

Federal Compliance Audit

Addison Northwest Supervisory Union

June 30, 2016



*Proven Expertise and Integrity*

ADDISON NORTHWEST SUPERVISORY UNION

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JUNE 30, 2016

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## INDEPENDENT AUDITORS' REPORT

School Board  
Addison Northwest Supervisory Union  
Vergennes, Vermont

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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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 the Addison Northwest Supervisory Union as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 10 and 48 through 51 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 Addison Northwest Supervisory Union's basic financial statements. The Schedule of Departmental Operations – General Fund and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2017, on our consideration of the Addison Northwest Supervisory Union’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Addison Northwest Supervisory Union’s internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No.092.0000697  
January 6, 2017

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

**(UNAUDITED)**

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

**Financial Statement Overview**

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

**Basic Financial Statements**

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

**Government-Wide Financial Statements**

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

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

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

Both of the above mentioned financial statements have one column for the Union's activity. The type of activity presented for the Union is:

- *Governmental activities* – The activities in this section are mostly supported by assessments (support from Towns), charges for services, and state and federal grants finance most of these activities. All of the Union's basic services are reported in governmental activities, which include direct services, business office, transportation, school instruction, special education and other services.

### **Fund Financial Statements**

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

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

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

The Union presents two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Union's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

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

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

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

### **Other Supplementary Information**

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

### **Government-Wide Financial Analysis**

Our analysis below focuses on the net position, and changes in net position of the Union's governmental activities. The Union's total net position decreased by \$66,734 from \$411,725 to \$344,991.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased to a deficit balance of a \$59,141 at the end of this fiscal year.

**Table 1**  
**Addison Northwest Supervisory Union**  
**Net Position**  
**June 30,**

	<u>2016</u>	<u>2015</u> <u>(Restated)</u>
<b>Assets:</b>		
Current Assets	\$ 1,578,901	\$ 621,916
Capital Assets	201,300	329,840
Total Assets	<u>1,780,201</u>	<u>951,756</u>
<b>Deferred Outflows of Resources:</b>		
Deferred Outflows Related to Pensions	116,026	23,539
Total Deferred Outflows of Resources	<u>116,026</u>	<u>23,539</u>
<b>Liabilities:</b>		
Current Liabilities	1,434,737	511,328
Long-term Debt Outstanding	116,499	12,793
Total Liabilities	<u>1,551,236</u>	<u>524,121</u>
<b>Deferred Inflows of Resources:</b>		
Deferred Inflows Related to Pensions	-	39,449
Total Deferred Inflows of Resources	<u>-</u>	<u>39,449</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	201,300	329,840
Restricted for: Special Revenue Funds	202,832	69,490
Unrestricted (Deficit)	(59,141)	12,395
Total Net Position	<u>\$ 344,991</u>	<u>\$ 411,725</u>

**Table 2**  
**Addison Northwest Supervisory Union**  
**Change in Net Position**  
**For the Years Ended June 30,**

	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>		
<i>Program Revenues:</i>		
Charges for services	\$ 4,756	\$ 1,358,406
Operating grants and contributions	2,349,034	409,317
<i>General Revenues:</i>		
Assessments	7,944,768	5,933,007
Grants and contributions not restricted to specific programs	67,014	-
Miscellaneous	25,862	(35)
Total Revenues	<u>10,391,434</u>	<u>7,700,695</u>
<b>Expenses:</b>		
Direct services	321,095	414,997
Board of directors	17,800	21,660
Business office	348,104	467,746
Operation and maintenance	78,562	93,390
Student transportation	477,977	153,279
Other services	396,538	620,360
School instruction	914,637	34,691
Special education	4,406,173	4,291,909
On-behalf payments	1,109,264	369,576
Redistribution of funds	1,061,854	-
Unallocated depreciation (Note 4)	128,540	128,540
Program expenditures	1,197,624	1,542,091
Total Expenses	<u>10,458,168</u>	<u>8,138,239</u>
Change in Net Position	(66,734)	(437,544)
Net Position - July 1, Restated	<u>411,725</u>	<u>849,269</u>
Net Position - June 30	<u>\$ 344,991</u>	<u>\$ 411,725</u>

### Revenues and Expenses

Revenues for the Union's governmental activities increased by 34.94%, while total expenses increased by 28.51%. The increase in revenues was mainly due to an increase in operating grants and contributions and assessments, while the increase in expenses was mainly the result of redistribution of funds.

## Financial Analysis of the Union's Fund Statements

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

**Table 3**  
**Addison Northwest Supervisory Union**  
**Fund Balances - Governmental Funds**  
**June 30,**

	2016	2015 (Restated)
Major Funds:		
General Fund:		
Nonspendable	\$ 48,509	\$ -
Unassigned	(48,509)	-
Total Major Funds	\$ -	\$ -
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 202,832	\$ 69,490
Committed	619	41,098
Unassigned	(45,961)	-
Total Nonmajor Funds	\$ 157,490	\$ 110,588

The general fund total fund balance had no change from the prior fiscal year. The nonmajor funds total fund balances increased by \$46,902 from the prior fiscal year.

### Budgetary Highlights

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

The general fund actual revenues exceeded budgeted revenues by \$341,202 primarily due to assessments that were not budgeted.

The general fund actual expenditures were over budgeted expenditures by \$341,202. This was primarily due to the redistribution of funds.

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2016, the Union's capital assets decreased by \$128,540. This decrease was due to current year depreciation.

**Table 4**  
**Addison Northwest Supervisory Union**  
**Capital Assets (Net of Depreciation)**  
**June 30,**

	<u>2016</u>	<u>2015</u>
Machinery & equipment	\$ 201,300	\$ 329,840
Total	<u>\$ 201,300</u>	<u>\$ 329,840</u>

### Debt

At June 30, 2016, the Union had no bonds or capital leases. Other obligations include net pension liability. Refer to Note 5 of Notes to Financial Statements for more detailed information.

### Currently Known Facts, Decisions, or Conditions

#### Economic Factors and Next Year's Budgets and Rates

The 2016-2017 budget could be severely impacted by the reduction of funding from the State.

### Contacting the Union's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Union's finances and to show the Union's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Union's Finance Department at 11 Main Street, Suite B100, Vergennes, Vermont 05491.

## ADDISON NORTHWEST SUPERVISORY UNION

STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,176,478
Accounts receivable (net of allowance for uncollectibles)	331,651
Due from other governments	22,263
Prepaid items	48,509
Total current assets	<u>1,578,901</u>
Noncurrent assets:	
Capital assets:	
Buildings and equipment, net of accumulated depreciation	201,300
Total noncurrent assets	<u>201,300</u>
<b>TOTAL ASSETS</b>	<u>1,780,201</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	116,026
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>116,026</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,896,227</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 1,124,928
Accrued expenses	296,483
Current portion of long-term obligations:	13,326
Total current liabilities	<u>1,434,737</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Net pension liability	116,499
Total noncurrent liabilities	<u>116,499</u>
<b>TOTAL LIABILITIES</b>	<u>1,551,236</u>
<b>NET POSITION</b>	
Net investment in capital assets	201,300
Restricted for: Special revenue funds	202,832
Unrestricted (deficit)	(59,141)
<b>TOTAL NET POSITION</b>	<u>344,991</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 1,896,227</u>

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

## ADDISON NORTHWEST SUPERVISORY UNION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities
Governmental activities:					
Direct services	\$ 321,095	\$ -	\$ -	\$ -	\$ (321,095)
Board of directors	17,800	-	-	-	(17,800)
Business office	348,104	-	-	-	(348,104)
Operation and maintenance	78,562	-	-	-	(78,562)
Student transportation	477,977	-	-	-	(477,977)
Other services	396,538	-	-	-	(396,538)
School instruction	914,637	-	-	-	(914,637)
Special education	4,406,173	-	-	-	(4,406,173)
On-behalf payments	1,109,264	-	1,109,264	-	-
Redistribution of funds	1,061,854	-	-	-	(1,061,854)
Unallocated depreciation (Note 4)*	128,540	-	-	-	(128,540)
Program expenditures	<u>1,197,624</u>	<u>4,756</u>	<u>1,239,770</u>	<u>-</u>	<u>46,902</u>
Total government	<u>\$ 10,458,168</u>	<u>\$ 4,756</u>	<u>\$ 2,349,034</u>	<u>\$ -</u>	<u>(8,104,378)</u>

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

## STATEMENT B (CONTINUED)

## ADDISON NORTHWEST SUPERVISORY UNION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(8,104,378)</u>
General revenues:	
Assessments	7,944,768
Grants and contributions not restricted to specific programs	67,014
Miscellaneous	25,862
Total general revenues	<u>8,037,644</u>
Change in net position	(66,734)
NET POSITION - JULY 1, RESTATED	<u>411,725</u>
NET POSITION - JUNE 30	<u><u>\$ 344,991</u></u>

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

## ADDISON NORTHWEST SUPERVISORY UNION

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,176,478	\$ -	\$ 1,176,478
Accounts receivable (net of allowance for uncollectibles)	331,651	-	331,651
Due from other governments	-	22,263	22,263
Prepaid items	48,509	-	48,509
Due from other funds	43,550	256,397	299,947
<b>TOTAL ASSETS</b>	<b>\$ 1,600,188</b>	<b>\$ 278,660</b>	<b>\$ 1,878,848</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,085,049	\$ 39,879	\$ 1,124,928
Accrued expenses	258,742	37,741	296,483
Due to other funds	256,397	43,550	299,947
<b>TOTAL LIABILITIES</b>	<b>1,600,188</b>	<b>121,170</b>	<b>1,721,358</b>
<b>FUND BALANCES</b>			
Nonspendable	48,509	-	48,509
Restricted	-	202,832	202,832
Committed	-	619	619
Assigned	-	-	-
Unassigned	(48,509)	(45,961)	(94,470)
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>157,490</b>	<b>157,490</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,600,188</b>	<b>\$ 278,660</b>	<b>\$ 1,878,848</b>

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

ADDISON NORTHWEST SUPERVISORY UNION

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

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 157,490
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	201,300
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	116,026
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Net pension liability	<u>(129,825)</u>
Net position of governmental activities	<u><u>\$ 344,991</u></u>

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

## STATEMENT E

## ADDISON NORTHWEST SUPERVISORY UNION

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

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Assessments	\$ 7,944,768	\$ -	\$ 7,944,768
Intergovernmental revenues	337,710	1,239,770	1,577,480
Charges for services	-	4,756	4,756
Interest income	862	-	862
Miscellaneous	25,000	-	25,000
<b>TOTAL REVENUES</b>	<b>8,308,340</b>	<b>1,244,526</b>	<b>9,552,866</b>
<b>EXPENDITURES</b>			
Current:			
Direct services	335,999	-	335,999
Board of directors	17,800	-	17,800
Business office	348,104	-	348,104
Operation and maintenance	78,562	-	78,562
Student transportation	477,977	-	477,977
Other services	396,538	-	396,538
School instruction	914,637	-	914,637
Special education	4,406,173	-	4,406,173
On-behalf payments	270,696	-	270,696
Redistribution of funds	1,061,854	-	1,061,854
Program expenditures	-	1,197,624	1,197,624
<b>TOTAL EXPENDITURES</b>	<b>8,308,340</b>	<b>1,197,624</b>	<b>9,505,964</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>46,902</b>	<b>46,902</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	320,976	320,976
Transfers (out)	-	(320,976)	(320,976)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>46,902</b>	<b>46,902</b>
<b>FUND BALANCES - JULY 1, RESTATED</b>	<b>-</b>	<b>110,588</b>	<b>110,588</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ -</b>	<b>\$ 157,490</b>	<b>\$ 157,490</b>

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

## ADDISON NORTHWEST SUPERVISORY UNION

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

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 46,902</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Depreciation expense	<u>(128,540)</u>
	<u>(128,540)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>92,487</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>39,449</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Net pension liability	<u>(117,032)</u>
	<u>(117,032)</u>
Change in net position of governmental activities (Statement B)	<u>\$ (66,734)</u>

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

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The Addison Northwest Supervisory Union was incorporated under the laws of the State of Vermont. The Union operates under a Board of Directors-superintendent form of government and provides the following services: special education, instruction, transportation and administration.

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

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

**Implementation of New Accounting Standards**

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

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

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

**Government-Wide and Fund Financial Statements**

The Union's basic financial statements include both government-wide (reporting the Union as a whole) and fund financial statements (reporting the Union's major funds).

Both the government-wide and fund financial statements categorize all primary activities as governmental.

In the government-wide Statement of Net Position, the governmental activities column is (a) presented on a consolidated basis by column, and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Union's net position is reported in three parts – net investment in capital assets; restricted net position; and

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

unrestricted net position. The Union first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Union's functions (special education, transportation, administration, etc.). The functions are also supported by general government revenues (support from Towns, certain intergovernmental revenues and charges for services, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Union does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Union as an entity and the change in the Union's net position resulting from the current year's activities.

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

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

1. Governmental Funds:

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

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

- a. The General Fund is the general operating fund of the Union. It is used to account for all financial resources except those required to be accounted for in another fund.

Nonmajor Funds

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

The emphasis in fund financial statements is on the major funds in governmental activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in one column in the fund financial statements.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Budget**

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

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

Revenues per budgetary basis	\$ 8,037,644
Add: On-behalf payments	270,696
Total GAAP basis	<u>\$ 8,308,340</u>
Expenditures per budgetary basis	\$ 8,037,644
Add: On-behalf basis	270,696
Total GAAP basis	<u>\$ 8,308,340</u>

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Union prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the full Union board is called for the purpose of adopting the proposed preliminary budget after public notice of the meeting is given.
3. The preliminary Union budget is reaffirmed after school budgets are approved by the inhabitants of their respective towns.
4. The Union does not adopt budgets for Special Revenue Funds.

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deposits and Investments**

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

It is the Union's policy to value investments at fair value. None of the Union's investments are reported at amortized cost. The Union Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

The Addison Northwest Supervisory Union has no formal investment policy but instead follows the State of Vermont Statutes.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Interfund Receivables and Payables**

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

**Transactions Between Funds**

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

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Allowance for Uncollectible Accounts**

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

**Capital Assets**

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

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

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Union. The Union has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

**Long-term Obligations**

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

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

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Compensated Absences**

The Union's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The Union also allows employees to receive a benefit for career change. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2016, the Union's liability for compensated absences is \$0.

**Pensions**

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

**Net Position**

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

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fund Balance**

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

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

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

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Union. The inhabitants of the Union through District meetings are the highest level of decision-making authority of the Union. Commitments may be established, modified, or rescinded only through a District meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Directors.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Union considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Union considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District meeting vote has provided otherwise in its commitment or assignment actions.

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Union currently has one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Union currently has no deferred inflows of resources. All items in this category are deferred and recognized as inflows of resources in the period that the amounts become available.

**Program Revenues**

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

**Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Union does not utilize encumbrance accounting for its general fund.

**Use of Estimates**

During the preparation of the Union's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS

The Union's investment policies, which follow state statutes, require that all investments be made considering the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Union funds.

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Union will not be able to recover its deposits. The Union does not have a policy covering custodial credit risk for deposits. However, the Union maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF. At June 30, 2016, the Union's cash balance of \$1,176,478 was comprised of bank deposits of \$1,367,478. Of these bank deposits, \$250,000 was insured by federal depository insurance and consequently not exposed to custodial credit risk. The remaining balance of \$1,117,478 was collateralized with securities held by the financial institution in the Union's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 35,000
Sweep account	<u>1,332,478</u>
	<u>\$ 1,367,478</u>

**Investments:**

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Union will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

The Union had \$0 in investments at June 30, 2016.

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

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

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

	Receivables (Due From)	Payables (Due To)
General Fund	\$ 43,550	\$ 256,397
Nonmajor Special Revenue Funds	256,397	43,550
	\$ 299,947	\$ 299,947

NOTE 4 - CAPITAL ASSETS

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

	Balance, 7/1/15	Additions	Disposals	Balance, 6/30/16
Depreciated assets:				
Machinery & equipment	\$ 920,987	\$ -	\$ -	\$ 920,987
	920,987	-	-	920,987
Less: accumulated depreciation				
Machinery & equipment	(591,147)	(128,540)	-	(719,687)
Net depreciated assets	329,840	(128,540)	-	201,300
Net capital assets	\$ 329,840	\$ (128,540)	\$ -	\$ 201,300

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 5 - LONG-TERM DEBT

The General Fund of the Union is used to pay for all long-term debt. A summary of long-term debt for the year ended June 30, 2016 is as follows:

	Balance, 7/1/15	Additions	Reductions	Balance, 6/30/16	Due Within One Year
Net pension liability	\$ 12,793	\$ 131,936	\$ (14,904)	\$ 129,825	\$ 13,326
Totals	<u>\$ 12,793</u>	<u>\$ 131,936</u>	<u>\$ (14,904)</u>	<u>\$ 129,825</u>	<u>\$ 13,326</u>

NOTE 6 - OPERATING LEASES

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

The Union leases copiers from Canon Financial Services under a cancelable lease agreement. The term of the lease is for a sixty month period ending in July of 2021. Monthly payments are \$3,650.

The Union leases a postage machine from MailFinance under a cancelable lease agreement. The term of the lease is for a sixty month period ending in July of 2020. Quarterly payments are \$388.

Year Ending June 30:	
2017	\$ 45,355
2018	45,355
2019	45,355
2020	45,355
2021	43,800
Total lease payments	<u>\$ 225,220</u>

NOTE 7 - NONSPENDABLE FUND BALANCES

At June 30, 2016, the Union had the following nonspendable fund balance:

General fund:	
Prepaid items	<u>\$ 48,509</u>

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 8 - RESTRICTED FUND BALANCES

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

Nonmajor special revenue funds (See Schedule D)	<u>\$ 202,832</u>
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NOTE 9 - COMMITTED FUND BALANCES

At June 30, 2016, the Union had the following committed fund balances:

Nonmajor special revenue funds (See Schedule D)	<u>\$ 619</u>
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NOTE 10 - OVERSPENT APPROPRIATIONS

The following departmental balances were overspent at June 30, 2016:

Direct services	\$ 4,702
Board of Directors	900
School instruction	74,637
Operation and maintenance	8,949
Student transportation	1,942
Redistribution of funds	1,061,854
	<u>\$ 1,152,984</u>

NOTE 11 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

**Plan Description**

All of the teachers employed by the Union participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private Union teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2016, the retirement system consisted of 288 participating employers.

The plan was established effective July 1, 1947, and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

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

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

**Benefits Provided**

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

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Other post-employment benefits are available to all plan members include the following:

<b>VSTRS</b>	<b>Group A</b>	<b>Group C – Group # 1</b>	<b>Group C – Group # 2</b>
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pays full premium	Members pays full premium	Members pays full premium

**Contributions**

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the Union but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the Union has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the Union's employees included in the teacher's retirement plan which approximates \$270,696 or 12.84% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

<b>VSTRS</b>	<b>Group A</b>	<b>Group C – Group # 1</b>	<b>Group C – Group # 2</b>
Employee Contributions	2.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

Employee contributions totaled \$108,780 during the year and were paid by the Union to the State of Vermont. The Union has no other liability under the plan. The Union's total payroll for all employees covered under this plan was \$2,108,228 for the year ended June 30, 2016.

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

**Plan Description**

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

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

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

[http://finance.vermont.gov/reports\\_and\\_publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr).

**Benefits Provided**

The pension plan is divided into four membership groups:

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

**Contributions**

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund, and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Employee Contributions	2.5% of gross salary	4.75% of gross salary to 6/30/15; 4.875% of gross salary after 7/1/15	9.625% of gross salary to 12/31/14; 9.75% of gross salary to 6/30/15; 9.875% of gross salary after 7/1/15	11.125% of gross salary to 6/30/15; 11.35% of gross salary after 7/1/15
Employer Contributions	4% of gross salary	5.375% of gross salary to 6/30/15; 5.50% of gross salary after 7/1/15	6.875% of gross salary to 12/31/14; 7% of gross salary to 6/30/15; 7.125% of gross salary after 7/1/15	9.75% of gross salary to 6/30/15; 9.85% of gross salary after 7/1/15

Employee contributions are withheld pre income tax by the Union and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2016, and 2015 totaled \$32,063 and \$31,252, respectively. The Union contributed \$51,300 and \$23,539 for the years ended June 30, 2016 and 2015, respectively. The Union's total payroll for the year ended June 30, 2016 for all employees covered under this plan was \$1,282,504.

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Pension Liabilities**

*VSTRS Plan*

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the Union does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2016. The State's portion of the collective net pension liability that was associated with the Union was as follows:

Union's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Union		<u>3,754,599</u>
Total	\$	<u><u>3,754,599</u></u>

The State of Vermont's proportionate share of the net pension liability associated with the Union is equal to the collective net pension liability, actuarially measured as of June 30, 2015, multiplied by the Union's proportionate share percentage. The Union's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2015, the Union's proportion was 0.31644%, which was an increase of 0.192620% from its proportion measured as of June 30, 2014.

*VMERS Plan*

At June 30, 2016, the Union reported a liability of \$129,825 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Union's proportion of the net pension liabilities were based on a projection of the Union's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2015, the Union's proportion was 0.168390% for VMERS, which was an increase of .028220% from its proportion measured as of June 30, 2014 for VMERS.

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2016, the Union recognized pension expense of \$838,568 and revenue of \$838,568 for support provided by the State of Vermont for the VSTRS plan. In the same period, the Union recognized net pension revenue of \$14,904 for the VMERS plan. At June 30, 2016, the Union reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 4,104	\$ -
Changes of assumptions	-	-	25,855	-
Net difference between projected and actual earnings on pension plan investments	-	-	25,081	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	9,686	-
Contributions subsequent to the measurement date	-	-	51,300	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 116,026</b>	<b>\$ -</b>

\$51,300 reported as deferred outflows of resources related to pensions resulting from Union contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS	VMERS
Year ended June 30:		
2017	\$ -	\$ 13,326
2018	-	13,326
2019	-	13,326
2020	-	24,749
2021	-	-
Thereafter	-	-

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Significant Actuarial Assumptions and Methods**

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five year period ending June 30, 2010:

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

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

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

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

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

*Deaths After Retirement:* For the VSTRS plan, the 1995 Buck Mortality Tables are used, with a three-year set-back for males and one-year for females, for retirees, terminated vested members and beneficiaries; the RP-2000 Disabled Life Table with projection to 2016 using Scale AA for disabled retirees. The tables used contain a margin to reflect anticipated mortality improvement after the valuation date.

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Mortality rates for active participants in the VMERS plan were based on 50% of the probabilities in the 1995 Buck Mortality Tables for males and females, non-disabled retirees and terminated vested participants were based on the 1995 Buck Mortality Tables with no set-back for males and a one-year set-back for females, disabled retirees were based on the RP-2000 Disabled Life Tables, and the 1995 Buck Mortality Tables for males and females was applied to beneficiaries.

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

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

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

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

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

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

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

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	31.50%	8.61%
Fixed income	33.00%	1.91%
Alternative	15.50%	6.93%
Multi-strategy	20.00%	4.88%
Total	100.00%	

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

**Discount Rate**

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

**Sensitivity of the Union's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Union's proportionate share of the net pension liability calculated using the discount rate of 7.95% for the VSTRS plan and for the VMERS plan, as well as what the Union's proportionate share of the net pension liability would

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

be if it were calculated using a discount rate that is 1 percentage point lower (6.95%) or 1 percentage point higher (8.95%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.95%	7.95%	8.95%
Union's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.95%	7.95%	8.95%
Union's proportionate share of the net pension liability	\$ 259,316	\$ 129,825	\$ 21,274

**Pension Plan Fiduciary Net Position**

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

NOTE 12 - RISK MANAGEMENT

The Union is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, students and guests; as well as natural disasters for which the Union either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Union.

The Union is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker compensation, and unemployment compensation, and multi-line intermunicipal school program, and the Vermont Education Health Initiative (VEHI) for medical benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont School Districts and is owned by

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 12 - RISK MANAGEMENT (CONTINUED)

the participating Districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

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

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

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

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

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - CONTINGENCIES

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

The Union participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Union has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2016 may be impaired. In the opinion of the Union, there are no significant contingent liabilities relating to compliance with the rules and regulations; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 14 - DEFICIT FUND BALANCES

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

Nonmajor special revenue funds:	
ACT 46	\$ 10,000
ACT 230	2,792
21st Century	27,688
Fresh Fruit and Veggies	173
League of Innovative Schools	1,065
Improving Healthy Outcomes V-Shep	4,243
	<u>\$ 45,961</u>

NOTE 15 - RELATED ORGANIZATIONS

Addison Northwest Supervisory Union provides services to the following school districts: Addison Central School District, Ferrisburgh Central School District, Vergennes Union Elementary School District and Vergennes Union High School District. Each District has an ongoing financial responsibility to the Union as defined in GASB 14, paragraph 71.

ADDISON NORTHWEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 16 - RESTATEMENTS

The beginning net position for the governmental activities has been restated as of July 1, 2015. This balance was restated to correct the capital leases payable balance. The governmental activities were restated by \$50,337.

The beginning fund balance of the special revenue funds and the net position of the governmental activities have been restated as of July 1, 2015. These balances were restated to correct the special revenue funds balance. The fund balance of the special revenue funds and the net position of the governmental activities were both restated by (\$21,419).

The beginning net position for the governmental activities has been restated as of July 1, 2015. This balance was restated to correct the early retirement balance. The governmental activities were restated by \$8,975.

The beginning net position for the governmental activities has been restated as of July 1, 2015. This balance was restated to correct the accrued compensated absences balance. The governmental activities were restated by \$5,933.

The net restatement to the special revenue funds and governmental activities was (\$21,419) and \$43,826, respectively.

## Required Supplementary Information

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

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

## ADDISON NORTHWEST SUPERVISORY UNION

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

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Assessments	7,696,442	7,696,442	7,944,768	248,326
Intergovernmental revenues	-	-	67,014	67,014
Interest income	-	-	862	862
Miscellaneous revenues	-	-	25,000	25,000
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>7,696,442</u>	<u>7,696,442</u>	<u>8,037,644</u>	<u>341,202</u>
Charges to Appropriations (Outflows):				
Direct services	331,297	331,297	335,999	(4,702)
Board of directors	16,900	16,900	17,800	(900)
Business office	360,294	360,294	348,104	12,190
Operation and maintenance	69,613	69,613	78,562	(8,949)
Student transportation	476,035	476,035	477,977	(1,942)
Other services	492,021	492,021	396,538	95,483
School instruction	840,000	840,000	914,637	(74,637)
Special education	5,110,282	5,110,282	4,406,173	704,109
Redistribution of funds	-	-	1,061,854	(1,061,854)
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	<u>7,696,442</u>	<u>7,696,442</u>	<u>8,037,644</u>	<u>(341,202)</u>
Budgetary Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

ADDISON NORTHWEST SUPERVISORY UNION

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>			
Proportion of the net pension liability	0.32%	0.12%	0.12%
Union's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Union	<u>3,754,599</u>	<u>1,186,777</u>	<u>1,253,687</u>
Total	<u>\$ 3,754,599</u>	<u>\$ 1,186,777</u>	<u>\$ 1,253,687</u>
Covered-employee payroll	\$ 2,108,228	\$ 1,764,823	\$ 701,906
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.22%	64.02%	60.59%
<u>VMERS:</u>			
Proportion of the net pension liability	0.17%	0.14%	0.13%
Proportionate share of the net pension liability	\$ 129,825	\$ 12,793	\$ 48,915
Covered-employee payroll	\$ 1,282,504	\$ 579,130	\$ 452,037
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	10.12%	2.21%	10.82%
Plan fiduciary net position as a percentage of the total pension liability	87.42%	98.32%	92.71%

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

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

ADDISON NORTHWEST SUPERVISORY UNION

SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,108,228	\$ 1,764,823	\$ 701,906
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%
<u>VMERS:</u>			
Contractually required contribution	\$ 51,300	\$ 23,539	\$ 18,081
Contributions in relation to the contractually required contribution	<u>(51,300)</u>	<u>(23,539)</u>	<u>(18,081)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,282,504	\$ 579,130	\$ 452,037
Contributions as a percentage of covered-employee payroll	4.00%	4.06%	4.00%

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

ADDISON NORTHWEST SUPERVISORY UNION

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

**Changes of Assumptions**

The discount rate used to measure the net pension liability for VSTRS and VMERS was lowered from 8.15% to 7.95%, and 8.23% to 7.95%, respectively, due to the adoption by the Board of Trustees of a 7.95% expected future rate of return on assets for funding purposes.

## Other Supplementary Information

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

- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds

SCHEDULE A

ADDISON NORTHWEST SUPERVISORY UNION

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Direct Services	\$ 331,297	\$ 331,297	\$ 335,999	\$ (4,702)
Board of Directors	16,900	16,900	17,800	(900)
Business Office:				
Fiscal services	360,294	360,294	348,104	12,190
	<u>360,294</u>	<u>360,294</u>	<u>348,104</u>	<u>12,190</u>
Operation and Maintenance	69,613	69,613	78,562	(8,949)
Student Transportation:				
Transportation contract	475,785	475,785	477,977	(2,192)
Homeless	250	250	-	250
	<u>476,035</u>	<u>476,035</u>	<u>477,977</u>	<u>(1,942)</u>
Other Services:				
Guidance	133,106	133,106	118,605	14,501
Improvement of instruction	201,530	201,530	129,415	72,115
Instructional staff training	-	-	210	(210)
Technology	157,385	157,385	148,308	9,077
	<u>492,021</u>	<u>492,021</u>	<u>396,538</u>	<u>95,483</u>
School Instruction:				
Regular programs	5,000	5,000	17,527	(12,527)
ELL	37,521	37,521	40,609	(3,088)
Compensatory	267,566	267,566	249,445	18,121
Pre-school	192,486	192,486	155,479	37,007
Early essential education	248,951	248,951	363,948	(114,997)
Speech pathology	88,476	88,476	87,629	847
	<u>840,000</u>	<u>840,000</u>	<u>914,637</u>	<u>(74,637)</u>

SCHEDULE A (CONTINUED)  
ADDISON NORTHWEST SUPERVISORY UNION

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Special Education:				
Administration	152,805	152,805	149,058	3,747
Regular	4,414,478	4,414,478	3,782,509	631,969
Speech pathology	344,414	344,414	306,138	38,276
Occupational therapy	69,936	69,936	86,284	(16,348)
Transportation	128,649	128,649	82,184	46,465
	<u>5,110,282</u>	<u>5,110,282</u>	<u>4,406,173</u>	<u>704,109</u>
Restribution of Funds:				
Addison Central	-	-	70,961	(70,961)
Ferrisburgh	-	-	167,314	(167,314)
Vergennes Union Elementary	-	-	252,425	(252,425)
Vergennes Union High School	-	-	571,154	(571,154)
	<u>-</u>	<u>-</u>	<u>1,061,854</u>	<u>(1,061,854)</u>
 TOTAL	 <u>\$ 7,696,442</u>	 <u>\$ 7,696,442</u>	 <u>\$ 8,037,644</u>	 <u>\$ (341,202)</u>

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

## ADDISON NORTHWEST SUPERVISORY UNION

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ -
Due from other governments	22,263	22,263
Due from other funds	256,397	256,397
<b>TOTAL ASSETS</b>	<u>\$ 278,660</u>	<u>\$ 278,660</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 39,879	\$ 39,879
Accrued expenses	37,741	37,741
Due to other funds	43,550	43,550
<b>TOTAL LIABILITIES</b>	<u>121,170</u>	<u>121,170</u>
<b>FUND BALANCES</b>		
Nonspendable	-	-
Restricted	202,832	202,832
Committed	619	619
Assigned	-	-
Unassigned	(45,961)	(45,961)
<b>TOTAL FUND BALANCES</b>	<u>157,490</u>	<u>157,490</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 278,660</u>	<u>\$ 278,660</u>

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

## ADDISON NORTHWEST SUPERVISORY UNION

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

	<u>Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES		
Intergovernmental revenues	\$ 1,239,770	\$ 1,239,770
Charges for services	4,756	4,756
TOTAL REVENUES	<u>1,244,526</u>	<u>1,244,526</u>
EXPENDITURES		
Other	<u>1,197,624</u>	<u>1,197,624</u>
TOTAL EXPENDITURES	<u>1,197,624</u>	<u>1,197,624</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>46,902</u>	<u>46,902</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	320,976	320,976
Transfers (out)	<u>(320,976)</u>	<u>(320,976)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	46,902	46,902
FUND BALANCES, JULY 1, RESTATED	<u>110,588</u>	<u>110,588</u>
FUND BALANCES, JUNE 30	<u>\$ 157,490</u>	<u>\$ 157,490</u>

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

## Special Revenue Funds

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

ADDISON NORTHWEST SUPERVISORY UNION

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

	Profile Partnership	Food Service	LRNG Rafting Grant	Tobacco	Local Standards Board	ACT 46
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	19,809	-	-	-	-
Due from other funds	619	14,092	20,000	875	-	-
<b>TOTAL ASSETS</b>	<b>\$ 619</b>	<b>\$ 33,901</b>	<b>\$ 20,000</b>	<b>\$ 875</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ 33,901	\$ -	\$ 875	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	10,000
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>33,901</b>	<b>-</b>	<b>875</b>	<b>-</b>	<b>10,000</b>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	20,000	-	-	-
Committed	619	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(10,000)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>619</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 619</b>	<b>\$ 33,901</b>	<b>\$ 20,000</b>	<b>\$ 875</b>	<b>\$ -</b>	<b>\$ -</b>

ADDISON NORTHWEST SUPERVISORY UNION

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

	High School Completion	Homeless Education	Best Grant	ACT 230	Medicaid	MAC
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	2,454	-
Due from other funds	8,232	-	20,209	-	35,001	91,559
<b>TOTAL ASSETS</b>	<b>\$ 8,232</b>	<b>\$ -</b>	<b>\$ 20,209</b>	<b>\$ -</b>	<b>\$ 37,455</b>	<b>\$ 91,559</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	4,475	-
Due to other funds	-	-	-	2,792	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,792</b>	<b>4,475</b>	<b>-</b>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	-	-	-	-	-	-
Restricted	8,232	-	20,209	-	32,980	91,559
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	(2,792)	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>8,232</b>	<b>-</b>	<b>20,209</b>	<b>(2,792)</b>	<b>32,980</b>	<b>91,559</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 8,232</b>	<b>\$ -</b>	<b>\$ 20,209</b>	<b>\$ -</b>	<b>\$ 37,455</b>	<b>\$ 91,559</b>

ADDISON NORTHWEST SUPERVISORY UNION

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

	<u>Title I</u>	<u>School Improvement</u>	<u>Title IIA</u>	<u>School Wide Programs</u>	<u>21st Century</u>	<u>Fresh Fruit &amp; Veggies</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
Due from other funds	6,240	-	-	27,026	-	-
<b>TOTAL ASSETS</b>	<u>\$ 6,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,026</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,411	\$ -
Accrued expenses	6,240	-	-	27,026	-	-
Due to other funds	-	-	-	-	25,277	173
<b>TOTAL LIABILITIES</b>	<u>6,240</u>	<u>-</u>	<u>-</u>	<u>27,026</u>	<u>27,688</u>	<u>173</u>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	(27,688)	(173)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,688)</u>	<u>(173)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 6,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,026</u>	<u>\$ -</u>	<u>\$ -</u>

ADDISON NORTHWEST SUPERVISORY UNION

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

	League of Innovative Schools	Farm to School	Education Quality Review	Improving Healthy Outcomes V-Shep	IDEA-B	IDEA-B Preschool
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
Due from other funds	-	1,156	3,618	-	1,312	-
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 1,156</b>	<b>\$ 3,618</b>	<b>\$ -</b>	<b>\$ 1,312</b>	<b>\$ -</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,312	\$ -
Accrued expenses	-	-	-	-	-	-
Due to other funds	1,065	-	-	4,243	-	-
<b>TOTAL LIABILITIES</b>	<b>1,065</b>	<b>-</b>	<b>-</b>	<b>4,243</b>	<b>1,312</b>	<b>-</b>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	1,156	3,618	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	(1,065)	-	-	(4,243)	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>(1,065)</b>	<b>1,156</b>	<b>3,618</b>	<b>(4,243)</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ -</b>	<b>\$ 1,156</b>	<b>\$ 3,618</b>	<b>\$ -</b>	<b>\$ 1,312</b>	<b>\$ -</b>

ADDISON NORTHWEST SUPERVISORY UNION

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

	ADAP	VT Community Foundation	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from other governments	-	-	22,263
Due from other funds	13,353	13,105	256,397
<b>TOTAL ASSETS</b>	<b>\$ 13,353</b>	<b>\$ 13,105</b>	<b>\$ 278,660</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 1,380	\$ 39,879
Accrued expenses	-	-	37,741
Due to other funds	-	-	43,550
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>1,380</b>	<b>121,170</b>
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable	-	-	-
Restricted	13,353	11,725	202,832
Committed	-	-	619
Assigned	-	-	-
Unassigned	-	-	(45,961)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>13,353</b>	<b>11,725</b>	<b>157,490</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 13,353</b>	<b>\$ 13,105</b>	<b>\$ 278,660</b>

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

ADDISON NORTHWEST SUPERVISORY UNION

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

	<u>Profile Partnership</u>	<u>Food Service</u>	<u>LRNG Rafting Grant</u>	<u>Tobacco</u>	<u>Local Standards Board</u>	<u>ACT 46</u>
REVENUES						
Intergovernmental revenues	\$ -	\$ 54,591	\$ 20,000	\$ 9,104	\$ 525	\$ 10,000
Charges for services	-	4,756	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>59,347</u>	<u>20,000</u>	<u>9,104</u>	<u>525</u>	<u>10,000</u>
EXPENDITURES						
Other	8,784	28,182	-	9,471	525	20,000
TOTAL EXPENDITURES	<u>8,784</u>	<u>28,182</u>	<u>-</u>	<u>9,471</u>	<u>525</u>	<u>20,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8,784)</u>	<u>31,165</u>	<u>20,000</u>	<u>(367)</u>	<u>-</u>	<u>(10,000)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	<u>(8,784)</u>	<u>31,165</u>	<u>20,000</u>	<u>(367)</u>	<u>-</u>	<u>(10,000)</u>
FUND BALANCES (DEFICITS), JULY 1, RESTATED	<u>9,403</u>	<u>(31,165)</u>	<u>-</u>	<u>367</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 619</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,000)</u>

ADDISON NORTHWEST SUPERVISORY UNION

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

	High School Completion	Homeless Education	Best Grant	ACT 230	Medicaid	MAC
REVENUES						
Intergovernmental revenues	\$ 6,116	\$ 3,568	\$ 6,482	\$ -	\$ 184,698	\$ 15,226
Charges for services	-	-	-	-	-	-
TOTAL REVENUES	<u>6,116</u>	<u>3,568</u>	<u>6,482</u>	<u>-</u>	<u>184,698</u>	<u>15,226</u>
EXPENDITURES						
Other	-	-	2,864	-	162,105	4,189
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>2,864</u>	<u>-</u>	<u>162,105</u>	<u>4,189</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,116</u>	<u>3,568</u>	<u>3,618</u>	<u>-</u>	<u>22,593</u>	<u>11,037</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	6,116	3,568	3,618	-	22,593	11,037
FUND BALANCES (DEFICITS), JULY 1, RESTATED	<u>2,116</u>	<u>(3,568)</u>	<u>16,591</u>	<u>(2,792)</u>	<u>10,387</u>	<u>80,522</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 8,232</u>	<u>\$ -</u>	<u>\$ 20,209</u>	<u>\$ (2,792)</u>	<u>\$ 32,980</u>	<u>\$ 91,559</u>

ADDISON NORTHWEST SUPERVISORY UNION

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

	Title I	School Improvement	Title IIA	School Wide Programs	21st Century	Fresh Fruit & Veggies
REVENUES						
Intergovernmental revenues	\$ 228,677	\$ -	\$ 163,230	\$ -	\$ 172,881	\$ 21,862
Charges for services	-	-	-	-	-	-
TOTAL REVENUES	<u>228,677</u>	<u>-</u>	<u>163,230</u>	<u>-</u>	<u>172,881</u>	<u>21,862</u>
EXPENDITURES						
Other	<u>35,275</u>	<u>600</u>	<u>43,511</u>	<u>320,976</u>	<u>201,265</u>	<u>22,035</u>
TOTAL EXPENDITURES	<u>35,275</u>	<u>600</u>	<u>43,511</u>	<u>320,976</u>	<u>201,265</u>	<u>22,035</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>193,402</u>	<u>(600)</u>	<u>119,719</u>	<u>(320,976)</u>	<u>(28,384)</u>	<u>(173)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	320,976	-	-
Transfers (out)	<u>(188,700)</u>	<u>-</u>	<u>(132,276)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(188,700)</u>	<u>-</u>	<u>(132,276)</u>	<u>320,976</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	4,702	(600)	(12,557)	-	(28,384)	(173)
FUND BALANCES (DEFICITS), JULY 1, RESTATED	<u>(4,702)</u>	<u>600</u>	<u>12,557</u>	<u>-</u>	<u>696</u>	<u>-</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,688)</u>	<u>\$ (173)</u>

ADDISON NORTHWEST SUPERVISORY UNION

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

	League of Innovative Schools	Farm to School	Education Quality Review	Improving Healthy Outcomes V-Shep	IDEA-B	IDEA-B Preschool
REVENUES						
Intergovernmental revenues	\$ 2,500	\$ -	\$ 3,955	\$ 3,722	\$ 273,996	\$ 4,520
Charges for services	-	-	-	-	-	-
TOTAL REVENUES	<u>2,500</u>	<u>-</u>	<u>3,955</u>	<u>3,722</u>	<u>273,996</u>	<u>4,520</u>
EXPENDITURES						
Other	1,024	5,157	337	5,107	272,884	4,520
TOTAL EXPENDITURES	<u>1,024</u>	<u>5,157</u>	<u>337</u>	<u>5,107</u>	<u>272,884</u>	<u>4,520</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,476</u>	<u>(5,157)</u>	<u>3,618</u>	<u>(1,385)</u>	<u>1,112</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	1,476	(5,157)	3,618	(1,385)	1,112	-
FUND BALANCES (DEFICITS), JULY 1, RESTATED	<u>(2,541)</u>	<u>6,313</u>	<u>-</u>	<u>(2,858)</u>	<u>(1,112)</u>	<u>-</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ (1,065)</u>	<u>\$ 1,156</u>	<u>\$ 3,618</u>	<u>\$ (4,243)</u>	<u>\$ -</u>	<u>\$ -</u>

ADDISON NORTHWEST SUPERVISORY UNION

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

	<u>ADAP</u>	<u>VT Community Foundation</u>	<u>Total</u>
<b>REVENUES</b>			
Intergovernmental revenues	\$ 39,942	\$ 14,175	\$ 1,239,770
Charges for services	-	-	4,756
<b>TOTAL REVENUES</b>	<u>39,942</u>	<u>14,175</u>	<u>1,244,526</u>
<b>EXPENDITURES</b>			
Other	<u>38,271</u>	<u>10,542</u>	<u>1,197,624</u>
<b>TOTAL EXPENDITURES</b>	<u>38,271</u>	<u>10,542</u>	<u>1,197,624</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,671</u>	<u>3,633</u>	<u>46,902</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	320,976
Transfers (out)	-	-	(320,976)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	1,671	3,633	46,902
<b>FUND BALANCES (DEFICITS), JULY 1, RESTATED</b>	<u>11,682</u>	<u>8,092</u>	<u>110,588</u>
<b>FUND BALANCES (DEFICITS), JUNE 30</b>	<u>\$ 13,353</u>	<u>\$ 11,725</u>	<u>\$ 157,490</u>

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

ADDISON NORTHWEST SUPERVISORY UNION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed-through State of Vermont - Agency of Education and Cultural Services:				
Child Nutrition Cluster:				
After School Snacks	10.555	4448	\$ -	\$ 6,222
Summer Program	10.559	4455	-	22,200
Subtotal Child Nutrition Cluster			<u>-</u>	<u>28,422</u>
CACFP	10.558	4454	-	25,084
Farm to School	10.575	N/A	-	5,157
Fresh Fruits and Vegetables	10.582	4449	-	22,035
Total U.S. Department of Agriculture			<u>-</u>	<u>80,698</u>
U.S. Department of Education				
Passed-through State of Vermont - Agency of Education and Cultural Services:				
Title IA - Educationally Deprived	84.010	4250	-	355,807
Title IA - SIG	84.010	4255	-	600
Special Education Cluster (IDEA):				
IDEA-B Flow Through	84.027	4226	-	258,749
IDEA-B Part B Section 619	84.173	4228	-	4,520
Subtotal Special Education Cluster (IDEA)			<u>-</u>	<u>263,269</u>
21st Century Grant	84.287	4611	-	200,134
Title IIA - Teaching Quality	84.367	4651	-	43,512
Total U.S. Department of Education			<u>-</u>	<u>863,322</u>
U.S. Department of Health and Human Services				
Passed through State of Vermont - Agency of Education and Cultural Services:				
Substance Abuse Preventino & Treatment Block Grant	84.010	4250	-	38,271
Improving Healthy Outcomes for Young People	93.079	4249	-	5,107
Total U.S. Department of Health and Human Services			<u>-</u>	<u>43,378</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ -</u>	<u>\$ 987,398</u>

## ADDISON NORTHWEST SUPERVISORY UNION

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

#### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Addison Northwest Supervisory Union under programs of the federal government for the year ended June 30, 2016. 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 Addison Northwest Supervisory Union, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Addison Northwest Supervisory Union.

#### 2. Summary of Significant Accounting Policies

- a. 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 and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Addison Northwest Supervisory Union has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



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

School Board  
Addison Northwest Supervisory Union  
Vergennes, Vermont

We have audited, in accordance with generally accepted auditing standards 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 Addison Northwest Supervisory Union as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Addison Northwest Supervisory Union's basic financial statements, and have issued our report thereon dated January 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Addison Northwest Supervisory Union'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 Addison Northwest Supervisory Union's internal control. Accordingly, we do not express an opinion on the effectiveness of Addison Northwest Supervisory Union'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. Furthermore, we consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2016-1).

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Addison Northwest Supervisory Union'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year findings and questioned costs as items 2016-1.

### Addison Northwest Supervisory Union's Response to Findings

Addison Northwest Supervisory Union's response to the findings identified in our audit are described in the accompanying schedule of current year findings and questioned costs. Addison Northwest Supervisory Union's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
January 6, 2017



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

School Board  
Addison Northwest Supervisory Union  
Vergennes, Vermont

Report on Compliance for Each Major Federal Program

We have audited Addison Northwest Supervisory Union'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 Addison Northwest Supervisory Union's major federal programs for the year ended June 30, 2016. Addison Northwest Supervisory Union'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 the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Addison Northwest Supervisory Union'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 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 Addison Northwest Supervisory Union'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 Addison Northwest Supervisory Union's compliance.

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## Opinion on Each Major Federal Program

In our opinion, Addison Northwest Supervisory Union 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, 2016.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of current year findings and questioned costs as items 2016-1. Our opinion on each major federal program is not modified with respect to these matters.

Addison Northwest Supervisory Union's response to the noncompliance findings identified in our audit are described in the accompanying schedule of current year findings and questioned costs. Addison Northwest Supervisory Union's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Management of Addison Northwest Supervisory Union 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 Addison Northwest Supervisory Union'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 Addison Northwest Supervisory Union'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 a 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 communication is not suitable for any other purpose.

*RHR Smith & Company*

Buxton, Maine

Vermont Registration No. 092.0000697

January 6, 2017

ADDISON NORTHWEST SUPERVISORY UNION

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

**FINDINGS - FINANCIAL STATEMENT AUDIT - PRIOR YEAR**

**2015 – 1 (Equipment and Real Property Management)**

**Criteria:** Any entity that receives Federal funds to purchase property, plant and equipment is required to conduct physical inventory at least once every two years. The entity should also be maintaining a list of equipment that was purchased with Federal awards.

**Condition:** There are no procedures in place to ensure that the Supervisory Union conducts a physical inventory of its property, plant and equipment. Furthermore, as part of the process, the Supervisory Union should be maintaining a list of equipment that was purchased with Federal awards from the US Department of Education's Title I, Part A Cluster (CFDA 84.010 and 84.389) and the Special Education Cluster (IDEA) (CFDA 84.027, 84.173, 84.391 and 84.392) funds.

**Cause:** The Supervisory Union has not had the resources available to compile a list of property, plant and equipment purchased with Federal awards and perform a physical inventory of property, plant and equipment.

**Effect:** The Supervisory Union is not in compliance with the equipment and real property management compliance requirement of its grants.

**Recommendation:** We recommend that the Supervisory Union establish a list of property, plant and equipment purchased with Federal Awards and that they conduct a physical inventory of its property, plant and equipment at least once every two years.

**Management**

**Response:** Finding was noted in the compliance audits for the fiscal years ended June 30, 2012 through 2014. Auditee to complete historical listing from June 30, 2010 to present for review no later than June 30, 2016.

**Response:** Management agrees and has implemented a systematic process, within Finance, where all payables are reviewed for compliance, available funding, and appropriate backup and authorization before payment processing.

ADDISON NORTHWEST SUPERVISORY UNION

SUMMARY SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

**FINDINGS - FINANCIAL STATEMENT AUDIT - CURRENT YEAR**

**2016- 1 – FINANCIAL STATEMENT FINDINGS:**

**Criteria:** Proper internal controls require all general ledger, revenue and expense accounts to be reconciled.

**Condition:** Various grant general ledger, revenue and expense accounts were not reconciled for the above mentioned year audited, in particular the education accounts and other grant accounts. Many of these balances go back many years.

**Effect:** Financial information at the Supervisory Union could be distorted and grant revenues and expenditures could be incorrectly reflected.

**Recommendation:** The Supervisory Union should implement a policy where these reconciliations take place within a reasonable time from month end.

**Management Response:** The Supervisory Union continues to review this area in great detail and will implement policies that will require these reconciliations accounts on a timely basis. Many of the balances go back many years and management does not consider it a useful resource of time to go back and obtain an understanding of these matters since many of them are probably the result of mispostings.

ADDISON NORTHWEST SUPERVISORY UNION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 JUNE 30, 2016

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  no
- Noncompliance material to financial statements noted?  yes  no

- *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported  
 In accordance with §200.516 of Uniform Guidance?  yes  no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title IA - Educationally Deprived
84.010	Title IA - SIG
84.027	Local Entitlement

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee?  yes  no

**Section II – Financial Statement Findings**

Finding 2016-1

**Section III – Federal Awards Findings and Questioned Costs**

Finding 2016-1