

Waterville Town School District
BASIC FINANCIAL STATEMENTS
June 30, 2016

Waterville Town School District
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Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

INDEPENDENT AUDITOR'S REPORT

To the School Board
Waterville Town School District
Waterville, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterville Town School District, as of and for the year ended June 30, 2016, 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, each major fund, and the aggregate remaining fund information of Waterville Town School District as of June 30, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

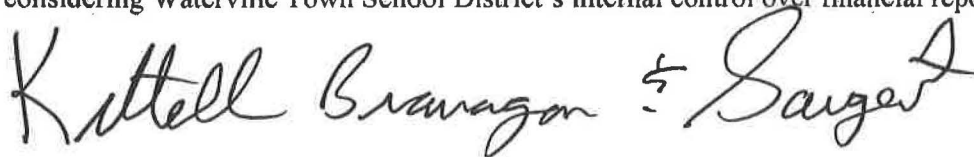
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on pages 25-26 and the schedule of proportionate share of the net pension liability on page 27 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016, on our consideration of the Waterville Town School District's 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 Waterville Town School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Kaitell Brannagan & Sargent". The signature is written in dark ink and is positioned below the text of the report.

St. Albans, Vermont
November 4, 2016

Waterville Town School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Our discussion and analysis of Waterville School District financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. 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 Position 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 Position - Fiduciary Funds provide 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 Position 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 Position 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. In the Statement of Net Position 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.

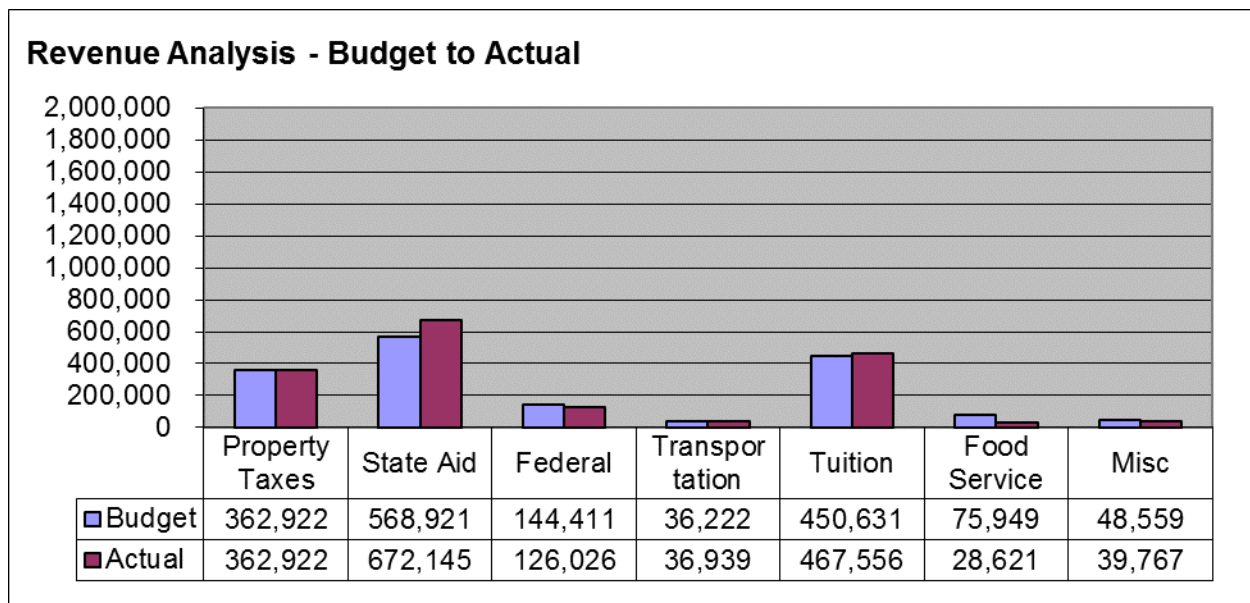
Waterville Town School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

- 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 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:

ASSETS			
	FY15	FY16	% Change
Current Assets	\$ 200,372	\$ 202,615	1%
Capital Assets	\$ 899,910	\$ 850,078	-6%
TOTAL ASSETS	\$ 1,100,282	\$ 1,052,693	-4%
LIABILITIES			
	FY15	FY16	% Change
Current Liabilities	\$ 141,436	\$ 85,951	-39%
Long-Term Liabilities	\$ 50,000	\$ -	-100%
TOTAL LIABILITIES	\$ 191,436	\$ 85,951	-55%
NET POSITION			
	FY15	FY16	% Change
Net Invested in Capital Assets	\$ 799,910	\$ 800,078	0%
Unrestricted	\$ 108,936	\$ 166,664	53%
TOTAL NET POSITION	\$ 908,846	\$ 966,742	6%

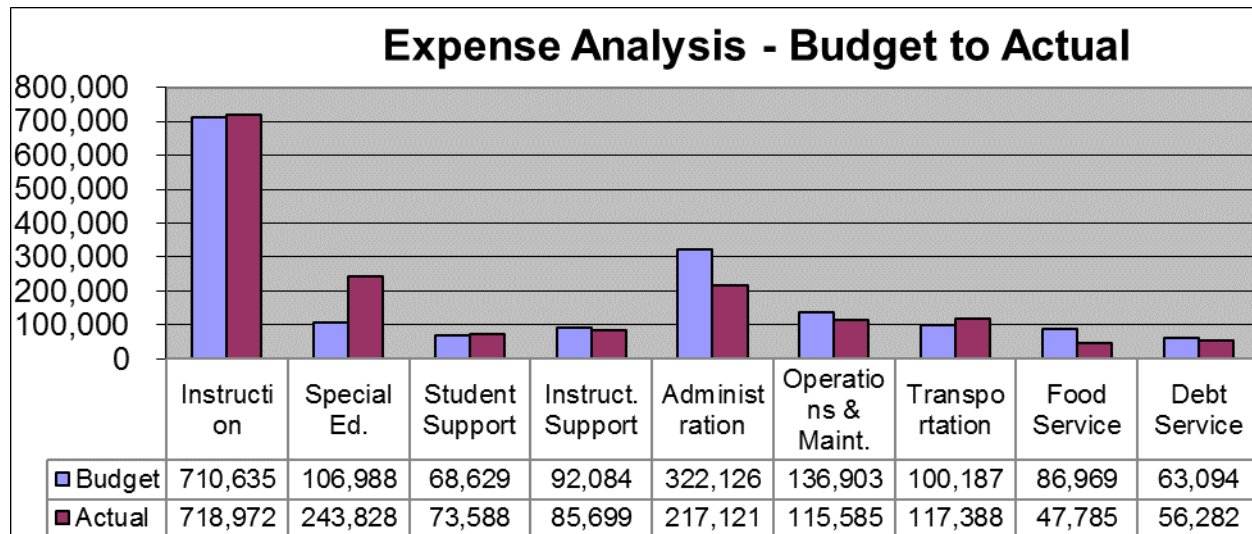
FY 16 Budget to Actual Revenues



Waterville Town School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

Actual Revenues were greater than budgeted by \$46,361. The primary areas that caused this result were the areas of State Aid and Tuition. State Aid will fluctuate with the actual services provided under Special Education. Belvidere Central School District tuitions all of their elementary students to the Waterville Elementary School District. This change represents a slight difference in the actual FTE of Belvidere students who attended Waterville Elementary during the year. These overages are offset by short falls in Federal Funds and Food Services. Food Services is budgeted as an enterprise program and as such, only the property tax supported portion is reflected for budget purposes. Similarly to State Funds the Federal Funds vary based on billable services provided.

FY 16 Budget to Actual Expenditures



The Schools' expenditures of \$1,676,248 were under-budget by \$11,367. Savings were found in the areas of Instruction Support, Administration and Operations and Maintenance. Spending in Special Education, Student Support and Transportation correspond to the increases in revenues. While Food Service also looks to have fallen short significantly, in reality Food Service is budgeted as an enterprise program and as such, only the property tax supported portion is reflected for budget purposes. Additionally, refinancing in debt service due to favorable interest rates allowed a savings in scheduled payments.

Change in General Fund Balance:

Beginning Fund Balance 6/30/15	Excess (Deficiency) of Revenues over Expenditures	Fund Balance – 6/30/16
\$108,936	\$57,728	\$166,664

The Waterville School District has an overall positive fund balance. Of this, \$69,586 is committed for Capital Reserve, \$31,450 is Committed for Capital Expenditures, \$7,900 is committed to FY2017 Expenditures and \$1,024 is nonspendable to cover prepaid expenses and \$56,704 remains unassigned.

Capital 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 10 of the Report details the status of the District's net capital assets.

Waterville Town School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Description	Beginning Balance 6/30/15	Increase/Decrease	Balance - 6/30/16
Land	\$67,000	\$0	\$67,000
Depreciable Assets	\$1,520,592	\$0	\$1,520,592
Accumulated Depreciation	(\$687,682)	(\$49,832)	(\$737,514)
Net Depreciable Assets	\$832,910	(\$49,832)	\$783,078
Net Assets	\$899,910	(\$49,832)	\$850,078

Long-Term Debt:

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

At June 30, 2016 the District had \$50,000 in one outstanding bond, which was for the construction of the Waterville Elementary School. Bond principal payment of \$50,000 and interest are being paid from the General Fund.

Bond Type	Original Issue 1996 Amount	6/30/15 Balance	FY '16 Payment	Final Pay. Date
School Construction	\$1,050,000	\$100,000	\$50,000	12/1/2016

Teacher retirement has changed to a "cost-sharing" benefit between the district and the state retirement system. Note 5 outlines in detail that change, the actuarial assumptions used, and their impact on the district.

Current Issues:

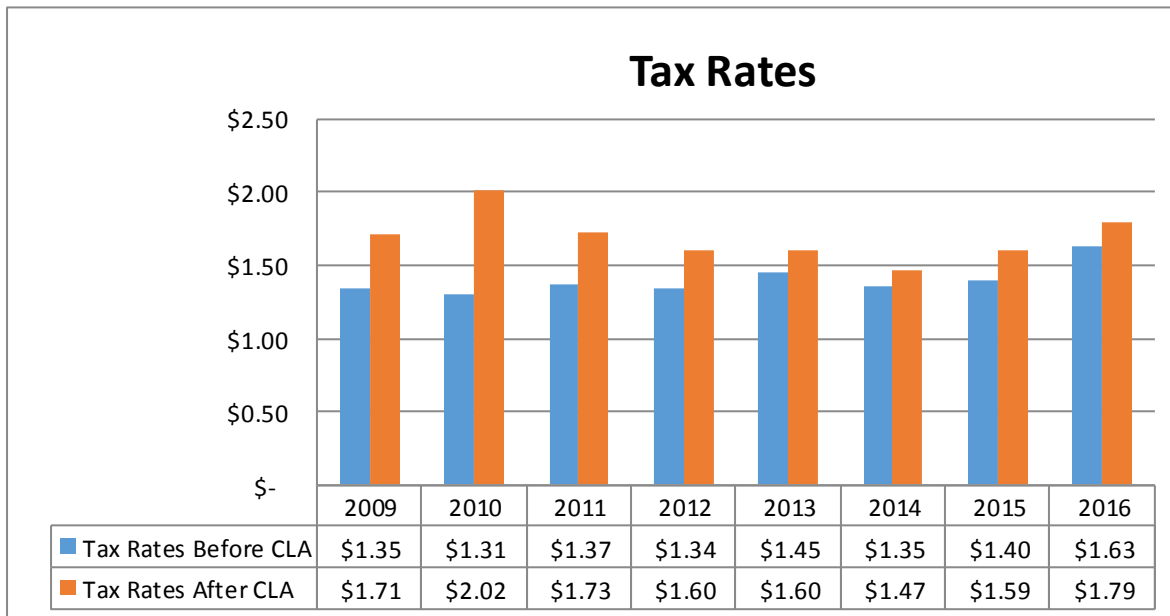
- Management: In September 2016, the LNSU hired a new superintendent.
- Consolidation Efforts: Act 153 & Act 156 are provisions in laws that consolidate some functions in the central office and offers incentives for districts to consolidate. Some of the consolidation implementations, such as those in special education and transportation, have been delayed until July 1, 2014. However, this was delayed for the LNSU due to lack of a negotiated agreement with the union addressing some consolidation issues. 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 are difficult. Subsequently, the legislature passed Act 46 in May, 2015 that provides incentives for consolidation that lowers the tax impact on districts if they voluntarily consolidate as a single district. The LNSU established a committee to look at the possibility and impact of consolidating. A vote of its citizenry was held on April 12, 2016. Belvidere Central School District, Eden Central School District, Johnson Elementary School District and Hyde Park Elementary School District voted to consolidate into one school district. Waterville Elementary School District and Cambridge Elementary School District voted to not participate in the consolidation. Non-merging districts have 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, shall develop and present 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.

Waterville Town School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

- **Enrollment:** Like many of Vermont's school districts, the Waterville School District has experienced a trend of decrease in student enrollment, but is relatively steady with elementary enrollment due to the infused balance of tuition students from Belvidere. Any decrease is of concern however as the state evaluates costs and numbers of students in their school systems. Waterville's equalized pupil count (EPC) for all resident students both elementary and secondary has decreased and is projected to continue to decrease in the near future.

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY2016
125.6	130.2	125.64	121.24	117.00	112.91	109.06	105.90	101.80

- Property taxes in Vermont are set by calculation of total spent per student in each locale and then adjusted by the local common level of appraisal (CLA). A CLA of over 100% has the effect of lowering the tax rate and a CLA under 100% has the effect of increasing the tax rate. As property value increases, the CLA goes down until a locale does a property reassessment and this has the effect of increasing the property tax rate. A slowing economy started in the fall of 2008 and poor sales had the effect of raising the CLA and decreasing the tax rate.



The effect of the Common Level of Appraisal (Vermont's adjustment factor to bring a town's appraised values to fair market values) on Waterville's final tax rate has greatly affected Waterville taxes as their real estate market tends to fluctuate dramatically due to the small sample size of the region. In FY05, a reappraisal of property adjusted the C.L.A. appreciatively since then. However, the recession of 2008 and the slow recovery since then has effected it slowly too.

Common Level of Appraisal C.L.A. FY08:	86.76%
Common Level of Appraisal C.L.A. FY09:	78.75%
Common Level of Appraisal C.L.A. FY10:	64.84%
Common Level of Appraisal C.L.A. FY11:	79.20%
Common Level of Appraisal C.L.A. FY12:	83.51%
Common Level of Appraisal C.L.A. FY13:	90.86%
Common Level of Appraisal C.L.A. FY14:	92.28%
Common Level of Appraisal C.L.A. FY15:	87.70%
Common Level of Appraisal C.L.A. FY16:	91.12%

Waterville Town School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

- Statewide, since the economic downturn, Waterville has experienced less volatile fluctuations in unemployment than surrounding communities with levels reaching 8.7% in March, 2010 and has rebounded to 5.0% in June, 2013. November 2016, unemployment for all of Lamoille County is 3.9%, one percent higher than the statewide figure of 2.9%.
- Due to space issues, the Waterville Elementary School leases space from Belvidere Central School for the Preschool program.
- Belvidere tuitions all elementary students to Waterville Elementary School.
- The Waterville School District is a member of the Lamoille Union School District #18 (LUSD #18). Waterville sends all of its secondary students to LUSD #18. LUSD #18 includes the Green Mountain Technology & Career Center.

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.

Waterville Town School District
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
June 30, 2016

ASSETS

	<u>Governmental Activities</u>
CURRENT ASSETS	
Cash	\$ 149,703
Due from LNSU	35,122
Other Receivables	16,766
Prepaid expenses	<u>1,024</u>
TOTAL CURRENT ASSETS	<u>202,615</u>
 CAPITAL ASSETS, net	 <u>850,078</u>
 TOTAL ASSETS	 <u>\$ 1,052,693</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts Payable and Accrued Liabilities	\$ 25,349
Accrued Salaries and Taxes	6,300
Unearned Revenue	3,683
Due to Other Funds	619
Current Portion Bonds Payable	<u>50,000</u>
TOTAL CURRENT LIABILITIES	<u>85,951</u>
 TOTAL LIABILITIES	 <u>85,951</u>
 NET POSITION	
Net Investment in Capital Assets	800,078
Unrestricted	<u>166,664</u>
TOTAL NET POSITION	<u>966,742</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 1,052,693</u>

See Accompanying Notes to Basic Financial Statements

Waterville Town School District
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense)
			Operating	Capital	Revenue and
			Grants and	Grants and	Changes in
			Revenues	Revenues	Net Position
					Governmental
					Activities
Governmental activities:					
Instruction Services	\$ 625,703	\$ 466,968	\$ 965,474	\$ -	\$ 806,739
Special Education	191,128	33,393	185,280	-	27,545
Preschool Services	97,762	-	-	-	(97,762)
Guidance Services	34,350	-	-	-	(34,350)
Health and Psychological Services	12,788	-	-	-	(12,788)
Speech and Other Services	44,275	-	-	-	(44,275)
Improvement of Instruction	36,663	-	-	-	(36,663)
Educational Media Services	21,838	-	-	-	(21,838)
Board of Education Services	3,770	-	-	-	(3,770)
District Treasurer Services	2,042	-	-	-	(2,042)
Legal, Audit and Negotiation Services	1,855	-	-	-	(1,855)
Superintendent's Office	42,056	-	-	-	(42,056)
Principal's Office	167,395	-	-	-	(167,395)
Fiscal Services	5,672	-	-	-	(5,672)
Maintenance of Plant and Projects	115,585	-	-	-	(115,585)
Pupil Transportation	117,388	-	37,136	-	(80,252)
Food Service	47,786	12,576	16,045	-	(19,165)
Computer Technology	49,038	-	-	-	(49,038)
Debt Service	610	-	-	-	(610)
EEE Expenditure	8,543	-	8,592	-	49
Depreciation:					
Unallocated	49,832	-	-	-	(49,832)
Total governmental activities	<u>\$ 1,676,079</u>	<u>\$ 512,937</u>	<u>\$ 1,212,527</u>	<u>\$ -</u>	<u>\$ 49,385</u>
General revenues:					
Unrestricted investment earnings					6,540
Miscellaneous					<u>1,971</u>
Total general revenues					<u>8,511</u>
Change in net position					57,896
Net Position, beginning					<u>908,846</u>
Net Position, ending					<u>\$ 966,742</u>

See Accompanying Notes to Basic Financial Statements

Waterville Town School District
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	Governmental Fund Types		
	General Fund	Capital Projects Fund	Total
<u>ASSETS</u>			
ASSETS			
Cash	\$ 149,703	\$ -	\$ 149,703
Due from LNSU	35,122	-	35,122
Due from Other Funds	-	69,586	69,586
Other Receivables	16,766	-	16,766
Prepaid Expenses	<u>1,024</u>	<u>-</u>	<u>1,024</u>
 TOTAL CURRENT ASSETS	 <u>\$ 202,615</u>	 <u>\$ 69,586</u>	 <u>\$ 272,201</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 25,349	\$ -	\$ 25,349
Accrued Salaries and Taxes	6,300	-	6,300
Deferred Revenue	3,683	-	3,683
Due to Other Funds	<u>70,205</u>	<u>-</u>	<u>70,205</u>
 TOTAL LIABILITIES	 <u>105,537</u>	 <u>-</u>	 <u>105,537</u>
FUND BALANCES			
Nonspendable	1,024	-	1,024
Committed	39,350	69,586	108,936
Unassigned	<u>56,704</u>	<u>-</u>	<u>56,704</u>
 TOTAL FUND BALANCE	 <u>97,078</u>	 <u>69,586</u>	 <u>166,664</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 202,615</u>	 <u>\$ 69,586</u>	 <u>\$ 272,201</u>

See Accompanying Notes to Basic Financial Statements

Waterville Town School District
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

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

Total fund balances - governmental funds	\$ 166,664
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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	1,587,592
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Accumulated Depreciation	(737,514)
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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:

Bond Payable	<u>(50,000)</u>
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Total net position - governmental activities	<u>\$ 966,742</u>
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See Accompanying Notes to Basic Financial Statements

Waterville Town School District
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Governmental		
	Fund Types		
	General	Capital	
	Fund	Projects	Total
	Fund	Fund	
REVENUES			
State Revenue	\$ 1,035,067	\$ -	\$ 1,035,067
Federal Revenue	117,130	-	117,130
Other Grants	1,866	-	1,866
Tuition	467,556	-	467,556
Services to Other LEA's	19,556	-	19,556
Medicaid Reimbursement	7,030	-	7,030
Food Service	28,621	-	28,621
Interest Income	6,540	-	6,540
Transportation	36,939	-	36,939
Miscellaneous	13,671	-	13,671
TOTAL REVENUES	1,733,976	-	1,733,976
EXPENDITURES			
Instruction Services	555,109	-	555,109
Art	8,983	-	8,983
Physical Education	20,405	-	20,405
Music	36,713	-	36,713
Special Education - Elementary	191,128	-	191,128
Pre-School	97,762	-	97,762
Guidance Services	34,350	-	34,350
Health and Psychological Services	10,486	-	10,486
Speech and Other Services	46,696	-	46,696
Improvement of Instruction	36,661	-	36,661
Educational Media Services	21,838	-	21,838
Board of Education Services	3,770	-	3,770
District Treasurer Services	2,045	-	2,045
Co-Curricular	4,493	-	4,493
Legal, Audit and Negotiation Services	1,855	-	1,855
Superintendent's Office	42,056	-	42,056
Principal's Office	167,395	-	167,395
Fiscal Services	5,672	-	5,672
Maintenance of Plant and Projects	115,585	-	115,585
Pupil Transportation	117,388	-	117,388
Food Service	47,785	-	47,785
Computer Technology	49,038	-	49,038

See Accompanying Notes to Basic Financial Statements

Waterville Town School District
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Governmental Fund Types		Total
	General Fund	Capital Projects Fund	
EXPENDITURES (continued)			
Debt Service	50,610	-	50,610
EEE Expenditure	8,425	-	8,425
TOTAL EXPENDITURES	<u>1,676,248</u>	<u>-</u>	<u>1,676,248</u>
NET CHANGE IN FUND BALANCE	57,728	-	57,728
FUND BALANCE, Beginning of Year	<u>39,350</u>	<u>69,586</u>	<u>108,936</u>
FUND BALANCE, End of Year	<u>\$ 97,078</u>	<u>\$ 69,586</u>	<u>\$ 166,664</u>

See Accompanying Notes to Basic Financial Statements

Waterville Town School District
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GENERAL FUND
For the Year Ended June 30, 2016

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	\$ 57,728
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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	(49,832)
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Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>50,000</u>
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Change in net position of governmental activities	<u>\$ 57,896</u>
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See Accompanying Notes to Basic Financial Statements.

Fiduciary
Fund Types
Agency
Funds

\$	156
	619
	<hr/>

\$ 775

\$ 775

8

Waterville Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

All operations of the School District are controlled by a three member School Board, 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 School Board. 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.

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 assets) 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 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.

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.

Waterville Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes (state education and local share) 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.

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. Likewise, general revenues include all property taxes (state education and local share).

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 trust fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. Annual operating budgets are adopted each fiscal year through the passage of an annual budget ordinance and amended as required.

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.

Deposits and Investments

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

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.

Waterville Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Property Taxes

Property taxes are due and payable on October 5th. The Town prepares the bills and collects all taxes and then remits them to the School District.

Government Wide Net Position

Government-wide 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 assets 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

Governmental Fund Balance

Effective July 1, 2010, the District adopted the provisions of GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In the governmental fund financial 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.

Waterville Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Unassigned – All amounts not included in other classifications.

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

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.

Concentration of Risk

Waterville Town School District is a public school district located in the Town of Waterville. The District receives the majority of its revenues from property taxes assessed on residences of the Town. Additionally, the District receives revenues from the State of Vermont as Federal and State aid to education and as special education grants.

Inventories

Inventories consist of food and supplies for the food service program and are valued at cost on a first-in, first-out basis.

NOTE 2 CASH, INVESTMENTS AND CATEGORIES OF RISK

The District authorizes the Treasurer to invest excess cash in bank accounts (ex: certificates of deposits), obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

The cash deposits in the School District accounts as of June 30, 2016 consisted of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 149,859	\$ 171,077

The difference between the book balance and the bank balance is due to reconciling items such as deposits in transit and outstanding checks. As of June 30, 2016 all funds are fully insured by the FDIC.

Waterville Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 SHORT-TERM OBLIGATIONS

The School District's revenue anticipation note activity, including amount outstanding and interest rate, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2.8% Revenue Anticipation Note	\$ -	\$ 202,588	\$ (202,588)	\$ -

NOTE 4 LONG-TERM DEBT

The District had the following long-term debt at June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Vermont Municipal Bond Bank, annual principal payments of \$50,000 with interest due semi- annually on June 1st and December 1st, ranging from 3.993% to 6.093%, due Dec. 1, 2016	\$ 100,000	\$ -	\$ 50,000	\$ 50,000	\$ 50,000

Long-term debt will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Savings Allocation</u>	<u>Total</u>
2017	\$ 50,000	\$ 1,523	\$ (3,246)	\$ 48,277

NOTE 5 TEACHER RETIREMENT

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 Waterville Town School District's proportional share of the overall amounts of the Vermont State Teachers' Retirement System (VSTRS) plan. Waterville Town School District's portion has been allocated based on Waterville Town School District's proportional share of employer contributions to the total contributions to VSTRS during the fiscal year.

Waterville Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 TEACHER RETIREMENT (continued)

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 Waterville Town School District's reporting date (June 30, 2016) and for the Waterville Town School District's reporting period (the year ended June 30, 2016). 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, 2016, the State has chosen to use the end of the prior fiscal year (June 30, 2015) as the measurement date, and the year ended June 30, 2015 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, 2014, to the measurement date of June 30, 2015.

Schedule A – Employer Allocations as of June 30, 2014

Fiscal Year Ended June 30, 2014		
Reported Salaries	Employer Proportion	Net Pension Liability
\$ 472,922	.0834%	\$ 2,222,379

Fiscal Year Ended June 30, 2014					
Plan Fiduciary Net Position	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (7.15% Discount Rate)	Net Pension Liability 1% Increase (9.15% Discount Rate)
\$ 1,422,766	\$ 799,613	\$ -	\$ (95,502)	\$ 1,050,141	\$ 589,311

Schedule B – Employers' Allocations as of June 30, 2015

Fiscal Year Ended June 30, 2015		
Portion of State Contributions	Employer Proportion	Total Pension Liability
\$ 64,780	.0889%	\$ 2,523,035

Waterville Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 TEACHER RETIREMENT (continued)

Fiscal Year Ended June 30, 2015					
Plan Fiduciary Net Position	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)
\$ 1,468,812	\$ 1,054,223	\$ 133,657	\$ (11,574)	\$ 1,338,673	\$ 815,954

Schedule C – Employers’ Allocation of Pension Amounts as of June 30, 2015

		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 Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
.0889%	\$ 1,054,223	\$ 13,330	\$ 38,309	\$ -	\$ 39,233	\$ 42,786	\$ 133,657

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
\$ -	\$ -	\$ -	\$ -	\$ (11,574)	\$ (11,574)

Waterville Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 TEACHER RETIREMENT (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
\$ 93,329	\$ 8,475	\$ 101,804

Schedule D – Employers’ Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2015

Fiscal Year Ending					
June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	Thereafter
\$ 30,295	\$ 30,295	\$ 36,082	\$ 25,412	\$ -	\$ -

Schedule E – Covered Payroll

FY 2015	FY 2014
\$ 495,530	\$ 472,922

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](http://finance.vermont.gov/reports%20and%20publications/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, 2015, the retirement system consisted of 288 participating employers.

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).

Waterville Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 TEACHER RETIREMENT (continued)

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
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Member pays full premium	Member pays full premium	Member pays full premium
Employee Contributions	2.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14
Employer Contributions	Varies based on actuarial recommendation	Varies based on actuarial recommendation	Varies based on actuarial recommendation

Waterville Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 TEACHER RETIREMENT (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

Significant Actuarial Assumptions and Methods

The total pension liability as of June 30, 2015 was determined by rolling forward the total pension liability as of June 30, 2014 to June 30, 2015 using the actuarial assumptions outlined below. Except for the expected rate of return on assets, these assumptions were selected on the basis of the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its May 24, 2011 Board meeting, and were effective for the June 30, 2011 actuarial valuation. The 7.95% expected rate of return on assets was adopted by the Board at a meeting on July 2, 2015.

Interest Rate: 7.95% per annum. Through June 30, 2015, a select-and-ultimate interest rate set was used, as specified below. The interest rate set was restarted every year:

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

Salary Increases: Representative values of the assumed annual rates of future salary increases are as follows:

Age	Annual Rate of Salary Increase
25	8.40%
30	7.05%
35	6.15%
40	5.45%
45	4.95%
50	4.60%
55	4.35%
60	4.25%
64	4.25%

Waterville Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 TEACHER RETIREMENT (continued)

Deaths After Retirement: The 1995 Buck Mortality Tables set back three years for males and one year for females, for retirees, terminated vested members and beneficiaries; the RP-2000 Disabled Life Table with projection to 2015 using Scale AA for disabled retirees. The tables used contain a margin to reflect anticipated mortality improvement after the valuation date.

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

Spouse's Age: Husbands are assumed to be three years older than their wives.

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

Inactive Members: A liability equal to 350% of accumulated contributions of inactive members is included in the valuation liabilities.

Actuarial Cost Method: The individual entry age normal actuarial cost method was used. For actuarial valuations prior to June 30, 2006, the entry age normal method with frozen initial liability was used.

Asset Valuation Method: 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. If

Member Data: 344 members terminated on June 30, 2014 and retired on July 1, 2014 were included with a valuation status as members receiving benefits. 511 members who were active on June 30, 2014 and terminated on July 1, 2014, were included with a valuation status as inactive. For those terminated members with at least five years of service, the system will automatically vest them six years after their termination if they do not withdraw.

Health and Medical Benefits for Retirees: Not included in this valuation.

Long-term expected rate of return

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 5 TEACHER RETIREMENT (continued)

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Equity	32.00%	8.61%
Fixed Income	35.00%	1.91%
Alternatives	17.00%	6.93%
Multi-strategy	16.00%	4.88%

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

Discount rate

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

The following presents the entity's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

1% Decrease (7.15%)	Discount Rate (8.15%)	1% Increase (9.15%)
\$ 1,050,140	\$ 799,612	\$ 589,311

During the year ended June 30, 2016 the state of Vermont contributed \$72,448 on behalf of Waterville Town School District.

NOTE 6 ASSESSMENTS

Supervisory Union Assessment

The District also pays for its proportionate share of expense relating to the Lamoille North Supervisory Union. The District paid \$42,271 of such expenses during the year ended June 30, 2016. The Supervisory Union owed the District \$35,122 at June 30, 2016 for amounts expended for grant programs administered by the Supervisory Union.

NOTE 7 NON-CASH TRANSACTIONS

The Waterville Town School District received Federal Commodities for use in food service in the amount of \$1,805. The value of the commodities received is not included in the food service budget and is not part of food service revenue or expenditures.

Waterville Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 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, Waterville Town 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 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 result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the program will be terminated with each member assessed their proportioned share of the deficit.

NOTE 9 CONTINGENCY

The School District participates in a number of Federal and State assisted grant programs, which are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2016, have not been reviewed by the grantor agencies.

Accordingly, the Districts' compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time, although the Districts expects such amounts, if any, to be immaterial.

Waterville Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 is as follows:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 67,000	\$ -	\$ -	\$ 67,000
Capital assets, being depreciated				
Buildings and improvements	1,390,534	-	-	1,390,534
Equipment and machinery	130,058	-	-	130,058
Total capital assets, being depreciated	1,520,592	-	-	1,520,592
Accumulated depreciation for				
Buildings and improvements	(601,058)	(39,374)	-	(640,432)
Equipment and machinery	(86,624)	(10,458)	-	(97,082)
Total accumulated depreciation	(687,682)	(49,832)	-	(737,514)
Total capital assets, being depreciated, net	832,910	(49,832)	-	783,078
Governmental activities capital assets, net	\$ 899,910	\$ (49,832)	\$ -	\$ 850,078

NOTE 11 OPERATING LEASE

The School District leases equipment under an operating lease which expires in March 2019. The total rent expense for the year ended June 30, 2016 was \$4,928. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2016 for the next year is as follow:

2017	\$ 6,168
2018	6,168
2019	4,112

The School District also leases a building from Belvidere Town School. The lease is renewed each year under the same terms. The total rent expense paid to Belvidere Town School for the year ended June 30, 2016 was \$23,849.

Waterville Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 12 FUND BALANCES

Nonspendable Fund Balances at June 30, 2016 are as follows:

<u>General Fund:</u>	
Prepaid expenses	<u>\$ 1,024</u>

Committed Fund Balances at June 30, 2016 are as follows:

<u>General Fund:</u>	
Committed for FY17 Expenditures	\$ 7,900
Committed for Capital Expenditures	<u>31,450</u>
 Total	 <u>\$ 39,350</u>

<u>Capital Projects Fund:</u>	
Committed for Capital Improvements	<u>\$ 69,586</u>

NOTE 13 TRANSPORTATION CONTRACT COMMITMENTS

The District has entered into the following student transportation contracts:

	Minimum Annual Payments FY 2017
Lamoille Valley Transportation, Inc. August 29, 2016 - June 30, 2017	<u>\$ 97,693</u>

Waterville Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 14 INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual fund Interfund Receivable and Payable balances are as follows at June 30, 2016:

	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 70,205
Capital Projects Fund	69,586	-
Student Agency Fund	<u>619</u>	<u>-</u>
Total Fund Statement Balances	70,205	70,205
Less: Trust Fund Balances	<u>(619)</u>	<u>-</u>
 TOTAL GOVERNMENT WIDE BALANCES	 <u>\$ 69,586</u>	 <u>\$ 70,205</u>

The 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.

NOTE 16 SUBSEQUENT EVENTS

On July 1, 2016 the School District obtained a revenue anticipation note with Community National Bank in the amount of \$194,405. The note is due on June 30, 2017 with 2.80% interest.

In accordance with Accounting Standards, the Association has evaluated subsequent events through November 4, 2016, which is the date these basic financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2016, have been incorporated into these basic financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

Waterville Town School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State Grants:				
Education Spending Grant	\$ 856,564	\$ 856,564	\$ 855,741	\$ (823)
Special Education Grant	66,687	66,687	170,734	104,047
Essential Early Education	8,592	8,592	8,592	-
Federal Grants:				
21st Century	27,248	27,802	23,126	(4,676)
School Improvement Grant	-	45,000	28,101	(16,899)
IDEA B Grant	9,428	15,662	15,662	-
Consolidated Grant	46,311	50,241	50,241	-
Other Grants	-	1,276	1,866	590
Tuition	450,631	450,631	467,556	16,925
Services to Other LEA's	19,962	19,962	19,556	(406)
EPSDT/Medicaid Reimbursement	4,430	4,430	7,030	2,600
Food Service	-	75,949	28,621	(47,328)
Interest Income	5,500	5,500	6,540	1,040
Transportation - Secondary	36,222	36,222	36,939	717
Miscellaneous	<u>21,075</u>	<u>23,097</u>	<u>13,671</u>	<u>(9,426)</u>
TOTAL REVENUES	<u>1,552,650</u>	<u>1,687,615</u>	<u>1,733,976</u>	<u>46,361</u>
EXPENDITURES				
Instruction - Elementary	538,284	544,813	555,109	(10,296)
Art	9,163	9,163	8,983	180
Physical Education	20,334	20,334	20,405	(71)
Music	36,090	36,090	36,713	(623)
Special Education - Elementary	76,852	81,470	191,128	(109,658)
Pre-School	100,235	100,235	97,762	2,473
Guidance Services	31,961	31,961	34,350	(2,389)
Health Services	10,760	10,831	9,486	1,345
Psychological Services	500	500	1,000	(500)
Speech Services	22,950	23,450	44,275	(20,825)
Occupational Therapy	823	823	-	823
Other Support Services	2,565	2,565	2,421	144
Improvement of Instruction	13,056	58,206	36,661	21,545

See Accompanying Notes to Basic Financial Statements.

Waterville Town School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (continued)				
Educational Media Services	21,272	21,272	21,838	(566)
Board of Education Services	23,802	23,802	3,770	20,032
District Treasurer Services	2,863	2,863	2,045	818
Co-Curricular	1,500	1,500	4,493	(2,993)
Legal, Audit and Negotiation Services	2,000	2,000	1,855	145
Superintendent's Office	120,218	120,218	42,056	78,162
Principal's Office	173,243	173,243	167,395	5,848
Fiscal Services - Interest	5,500	5,500	5,672	(172)
Maintenance of Plant	136,903	136,903	115,585	21,318
Pupil Transportation	100,105	100,187	117,388	(17,201)
Computer Technology	33,878	33,878	49,038	(15,160)
Debt Service - Principal	50,000	50,000	50,000	-
Debt Service - Interest	7,593	7,594	610	6,984
EEE Expenses	200	1,245	8,425	(7,180)
Food Service	<u>10,000</u>	<u>86,969</u>	<u>47,785</u>	<u>39,184</u>
 TOTAL EXPENDITURES	 <u>1,552,650</u>	 <u>1,687,615</u>	 <u>1,676,248</u>	 <u>11,367</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 57,728</u>	 <u>\$ 57,728</u>

See Accompanying Notes to Basic Financial Statements.

Waterville Town School District
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY- VSTRS
For the Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.0889%	0.0834%	0.0857%
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>1,054,223</u>	<u>799,612</u>	<u>866,616</u>
Total	<u>\$ 1,054,223</u>	<u>\$ 799,612</u>	<u>\$ 866,616</u>
District's covered-employee payroll	<u>\$ 495,530</u>	<u>\$ 472,922</u>	<u>\$ 483,127</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.22%	64.02%	60.59%

Significant Actuarial Assumptions and methods are described in Note 4 to the financial statements. There were no changes in methods or assumptions during the year ended June 30, 2016.

See Accompanying Notes to Basic Financial Statements.

ADDITIONAL REPORTS



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License # 167

Report 1

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 Board of School Commissioners
Waterville Town School District
Waterville, 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 Waterville Town School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Waterville Town School District's basic financial statements, and have issued our report thereon dated November 4, 2016.

Internal Control Over Financial Reporting

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

Kittell Branagan & Sargent

St. Albans, Vermont
November 4, 2016