

Fiscal Year Ended June 30, 2017						
Portion of State Contribution	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.50% Discount Rate)	Net Pension Liability 1% Increase (8.50% Discount Rate)
\$ 8,952,178	1.35473%	\$ 19,982,688	\$ 3,532,915	\$ 3,202,840	\$ 24,886,342	\$ 16,074,191

Schedule C – Employers’ Allocation of Pension Amounts as of June 30, 2017

Deferred Outflows of Resources							
Employer Proportion	Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Differences Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
1.35473%	\$ 20,082,688	\$ 219,460	\$ 2,083,031	\$ -	\$ 843,798	\$ 386,626	\$ 3,532,915

Deferred Inflows of Resources					
Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows
\$ -	\$ 48,931	\$ -	\$ -	\$ 3,153,909	\$3,202,840

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 TEACHERS RETIREMENT- VSTRS (continued)

Pension Expense Recognized		
Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total
\$ 2,513,470	\$ (1,055,122)	\$ 1,458,348

Schedule D – Employers’ Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2016

Fiscal Year					
2018	2019	2020	2021	2022	Thereafter
\$ 333,791	\$ 104,081	\$ 18,218	\$ (126,023)	\$ -	\$ -

Schedule E – Covered Payroll

FY 2017	FY 2016	FY 2015
\$ 8,952,178	\$ 10,638,393	\$ 9,754,290

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

<http://finance.vermont.gov/reports and publications/cafr>

Plan Description

The Vermont State Teachers' Retirement System is a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2017, the retirement system consisted of 266 participating employers.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 TEACHERS RETIREMENT- VSTRS (continued)

The plan was created in 1947, and is governed by Title 16, V.S.A. Chapter 555.

Management of the plan is vested in the VSTRS Board of Trustees, which consists of the Secretary of Education (ex-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the system under rules adopted by the Board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

The Pension Plan is divided into the following membership groups:

- Group A - for public school teachers employed within the State of Vermont prior to July 1, 1981 and who elected to remain in Group A
- Group C - for public school teachers employed within the State of Vermont on or after July 1, 1990, or hired before July 1, 1990 and were a member of Group B at that time

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, and are summarized below:

VSTRS	GROUP A	GROUP C - GROUP #1*	Group C - Group #2++
Normal service retirement eligibility (no reduction)	Age 60 or 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula - normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC, 2.0% after attaining 20 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%, minimum of 1% after 12 months of normal retirement or age 65
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction
Disability Benefits	Unreduced, accrued benefit with minimum	Unreduced, accrued benefit with minimum	Unreduced, accrued benefit with minimum
Dental	benefit with minimum	Member pays full premium	Member pays full premium
Death-in-service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 TEACHERS RETIREMENT- VSTRS (continued)

* Group #1 are members who were within 5 years of normal retirement (age 62 or 30 years of service) on June 30, 2010

++ Group #2 are members who were less than 57 years of age or had less than 25 years of service on June 30, 2010

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

Significant Actuarial Assumptions and Methods

The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, using the following assumptions:

Investment rate of return: 7.50%, net of pension plan investment expenses, including inflation

Salary Increases: Ranging from 3.75% to 9.09%. Representative values of the assumed annual rates of future salary increases are as follows:

Age	Annual Rate of Salary Increase
20	9.09%
25	7.78%
30	6.47%
35	5.60%
40	4.92%
45	4.43%
50	4.09%
55	3.85%
60	3.75%

Mortality:

Pre-retirement: 98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017

Healthy Post-retirement: 98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017

Disabled Post-retirement: RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017

Inflation: 2.5%

Spouse's Age: Females three years younger than males

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 TEACHERS RETIREMENT- VSTRS (continued)

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 2.55% per annum for Group A members and 1.4% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement).

Inactive Members: Valuation liability equals 332.5% of accumulated contributions.

Actuarial Cost Method: Entry age Actuarial Cost Method. Entry Age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

Actuarial Value of Asset: The amount of the assets for valuation purposes equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	16.00%	6.07%
Non- US Equity	16.00%	7.42%
Global Equity	9.00%	6.85%
Fixed Income	24.00%	2.41%
Real Estate	8.00%	4.62%
Private Markets	15.00%	7.80%
Hedge Funds	8.00%	3.95%
Risk Parity	4.00%	4.84%

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 TEACHERS RETIREMENT- VSTRS (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will contribute to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is compromised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

During the year ended June 30, 2017 the state of Vermont contributed \$1,458,348 on behalf of Lamoille North Modified Unified Union School District.

NOTE 14 TEACHERS RETIREMENT- VMERS

Information Required Under GASB Statement No. 68

Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions requires employers participating in a cost-sharing, multiple-employer defined benefit pension plan to recognize their proportional share of total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The schedules below have been prepared to provide Lamoille North Modified Unified Union School District's proportional share of the overall amounts of the VMERS plan. Lamoille North Modified Unified Union School District's portion has been allocated based on Lamoille North Modified Unified Union School District's proportional share of employer contributions to the total contributions to VMERS during the fiscal year.

Reporting Date, Measurement Date, and Valuation Date

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the Lamoille North Modified Unified Union School District's reporting date June 30, 2018 and for the Lamoille North Modified Unified Union School District's reporting period (the year ended June 30, 2018). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of Lamoille North Modified Unified Union School District, the State has chosen to use the end of the prior fiscal year (June 30, 2017) as the measurement date, and the year ended June 30, 2016 as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2016, to the measurement date of June 30, 2017.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 TEACHERS RETIREMENT- VMERS (continued)

Schedule A – Employer Allocations as of June 30, 2016

Fiscal Year Ended June 30, 2016						
Employer Contributions	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Decrease (8.95% Disc Rate)
\$ 16,074	0.10576%	\$ 136,108	\$ 77,087	\$ -	\$ 225,953	\$ 60,881

Schedule B – Employers' Allocation as of June 30, 2017

Fiscal Year Ended June 30, 2017						
Employer Contributions	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.50% Disc Rate)	Net Pension Liability 1% Decrease (8.50% Disc Rate)
\$ 18,800	0.11512%	\$ 139,472	\$ 64,676	\$ 3,453	\$ 249,018	\$ 48,621

Schedule C – Employers' Allocation of Pension Amounts as of June 30, 2017

Deferred Outflows of Resources							
Employer Proportion	Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportional Share of Contributions and Proportionate Share of Contributions	Total Deferred Outflows
0.11512%	\$ 139,472	\$ 2,029	\$ 29,198	\$ -	\$ 23,230	\$ 10,219	\$ 64,676

Deferred Inflows of Resources					
Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows
\$ 3,453	\$ -	\$ -	\$ -	\$ -	\$ 3,453

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 TEACHERS RETIREMENT- VMERS (continued)

Pension Expense Recognized		
Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total
\$ 33,989	\$ 4,036	\$ 38,025

Schedule D – Employers’ Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2017

Fiscal Year Ending June 30,					
2018	2019	2020	2021	2022	Thereafter
\$ 22,439	\$ 30,300	\$ 8,386	\$ 97	\$ -	\$ -

Schedule E – Contributions History for Fiscal Years 2015-2017

FY 2017	FY 2016	FY 2015
\$ 18,800	\$ 16,074	\$ 13,059

The full report containing the schedules of all employers in the VMERS plan will be available on the State of Vermont Treasurer's website at:

<http://www.vermonttreasurer.gov/retirement/muni-financial-reports>

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

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

Plan Description

The Vermont Municipal Employees’ Retirement System is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. 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. During the year ended June 30, 2017, the retirement system consisted of 423 participating employers.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 **TEACHERS RETIREMENT- VMERS (continued)**

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

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 Towns 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.

Summary of System Provisions

Membership	Full time employees of participating municipalities. Membership Full time employees of participating municipalities. Municipality elects coverage under Groups A, B, C or D provisions.
Creditable service	Service as a member plus purchased service.
Average Final Compensation (AFC)	Group A – average annual compensation during highest 5 consecutive years. Groups B and C – average annual compensation during highest 3 consecutive years. Group D – average annual compensation during highest 2 consecutive years.
Service Retirement Allowance	
Eligibility	Group A – The earlier of age 65 with 5 years of service or age 55 with 35 years of service. Group B – The earlier of age 62 with 5 years of service or age 55 with 30 years of service. Groups C and D – Age 55 with 5 years of service.
Amount	Group A – 1.4% of AFC x service Group B – 1.7% of AFC x service as Group B member plus percentage earned as Group A member x AFC

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 TEACHERS RETIREMENT- VMERS (continued)

Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC

Group D – 2.5% of AFC x service as a Group D member plus percentage earned as a Group A, B or C member x AFC

Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. The above amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance

Eligibility Age 55 with 5 years of service for Groups A and B; age 50 with 20 years of service for Group D.

Amount Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Group A and B member, and payable without reduction to Group D members.

Vested Retirement Allowance

Eligibility 5 years of service.

Amount Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on "Post-Retirement Adjustments" described below.

Disability Retirement Allowance

Eligibility 5 years of service and disability as determined by Retirement Board.

Amount Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

Death Benefit

Eligibility Death after 5 years of service.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 TEACHERS RETIREMENT- VMERS (continued)

Amount	For Groups A, B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as a date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.
Optional Benefit and Death after Retirement	For Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.
Refund of Contribution	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.
Post-Retirement Adjustments	Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but not more than 2% for Group A and 3% for Groups B, C and D.
Member Contributions	Group A – 2.5% Group B – 4.875% Group C – 10.00% Group D – 11.35%
Employer Contributions	Group A – 4.0% Group B – 5.5% Group C – 7.25% Group D – 9.85%
Retirement Stipend	\$25 per month payable at the option of the Board of retirees.

Significant Actuarial Assumptions and Methods

Interest Rate: 7.50%, net of pension plan investment expenses including inflation

Salary Increases: 5% per year

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 TEACHERS RETIREMENT- VMERS (continued)

Deaths:

Death in Active Service:

Groups A, B, and C – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational projection using Scale SSA-2017.

Group D – 100% of RP-2014 Blue Collar Annuitant Table with generation projection using Scale SSA-2017

Health Post- Retirement:

Groups A, B, and C – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017.

Group D: 100% of RP-2014 Healthy Annuitant with generational projection using Scale SSA-2017

Disabled Post-Retirement:

All Groups- RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017

Spouse's Age: Females three years younger than males

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.15% per annum for Group A members and 1.3% per annum for members of Groups B, C and D members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Groups A, B, and D who receive a disability retirement benefit.) The January 1, 2018 COLA is assumed to be 0.75% for all groups and at age 55 for members of Group C who receive a disability retirement benefit.

Actuarial Cost Method: Entry Age Actuarial Cost Method. Entry Age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

Asset Valuation Method: A smoothing method is used, 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%.

Inflation: 2.5%

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 TEACHERS RETIREMENT- VMERS (continued)

Long-term expected rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	16.00%	6.07%
Non-US Equity	16.00%	7.42%
Global Equity	9.00%	6.85%
Real Estate	8.00%	4.62%
Private Markets	15.00%	7.80%
Hedge Funds	8.00%	3.95%
Risk Parity	4.00%	4.84%

Discount rate

The discount rate used to measure the total pension liability was 7.5%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability, calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.5%) or one percent higher (8.5%) than the current rate:

1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
\$ 249,018	\$ 139,472	\$ 48,621

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 OTHER POST EMPLOYMENT BENEFITS (OPEB) - VSTRS

The schedule of employer allocations and schedule of OPEB 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 or its participating employers. VSTRS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance & Management website at: <http://finance.vermont.gov/reports-and-publications/cafr>.

Schedule A – Employers' Allocation

2016 Employer Proportion	2017 Employer Proportion	Net OPEB Liability	Total Deferred Outflows	Total Deferred Inflows	Net OPEB Liability - 1% Decrease in Discount Rate (2.58%)	Net OPEB Liability - 1% Increase in Discount Rate (4.58%)	Net OPEB Liability - 1% Decrease in Healthcare Cost Trend Rates	Net OPEB Liability - 1% Increase in Healthcare Cost Trend Rates
1.88412%	1.57002%	\$ 14,637,139	\$ -	\$ 401,042	\$ 16,816,792	\$ 12,835,009	\$ 12,560,505	\$ 17,262,661

Schedule B – Employers Allocation of OPEB Amounts as of June 30, 2017

Deferred Outflows of Resources						
Employer Portion	Net OPEB Liability	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Changes in Assumptions	Difference Between Projected and Actual Investment Earnings	Difference Between Expected and Actual Experience	Total Deferred Outflows
1.57002%	\$ 14,637,139	\$ -	\$ -	\$ -	\$ -	\$ -

Deferred Inflows of Resources				
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Changes in Assumptions	Difference Between Projected and Actual Investment Earnings	Difference Between Expected and Actual Experience	Total Deferred Inflows
\$ -	\$ 401,042	\$ -	\$ -	\$ 401,042

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 OTHER POST EMPLOYMENT BENEFITS (OPEB) – VSTRS (continued)

Pension Expense Recognized		
Proportionate Share of OPEB Expense	Net Amortization of Deferred Amounts from Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer OPEB Expense
\$ 804,593	\$ -	\$ 804,593

Schedule C – Employers’ Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2017

Fiscal Year					
2018	2019	2020	2021	2022	Thereafter
\$ 120,072	\$ 120,072	\$ 120,072	\$ 120,072	\$ 40,827	\$ -

Plan Description

The Vermont State Teachers' Retirement System provides postemployment benefits to eligible VSTRS employees who retire from the System through a cost-sharing, multiple-employer postemployment benefit (OPEB) plan (the Plan).

The plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2017, the plan consisted of 266 participating employers.

Vermont Statute Title 16 Chapter 55 assigns the authority to VSTRS to establish and amend the benefits provisions of the Plan and to establish maximum obligations of the Plan members to contribute to the Plan. Management of the Plan is vested in the Vermont State Teachers' Retirement System Board of Trustees, which consists of the Secretary of Education (ex-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the system under rules adopted by the Board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

All assets of the Plan are held in a single trust and are available to pay OPEB benefits to all members.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 OTHER POST EMPLOYMENT BENEFITS (OPEB) – VSTRS (continued)

Summary of Plan

Eligibility:

VSTRS retirees and their spouses are eligible for health coverage if the retiree is eligible for pension benefits. Pension eligibility requirements are below:

Group A – Public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A

- Retirement: Attainment of 30 years of creditable service, or age 55

Group C – Public school teachers employed within the State of Vermont on or after July 1, 1990. Teachers hired before July 1, 1990 and were Group B members in service on July 1, 1990 are now Group C members. Grandfathered participants are Group C members who were within five years of normal retirement eligibility as defined prior to July 1, 2010.

- Retirement Group C Grandfathered: Attainment of age 62, or 30 year's creditable service, or age 55 with 5 years of creditable service.
- Retirement Group C Non-grandfathered: Attainment of age 65, or age plus creditable service equal to 90, or age 55 with 5 years of creditable service.

Vesting and Disability: 5 years of creditable service. Participants who terminate with 5 years of service under the age of 55 may elect coverage upon receiving pension benefits.

Benefit Types: Medical and prescription drug. Retirees pay the full cost for dental benefits.

Duration of Coverage: Lifetime.

Spousal Benefits: Same benefits as for retirees.

Spousal Coverage: Lifetime.

Retiree Contributions:

Retired before June 30, 2010:

Retirees with at least 10 years of service pay premium costs in excess of an 80% VSTRS subsidy. Retirees with less than 10 years of service do not receive any premium subsidy. Spouses do not receive any premium subsidy, regardless of the retiree's service.

Retired after June 30, 2010:

Retirees pay premium costs in excess of the following VSTRS subsidy, based on service:

<u>Retiree Subsidy Level</u>	<u>Subsidy</u>
Years of Service at June 30, 2010	
10 years or more	80%
Less than 10 years	
Less than 15 years at retirement	0%
15-19.99 years at retirement	60%
20-24.99 years at retirement	70%
25 or more years at retirement	80%

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 OTHER POST EMPLOYMENT BENEFITS (OPEB) – VSTRS (continued)

Spouses of retirees can receive an 80% subsidy, if they meet the following requirements:

Spouse Coverage with 80% Subsidy

Years of Service at June 30, 2010	Required Years of Service at Retirement
Less than 10 years	25 years of service at retirement
Between 10 and 14.99 years	25 years of service at retirement
Between 15 and 24.99 years	10 additional years from June 30, 2010
Between 25 and 29.99 years	35 years of service at retirement
30 or more years	5 additional years from June 30, 2010

Spouses of retirees who do not meet the above requirements for an 80% subsidy can receive unsubsidized coverage.

Premium Reduction Option:

Participants retiring on or after January 1, 2007 with a VSTRS premium subsidy have a one-time option to reduce the VSTRS subsidy percentage during the retiree's life so that a surviving spouse may continue to receive the same VSTRS subsidy for the spouse's lifetime. If the retiree elects the joint and survivor pension option but not the Premium Reduction Option, spouses are covered for the spouse's lifetime but pay 100% of the plan premium after the retiree's death.

Actuarial assumptions

The Total OPEB Liability used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate: 3.58% based on the short-term bond rate

Salary Increase Rate: Varies by age. Representative values of the assumed annual interest rates of future salary increases as follows:

Age	Annual Rate of Salary Increase
25	7.78%
30	6.47%
35	5.60%
40	4.92%
45	4.43%
50	4.09%
55	3.85%
60	3.75%

Inflation: 2.75%

Healthcare Cost: Non-Medicare –7.50% graded to 4.50% over 12 years
Trend Rates: Medicare – 7.75% graded to 4.50% over 11 years

Retiree Contributions: Equal to health trend

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 OTHER POST EMPLOYMENT BENEFITS (OPEB) – VSTRS (continued)

Pre-retirement Mortality: 98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017

Post-retirement Mortality: 98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017

Disabled Mortality: RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017

Actuarial Cost Method: Entry-Age Normal, Level Percentage of Pay

Asset Valuation Method: Market Value

Measurement Date: June 30, 2017

Actuarial Valuation Date: June 30, 2016

Per Capita Cost Development:

Medical and Prescription Drug

Per capita claims costs were based on claims for the period July 1, 2015 through June 30, 2017. Claims were separated by non-Medicare and Medicare retirees, and by medical and prescription drug. Claims were separated by plan year, then adjusted as follows:

- Total claims were divided by the number of adult members to yield a per capita claim,
- The per capita claim was trended to the midpoint of the valuation year at assumed trend rates, and
- The per capita claim was adjusted for the effect of any plan changes.

Per capita claims for each plan year were then combined by taking a weighted average. The weights used in this average account for a number of factors including each plan year's volatility of claims experience and distance to the valuation year. Actuarial factors were then applied to the weighted average cost to estimate individual retiree and spouse costs by age and by gender.

Administrative Expenses

Per capita claims costs were based on claims for the period July 1, 2015 through June 30, 2017. Claims were separated by plan year, then adjusted as described above to yield a combined weighted average per capita claims cost.

Per Capita Health Costs:

Medical and prescription drug claims for the year beginning July 1, 2017 are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 OTHER POST EMPLOYMENT BENEFITS (OPEB) – VSTRS (continued)

Age	Medical				Prescription Drugs			
	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
50	\$7,969	\$9,077	\$5,566	\$7,288	\$1,515	\$1,725	\$1,058	\$1,385
55	9,464	9,771	7,448	8,436	1,799	1,857	1,416	1,603
60	11,239	10,532	9,971	9,784	2,136	2,002	1,895	1,860
64	12,894	11,172	12,587	11,012	2,451	2,123	2,392	2,093
65	1,472	1,251	1,472	1,251	1,896	1,612	1,896	1,612
70	1,706	1,348	1,706	1,348	2,197	1,737	2,197	1,737
75	1,839	1,451	1,839	1,451	2,368	1,869	2,368	1,869

Administrative Expenses:

An annual administrative expense of \$526 per participant with health and welfare coverage increasing at 3.0% per year was added to projected incurred claim costs in developing the benefit obligations.

Health Care Cost Trend Rates:

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are "net" and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that is applied to that year's cost to yield the next year's projected cost.

Rate (%)		
Year Ending June 30,	Pre-Medicare Health Costs	Medicare Health Costs
2018	7.50	7.75
2019	7.25	7.45
2020	7.00	7.15
2021	6.75	6.85
2022	6.50	6.55
2023	6.25	6.25
2024	6.00	5.95
2025	5.75	5.65
2026	5.50	5.36
2027	5.25	5.05
2028	5.00	4.75
2029	4.75	4.50
2030+	4.50	4.50

The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2018 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 OTHER POST EMPLOYMENT BENEFITS (OPEB) – VSTRS (continued)

Retiree Contribution Increase Rate:

Retiree contributions were assumed to increase with health trend. Retiree contribution rates were based on 2017 premiums. Plan premiums were weighted by actual retiree and dependent enrolment, separately for non-Medicare and Medicare.

Health Care Reform Assumption:

The Plan is assumed to be in compliance with the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 as of the valuation date. The valuation includes the projected effect of the Act's provision which imposes an excise tax on high cost employer-sponsored health coverage beginning in 2020. The excise tax limit is assumed to increase by 2.5% each year after 2018.

During the year ended June 30, 2017 the state of Vermont contributed \$804,593 on behalf of Lamoille North Modified Unified Union School District.

NOTE 16 NON-CASH TRANSACTIONS

The Lamoille North Modified Unified Union School District received Federal Commodities for use in food service in the amount of \$45,522 for the cost of shipping. The value of the commodities received is not included in the food service budget and is not part of food service revenue or expenditures.

NOTE 17 ASSESSMENTS

Supervisory Union Assessment - The District pays for its proportionate share of expense relating to the Lamoille North Supervisory Union. The District paid \$2,813,634 of such expenses during the year ended June 30, 2018.

NOTE 18 COLLECTIVE BARGAINING AGREEMENT

The District has entered into three collective bargaining agreements with the Lamoille North Modified Unified Union School District Association. The support staff, the para-educator and the teacher collective bargaining agreements all expire on June 30, 2019.

NOTE 19 CONTINGENCY

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's Independent Auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District Administration believes such disallowance, if any, would be immaterial.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 20 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries to employees. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

In addition, Lamoille North Modified Unified Union School District is a member of the Vermont School Boards' Association Insurance Trust, Inc. (VSBIT) Medical Benefits Program and Unemployment Compensation Program. VSBIT is a nonprofit corporation formed in 1978 to provide insurance and risk management programs for Vermont school districts and is owned by the participating districts.

To provide health insurance coverage, VSBIT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (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.

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 protection. 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 results 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 proportioned share of the deficit.

NOTE 21 NET POSITION HELD IN TRUST

The district sold two old school house buildings after they closed. The proceeds from the sale of the assets are held in trusts in the fiduciary fund as they are non-expendable. The District is allowed to spend interest earned on this original investment. The total assets held in trust at year end June 30, 2018 is \$43,175.

NOTE 22 FUND BALANCE AND NET POSITION

Fund Financial Statements:

Nonspendable Fund Balances at June 30, 2018 are as follows:

General Fund:

Nonspendable for Inventory	\$ 3,748
Nonspendable for Prepaid Expenses	<u>66,066</u>
	<u><u>\$ 69,814</u></u>

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 22 FUND BALANCE AND NET POSITION (continued)

Committed Fund Balances at June 30, 2018 are as follows:

General Fund:

Committed for FY19 Elementary Expenditures	\$ 92,595
Committed for FY19 High School/Middle School Expenditures	57,405
Committed for FY19 Vocational Expenditures	94,140
Committed for Future Capital Expenditures	76,851
Eden Bus Reserve	40,758
Food Service	109,683
Beyond the Bell	<u>91,099</u>
	<u>\$ 562,531</u>

Capital Projects Fund:

Capital Expenditures	\$ 2,474,718
Committed for Cricket Hill Trail	962
LUSD Technology	24,797
General Fund transfer to Offset FY 19 GMTCC Expenditures	103,860
Capital Reserve	<u>1,048,609</u>
	<u>\$ 3,652,946</u>

Restricted Fund Balances at June 30, 2018 are as follows:

Capital Projects Fund:

Restricted for Investments	<u>\$ 798,542</u>
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District-Wide Financial Statements:

Restricted Net Position at June 30, 2018 is as follows:

General Fund:

Restricted for Investments	<u>\$ 798,542</u>
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Proprietary Fund:

Restricted for Vocational Building Trades	<u>\$ 93,025</u>
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Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 23 OPERATING TRANSFERS

Fund transfers consist of the following at June 30, 2018:

	General Fund	Capital Projects Fund
Operating Transfers	\$ (684,874)	\$ 684,874

NOTE 24 TRANSPORTATION CONTRACT

The district has a transportation contract with Cambridge Elementary School effective July 1, 2017 in which the paid \$163,305 during the fiscal year for student transportation. The contract expires June 2021.

The district also had a transportation contract with Lamoille Valley Transportation Inc. effective August 15, 2017 through June 30, 2018 in which the district paid \$102,794 during the fiscal year.

NOTE 25 GOVERNMENT COMBINATION AND TRANSFER OF OPERATIONS

On March 1, 2016, the voters of Belvidere Town School District, Eden Town School District, Hyde Park Town School District, Johnson Town School District, Lamoille Union High School District #18, and Waterville Town School District authorized the creation of a Unified School District, encompassing each of the districts. The pre-existing school districts halted governance operations and ceased to exist upon the close of business on June 30, 2017. All assets, debts, and liabilities of each district were transferred to the Lamoille North Modified Unified Union School District upon the close of business on June 30, 2017. The amounts recognized as of July 1, 2018 are:

	Belvidere Town School District	Eden Town School District	Hyde Park Town School District	Johnson Town School District	Lamoille Union High School District #18	Waterville Town School District	Total Lamoille North Modified Unified Union School District
District-Wide Financial							
Governmental Activities							
Current Assets	\$ 72,081	\$ 882,372	\$ 9,349,472	\$ 1,207,667	\$ 3,120,722	\$ 132,542	\$ 14,764,856
Capital Assets	526,256	1,027,614	2,028,233	3,042,210	20,603,474	841,855	28,069,642
Other Assets	-	-	-	-	718,584	-	718,584
Deferred Outflows	-	-	-	95,887	-	-	95,887
Current Liabilities	47,388	173,815	402,649	137,489	1,292,066	60,109	2,113,516
Long-Term Liabilities	-	585,664	9,840,511	1,198,868	6,330,170	-	17,955,213
Net Position	<u>550,949</u>	<u>1,150,507</u>	<u>1,134,545</u>	<u>3,009,407</u>	<u>16,820,544</u>	<u>914,288</u>	<u>23,580,240</u>
Vocational Building Trades							
Assets	-	-	-	-	151,303	-	151,303
Liabilities	-	-	-	-	59,568	-	59,568
Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 91,735</u>	<u>-</u>	<u>91,735</u>
Total Net Position	<u>\$ 550,949</u>	<u>\$ 1,150,507</u>	<u>\$ 1,134,545</u>	<u>\$ 3,009,407</u>	<u>\$ 16,912,279</u>	<u>\$ 914,288</u>	<u>\$ 23,671,975</u>

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 25 GOVERNMENT COMBINATION AND TRANSFER OF OPERATIONS (continued)

	Belvidere					Waterville	Total Lamoille
	Town	Eden Town	Hyde Park	Johnson	Lamoille Union	Town	North Modified
	School	School	Town School	Town School	High School	School	Unified Union
	District	District	District	District	District #18	District	School District
Fund Financial Statements - Gov't Funds							
General Fund							
Assets	\$ 72,081	\$ 546,124	\$ 346,062	\$ 727,254	\$ 1,948,854	\$ 132,542	\$ 3,772,917
Liabilities	92,150	142,651	157,523	51,720	1,502,941	109,634	2,056,619
Fund Balance	<u>(20,069)</u>	<u>403,473</u>	<u>188,539</u>	<u>675,534</u>	<u>445,913</u>	<u>22,908</u>	<u>1,716,298</u>
Capital Projects Fund							
Assets	74,712	342,715	9,003,647	480,413	2,956,831	49,525	12,907,843
Liabilities	-	6,467	119,275	-	504	-	126,246
Fund Balance	<u>74,712</u>	<u>336,248</u>	<u>8,884,372</u>	<u>480,413</u>	<u>2,956,327</u>	<u>49,525</u>	<u>12,781,597</u>
Total Gov't Fund Balance	<u>\$ 54,643</u>	<u>\$ 739,721</u>	<u>\$ 9,072,911</u>	<u>\$ 1,155,947</u>	<u>\$ 3,402,240</u>	<u>\$ 72,433</u>	<u>\$ 14,497,895</u>
Fund Financial Statement- Fiduciary Funds							
Private Purpose Trust Fund Balance							
Assets	\$ 20,492	\$ 22,657	\$ -	\$ -	\$ -	\$ -	\$ 43,149
Liabilities	-	-	-	-	-	-	-
Fund Balance	<u>20,492</u>	<u>22,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,149</u>
Agency Fund Balance							
Assets	50	20,084	24,740	29,197	309,786	330	384,187
Liabilities	50	20,084	24,740	29,197	309,786	330	384,187
Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fiduciary Fund Balance	<u>\$ 20,492</u>	<u>\$ 22,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,149</u>

NOTE 26 CHANGE IN ACCOUNTING PRINCIPLE

GASB 75 Accounting and Financial Reporting for OPEB other than Pensions became effective for fiscal years beginning after June 15, 2017. The Vermont State Teachers' Retirement System provides postemployment benefits to eligible VSTRS employees who retire from the System through a cost-sharing, multiple-employer postemployment benefit (OPEB) plan. The State has taken the position that the postemployment liability belongs to the State and not the District, therefore only amounts included in the District's financial statements is the amount the State has contributed on behalf of the District. This is reflected as revenue and expense in the District-Wide Statement of Activities and has no effect on the District's change in net position. The OPEB is disclosed in Note 15 of the financial statements.

Lamoille North Modified Unified Union School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 27 INTERFUND RECEIVABLE AND PAYABLE BALANCES

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Capital Projects Fund	\$ 1,314,735	\$ -
General Fund	-	1,351,499
Vocational Building Trades Fund	33,473	-
Agency Fund	<u>3,291</u>	<u>-</u>
 Total Fund Financial Statement Balances	 <u>\$ 1,351,499</u>	 <u>\$ 1,351,499</u>

The School District generally maintains one cash account in the General Fund to pay expenditures and receive payments for efficiency. All interfund balances resulted from time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) repayments between funds are made.

NOTE 28 SUBSEQUENT EVENTS

On July 2, 2018, the District obtained a tax anticipation note with Community Bank N.A. in the amount of \$4,573,518. The note is due June 28, 2019 with 2.50% interest.

In accordance with professional accounting standards, the School District has evaluated subsequent events through January 18, 2019 which is the date the financial statement was available to be issued. All subsequent events requiring recognition as of June 30, 2018, have been incorporated into the financial statement herein.

REQUIRED SUPPLEMENTARY INFORMATION

Lamoille North Modified Unified Union School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Elementary Education:				
Education Spending Grants:				
General Support Grant	\$ 10,763,362	\$ 10,768,462	\$ 10,650,623	\$ (117,839)
Transportation Grant	-	-	268,948	268,948
Federal Grants:				
21st Century	62,967	97,765	91,533	(6,232)
IDEA B Grant	71,687	52,424	40,456	(11,968)
Consolidated Federal Program	476,003	510,233	454,320	(55,913)
Other LEA's	52,000	-	52,456	52,456
Food Service	-	405,694	424,385	18,691
Special Education Reimbursement	883,523	883,523	413,229	(470,294)
EPSDT/Medicaid	102,625	109,323	80,648	(28,675)
Enterprise Program	83,010	83,010	203,509	120,499
Interest Income	28,927	34,888	57,308	22,420
Miscellaneous	<u>93,742</u>	<u>178,843</u>	<u>102,111</u>	<u>(76,732)</u>
Total Elementary Education	<u>12,617,846</u>	<u>13,124,165</u>	<u>12,839,526</u>	<u>(284,639)</u>
High school & Middle School Education:				
Tuition	332,097	332,097	386,000	53,903
Education Spending Grants:				
General Support Grant	12,372,826	12,372,826	12,277,739	(95,087)
Special Education Reimbursement	556,049	556,049	363,048	(193,001)
Transportation Grant	-	-	269,013	269,013
Other Grants	-	15,531	20,370	4,839
Other LEA's	-	-	9,807	9,807
Food Service	-	483,032	385,734	(97,298)
Driver Education	9,879	9,879	6,827	(3,052)
EPSDT/Medicaid	52,800	73,544	58,075	(15,469)
Interest Income	50,000	50,000	58,117	8,117
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>18,222</u>	<u>8,222</u>
Total High School and Middle School Education	<u>13,383,651</u>	<u>13,902,958</u>	<u>13,852,952</u>	<u>(50,006)</u>

See Accompanying Notes to Financial Statements

Lamoille North Modified Unified Union School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Vocational Education:				
Tuition	1,255,646	1,255,646	1,135,634	(120,012)
State Aide and Grants	2,037,738	2,071,333	2,007,915	(63,418)
Federal Grants	146,775	175,580	166,224	(9,356)
Adult Continuing Education	1,724	1,724	47,720	45,996
Interest Income	10,000	10,000	15,431	5,431
Miscellaneous	-	-	8,769	8,769
Total Vocational Education	3,451,883	3,514,283	3,381,693	(132,590)
 TOTAL REVENUES	 29,453,380	 30,541,406	 30,074,171	 (467,235)
 EXPENDITURES				
Elementary Education:				
Instruction Services	4,702,674	4,937,004	4,824,628	112,376
Special Education Services	1,549,167	1,332,617	863,744	468,873
Athletic Activities	203,927	174,627	168,987	5,640
Co-Curricular Activities	5,700	10,282	4,109	6,173
Early Education	366,289	388,609	329,197	59,412
EEE Services	26,388	15,569	9,810	5,759
Guidance Services	495,479	513,365	495,679	17,686
Health Services	248,358	235,630	214,322	21,308
Psychological Services	-	2,600	5,200	(2,600)
Speech Services	94,144	94,144	63,046	31,098
Instructional Staff Training Services	147,134	123,726	123,968	(242)
Media Services	205,260	194,458	176,514	17,944
Instructional Technology	144,746	142,746	167,718	(24,972)
Board of Education Services	14,203	14,203	23,600	(9,397)
Office of Treasurer	1,996	1,996	2,739	(743)
Office of Superintendent	585,765	585,765	585,417	348
Legal and Audit Services	3,500	3,500	766	2,734
Office of Principal	947,551	975,617	927,560	48,057
Special Education Administration	814,534	814,534	813,438	1,096
Fiscal Services	45,000	45,000	45,320	(320)
Operation and Maintenance	1,006,768	1,026,168	991,121	35,047

See Accompanying Notes to Financial Statements

Lamoille North Modified Unified Union School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Pupil Transportation	458,682	465,122	613,714	(148,592)
Technical Support/Network Service	192,075	186,646	215,793	(29,147)
Food Service	12,380	481,145	483,558	(2,413)
Enterprise Program	83,010	83,010	84,984	(1,974)
Debt Service	438,632	518,134	642,368	(124,234)
 Total Elementary Education	 12,793,362	 13,366,217	 12,877,300	 488,917
High School & Middle School Education:				
Instruction Services	6,441,598	6,372,136	5,974,744	397,392
Special Education Services	630,924	630,924	724,969	(94,045)
Athletic Activities	340,292	340,392	380,702	(40,310)
Co-Curricular Activities	111,721	124,321	147,597	(23,276)
Guidance Services	671,361	759,605	643,235	116,370
Health Services	121,969	125,869	121,733	4,136
Speech Services	42,109	42,109	45,782	(3,673)
Other Support Services	21,000	21,000	6,026	14,974
Instructional Staff Training Services	124,925	127,252	68,902	58,350
Media Services	171,500	171,500	161,701	9,799
Technology, Audit/Visual Services	189,839	189,839	146,090	43,749
Board of Education Services	36,293	36,293	25,642	10,651
Office of Treasurer	17,327	17,327	2,739	14,588
Office of Superintendent	500,476	500,476	500,567	(91)
Legal Services	14,200	14,200	1,542	12,658
Office of Principal	786,400	785,400	775,878	9,522
Special Education Administration	822,291	822,291	822,291	-
Fiscal Services	81,000	81,000	45,320	35,680
Operation and Maintenance	1,200,635	1,200,635	1,160,834	39,801
Pupil Transportation	463,313	463,313	744,245	(280,932)
Technical Support/Network Service	198,055	198,168	208,235	(10,067)
Drivers Education	51,128	51,128	82,741	(31,613)
Food Service	25,000	440,844	512,757	(71,913)
Debt Service	420,293	420,293	381,803	38,490
 Total High School and Middle School Education	 13,483,649	 13,936,315	 13,686,075	 250,240

See Accompanying Notes to Financial Statements

Lamoille North Modified Unified Union School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Vocation Education:				
Vocational Education Instruction	1,570,914	1,596,030	1,541,115	54,915
Co-operative Education	81,433	81,433	70,986	10,447
Co-Curricular	29,500	29,500	32,278	(2,778)
Continuing Education	-	37,389	68,933	(31,544)
Guidance	134,734	134,734	113,152	21,582
Health	19,725	19,725	19,730	(5)
Staff Training	6,000	6,000	2,472	3,528
Media Services	2,500	2,500	1,914	586
Board of Education	5,924	5,924	8,083	(2,159)
Office of Treasurer	1,336	1,336	747	589
Office of Superintendent	91,665	91,665	91,920	(255)
Office of Vocational Director	330,056	330,056	344,050	(13,994)
Technology Services	66,610	66,610	53,732	12,878
Fiscal Services	8,500	8,500	26,405	(17,905)
Legal/Audit	2,000	2,000	535	1,465
Operation and Maintenance	514,477	514,477	486,022	28,455
Transportation	17,900	17,900	23,750	(5,850)
Debt Service	<u>563,610</u>	<u>563,610</u>	<u>586,441</u>	<u>(22,831)</u>
Total Vocational Education	<u>3,446,884</u>	<u>3,509,389</u>	<u>3,472,265</u>	<u>37,124</u>
TOTAL EXPENDITURES	<u>29,723,895</u>	<u>30,811,921</u>	<u>30,035,640</u>	<u>776,281</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(270,515)</u>	<u>(270,515)</u>	<u>38,531</u>	<u>309,046</u>
OTHER FINANCING SOURCE/(USES)				
Gain on Sale of Asset	-	-	1,500	1,500
Transfers Out	<u>270,515</u>	<u>270,515</u>	<u>(684,874)</u>	<u>(955,389)</u>
TOTAL OTHER FINANCING SOURCES/(USES)	<u>270,515</u>	<u>270,515</u>	<u>(683,374)</u>	<u>(953,889)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (644,843)</u>	<u>\$ (644,843)</u>

See Accompanying Notes to Financial Statements

Lamoille North Modified Unified Union School District
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY- VSTRS
For the Year Ended June 30, 2018

2017

District's proportion of the net pension liability (asset)	1.3547%
District's proportionate share of the net pension liability (asset)	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>19,982,688</u>
Total	<u>\$ 19,982,688</u>
District's covered-employee payroll	<u>\$ 8,952,178</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	(53.98%)

Significant Actuarial Assumptions and methods are described in Note 13 to the financial statements. The following changes in assumptions and methods were effective June 30, 2017:

- 1. Assumed inflation was lowered from 3% to 2.5%.*
- 2. The investment return assumption was lowered from 7.95% to 7.50%.*
- 3. The salary increase assumption was lowered by 0.37% at each age.*
- 4. Assumed COLA increases were lowered from 3% to 2.55% for Group A members and from 1.5% to 1.4% for Group C members*
- 5. The mortality tables were updated from variations of RP-2000 with static projection to 98% of the RP-2014 White Collar Table with generational improvement for healthy participants and the RP-2014 Disabled Mortality Table with generational improvement for disabled participants.*

See Accompanying Notes to Financial Statements

Lamoille North Modified Unified Union School District
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY- VMERS
For the Year Ended June 30, 2018

	<u>2017</u>
District's proportion of the net pension liability (asset)	0.11512%
District's proportionate share of the net pension liability (asset)	<u>\$ 139,472</u>
District's covered-employee payroll	<u>\$ 469,995</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	29.68%
Plan fiduciary net position as a percentage of the total pension liability	83.64%

Significant Actuarial Assumptions and methods are described in Note 14 to the financial statements. The following changes in assumptions and methods were effective June 30, 2017:

- 1. Assumed inflation was lowered from 3% to 2.5%*
- 2. The investment return assumption was lowered from 7.95% to 7.50%*
- 3. Assumed COLA increases were lowered from 1.5% to 1.15% for Group A Members and from 1.8% to 1.3% for Groups B, C and D*
- 4. The mortality tables were updated from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement.*

See Accompanying Notes to Basic Financial Statements.

Lamoille North Modified Unified Union School District
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - VMERS
For the Year Ended June 30, 2018

	<u>2017</u>
Contractually Required Contributions (Actuarially Determined)	\$ 18,800
Contributions in Relation to the Actuarially Determined Contributions	<u>18,800</u>
Contribution Excess/(Deficiency)	-
Covered Employee Payroll	<u>\$ 469,995</u>
Contributions as a Percentage of Covered Employee Payroll	4.00%

Significant Actuarial Assumptions and methods are described in Note 14 to the financial statements. The following changes in assumptions and methods were effective June 30, 2017:

- 1. Assumed inflation was lowered from 3% to 2.5%*
- 2. The investment return assumption was lowered from 7.95% to 7.50%*
- 3. Assumed COLA increases were lowered from 1.5% to 1.15% for Group A Members and from 1.8% to 1.3% for Groups B, C and D*
- 4. The mortality tables were updated from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement.*

See Accompanying Notes to Basic Financial Statements.

Lamoille North Modified Unified Union School District
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY- VSTRS
For the Year Ended June 30, 2018

	<u>2017</u>
District's proportion of the net OPEB liability (asset)	1.57002%
District's proportionate share of the net OPEB liability (asset)	-
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>\$ 14,637,139</u>
Total	<u><u>\$ 14,637,139</u></u>
Plan fiduciary net position as a percentage of the total pension liability	(2.94%)

Significant Actuarial Assumptions and methods are described in Note 15 to the financial statements. There were no changes in methods or assumptions during the year ended June 30, 2017.

See Accompanying Notes to Basic Financial Statements.

Lamoille North Modified Unified Union School District

ADDITIONAL REPORTS REQUIRED BY
THE SINGLE AUDIT ACT

June 30, 2018

Lamoille North Modified Unified Union School District
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Grantor Number	Federal CFDA Number	Federal Expenditures
U. S. Department of Education			
Passed through State of Vermont, Department of Education			
Perkins Secondary Reserve Grant	4320-U058-18-01	84.048	\$ 1,802
Perkins Tech Ed	4318-U058-18-01	84.048	<u>164,423</u>
Cluster Subtotal			<u>166,225</u>
Passed through Lamoille North Supervisory Union			
Title I A	4250-S025-18-01	84.010	<u>442,347</u>
IDEA B	4226-S025-18-01	84.027	<u>40,456</u>
Title IV-B 21st Century Learning Communities	4611-S025-18-01	84.287	<u>91,533</u>
Title II A - Improving Teacher Quality	4651-S025-18-01	84.367	<u>11,973</u>
U.S. Department of Agriculture			
Passed through State of Vermont, Department of Education			
Passed through Lamoille North Supervisory Union			
National School Lunch Program	4450-S025-18-00	10.555	325,883
National School Lunch Program	4452-S025-18-00	10.555	132,796
National School Lunch Program	4448-S025-18-00	10.555	1,702
Summer Food Service Program for Children	4455-S025-18-00	10.559	<u>10,040</u>
Cluster Subtotal			<u>470,421</u>
Fresh Fruit & Vegetable Program	4449-S025-18-01	10.582	<u>29,053</u>
Child and Adult Care Food Program	4453-S025-18-00	10.558	2,241
Child and Adult Care Food Program	4454-S025-18-00	10.558	<u>31,133</u>
Cluster Subtotal			<u>33,374</u>
			<u>\$ 1,285,382</u>

Lamoille North Modified Unified Union School District
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2018

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Lamoille North Modified Unified Union School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lamoille North Supervisory Union.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

INDEPENDENT AUDITOR'S 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*

To the School Board
Hyde Park, 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 Lamoille North Modified Unified Union School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Lamoille North Modified Unified Union School District's basic financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lamoille North Modified Unified Union 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 Lamoille North Modified Unified Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lamoille North Modified Unified Union 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.

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 Lamoille North Modified Unified Union 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.



St. Albans, Vermont
January 18, 2019



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License # 167

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the School Board
Hyde Park, Vermont

Report on Compliance for Each Major Federal Program

We have audited the Lamoille North Modified Unified Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Lamoille North Modified Unified Union School District's major federal programs for the year ended June 30, 2018. Lamoille North Modified Unified Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Lamoille North Modified Unified Union School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lamoille North Modified Unified Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Lamoille North Modified Unified Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lamoille North Modified Unified Union School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.


Report on Internal Control over Compliance

Management of the Lamoille North Modified Unified Union School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Lamoille North Modified Unified Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lamoille North Modified Unified Union School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



St. Albans, Vermont
January 18, 2019

Lamoille North Modified Unified Union School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements Lamoille North Modified Unified Union School District.
2. There were no significant deficiencies disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Lamoille North Modified Unified Union School District were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Lamoille North Modified Unified Union School District expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for Lamoille North Modified Unified Union School District.
7. The programs tested as major programs were:

CFDA #84.010	Title I
CFDA #84.048	Perkins Grant
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Lamoille North Modified Unified Union School District was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

- There were no findings related to the financial statements audit.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- There were no findings or questioned costs related to the major federal award programs.