

ADDISON NORTHWEST SUPERVISORY UNION

FINANCIAL & COMPLIANCE REPORTS

JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Addison Northwest Supervisory Union

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, 2015, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Addison Northwest Supervisory Union, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 30 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 introductory section, combining and individual non-major fund financial statements, and statistical section, 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2016, on our consideration of the Addison Northwest Supervisory Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Addison Northwest Supervisory Union's internal control over financial reporting and compliance.

Morrison & Bradley CPAs P.C.

Morrison & Bradley CPAs, P.C.
Rutland, Vermont
VT License 92-0000515
January 14, 2016

ADDISON NORTHWEST SUPERVISORY UNION

Management's Discussion and Analysis

The following discussion and analysis of the Addison Northwest Supervisory Union's (the Union) financial performance provides an overview of the Union's financial activities as of and for the fiscal year ended June 30, 2015. The analysis focuses on the Union's financial performance as a whole. Please read it in conjunction with the transmittal letter at the front of this report and the Union's financial statements, which follow this section.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the Union's basic financial statements. The Union's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The Union's financial statements consist of two kinds of statements that present different views of the Union's financial activities.

Government Wide Financial Statements

- The Statement of Net Position and Statement of Activities provide information on a government-wide basis. The statements present an aggregate view of the Union's finances. The government-wide financial statements provide both long-term and short-term information about the Union's overall financial status.
- The fund financial statements focus on the individual parts of the Union, reporting Union operations with more information and detail than the government-wide statements.
- Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year, or government to government) and enhance the Union's accountability. The notes to the financial statements explain some of the information in the statements and provide additional disclosures so that statement users have a complete picture of the Union's financial activities and position. The required supplementary information further explains and supports the financial statements.

Governmental Fund Financial Statements

Traditional users of government financial statements will find the fund financial presentation more familiar. The focus is on the Union's only significant fund, the General Fund. The All of the Union's other funds are considered non-major funds. They are summarized into one total, but the details of each fund are also shown.

Financial Analysis of the Union as a Whole

The Union presents its financial statements under the reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

The government-wide financial statements (pages 7 & 8) report information about the Union as a whole using accounting methods similar to those used by private-sector companies. An important question one could ask about the Union's finances is, "Is the Union as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the Union as a whole and its activities in a way that helps answer this question. These

statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Union adopts an annual appropriated budget for its general fund, a budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 9-12 of this report.

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 fund financial statements. The notes to the financial statements can be found on pages 13-18 of this report. Other information - The combining statements referred to earlier in connection with non-major governmental funds on Page 31.

FINANCIAL HIGHLIGHTS

- The School District's net position (assets minus liabilities) from governmental activities decreased as a result of this year's operations due primarily to a budgeted deficit in order utilize a prior surplus to fund operating activities.
- Capital assets increased \$106,363 or 13% of the Union's cumulative investment in capital assets.
- At the close of the current fiscal year, the School District's governmental funds reported total ending fund balances of \$132,007 [a decrease of \$461,783 (-78%)].
- Key factors in the General Fund favorable outcome are primarily due to less than anticipated instructional support costs. Overall, the favorable budget variance of \$28,609 decreased the amount that the Union's general fund balance carry-forward was used to fund operations to (\$371,310) as of June 30, 2015. The Union budgeted to use \$400,000 of its prior year General fund surplus to fund operations.

A large portion of the Union's net assets (\$279,503) reflects investments in capital assets (e.g., land, buildings, structures, systems, machinery, equipment, infrastructure, and intangible assets), net of any related debt used to acquire those assets that is still outstanding. The School District uses assets to provide services to citizens; consequently, these assets are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. A larger portion of the School District's net assets (\$90,909) represents resources that are subject to internal and external restrictions on how they can be used.

Government-wide total unrestricted net position decreased (\$310,329) during the fiscal year.

Governmental Activities - The most significant revenues of the governmental activities are: member district assessments (77%); Federal, State and Local grant revenue (19%); and miscellaneous receipts account for the remaining 5%.

Instructional and support service costs are the most significant (84%), by administration (11%), followed by plant operations, food service, student transportation and depreciation (5%).

Governmental revenues increased 144% in the current year. Governmental activities expenses also increased (149%) in the current year. The most significant changes in program expenses were as follows:

- Increases primarily due to increased costs previously reported on of the member school districts' financial statements.

Management’s Discussion and Analysis (continued)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT’S FUNDS

- Governmental funds. The focus of the School District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District’s financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.
- 100% of the total ending fund balances (\$132,007) constituted restricted fund balances, which are considered unavailable for appropriation for general operations.

<i>INVESTMENT IN CAPITAL ASSETS</i>	Balance - July 1, 2014	Net Activity	Depreciation	Beginning Accumulated Depreciation	Net Asset Value - June 30, 2015
Equipment & Furnishings (as adjusted)	\$814,624	\$106,363	(\$128,540)	(\$462,606)	\$329,840

- The Supervisory Union is precluded by Vermont State Statute from incurring long term debt obligations related to land or building acquisition.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The Supervisory Union’s expenditures are budgeted to increase 18% from \$6,521,419 to \$7,696,442 as compared to fiscal year 2015. The \$1,175,023 increase is due to special education and other activities that were previously part of the member districts’ operating budgets. The School District has added no major new major programs or initiatives to the fiscal year 2016 budget. If these estimates are realized, the School District’s budgetary general fund balance is not expected to change appreciably by the close of fiscal year 2016.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School District’s finances for all those interested in governmental finance. Questions concerning any information in the report or requests for additional information should be addressed to Addison Northwest Supervisory Union, 100 Main Street - Suite B-100, Vergennes, VT 05491.

As required by *Governmental Accounting Standards*, the District was required to recognize its proportionate share of the total expenditures of the Vermont Teachers’ Retirement System as an on-behalf payment for a total of \$114,137. Additionally, the District annually records a like entry for on-behalf contributions for the benefit of members of the system which was 12.75% of member teacher salaries for the fiscal year, which totaled \$255,439.

COMPARATIVE FINANCIAL INFORMATION: The following schedules detail the changes in the Statement of Net Position and Statement of Activities for the fiscal years ended June 30, 2015 and 2014:

STATEMENT OF NET POSITION

	2015	2014
Current Assets	\$ 643,335	\$ 897,597
Noncurrent & Deferred Items	408,908	682,696
Total Assets & Deferred Items	1,052,243	1,580,293
Current Liabilities	\$ 566,627	\$ 532,528
Noncurrent Liabilities	78,267	169,689
Total Liabilities	644,894	702,217
Deferred Items	39,449	72,633
Nonspendable General Fixed Assets	279,503	144,287
Other Net Position (As adjusted)	88,396	661,156
Total Net Position	367,899	805,443
Total Liabilities, Deferred Items & Net Position	\$ 1,052,243	\$ 1,580,293

STATEMENT OF ACTIVITIES

<i>Program Revenues:</i>		
Operating Grants & Charges for Services	\$ 7,700,730	\$ 3,166,434
<i>General Revenues:</i>		
Interest Earnings	713	645
Miscellaneous	(748)	10,150
Total General Revenues	(34)	10,795
Total Revenues	7,700,695	3,177,229
<i>Programs:</i>		
Instructional & Curriculum Development	1,847,625	1,399,327
Student Support Services	4,995,702	985,932
Superintendents Office	393,811	278,619
Administration	489,406	476,420
Plant Operations	93,390	90,568
Transportation	153,279	71,143
Food Service	36,487	-
Depreciation	128,540	88,325
Total Expenses	8,138,239	3,390,334
Change in Net Position	(437,544)	(213,105)
Net Position - Beginning (As adjusted)	805,443	1,018,548
Net Position - Ending	\$ 367,899	\$ 805,443

Addison Northwest Supervisory Union
Statement of Net Position
June 30, 2015

	2015
ASSETS & DEFERRED ITEMS	
<i>Current Assets:</i>	
Cash and Investments	\$ 17,817
Accounts Receivable	418,967
Due from Other Governments	206,551
Total Current Assets	643,335
<i>Noncurrent Assets:</i>	
Due from Other Governments	55,529
Property, Plant & Equipment, net of applicable depreciation	329,840
Total Noncurrent Assets	385,369
<i>Deferred Outflows of Resources:</i>	
Proportional Share of Multi-Employer Pension Plan	23,539
TOTAL ASSETS & DEFERRED ITEMS	\$ 1,052,243
LIABILITIES, DEFERRED ITEMS & NET POSITION	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 173,636
Accrued Payroll & Benefits	254,705
Unearned Revenue	82,986
Current Portion of Early Retirement Incentives	8,975
Current Portion of Noncurrent Liabilities	46,325
Total Current Liabilities	566,627
<i>Noncurrent Liabilities:</i>	
Compensated Absences	5,933
Net Pension Liability - Municipal Retirement Plan	12,793
Capital Lease Liability	59,541
Total Noncurrent Liabilities	78,267
<i>Deferred Inflows of Resources:</i>	
Proportional Share of Multi-Employer Pension Plan	39,449
Total Liabilities & Deferred Inflows	684,343
<i>Net Position:</i>	
Nonspendable General Fixed Assets	279,503
Restricted For Specific Purposes	90,909
Unassigned (Deficit)	(2,513)
Total Net Position	367,899
TOTAL LIABILITIES, DEFERRED ITEMS & NET POSITION	\$ 1,052,243

The accompanying notes are an integral part of these financial statements.

Addison Northwest Supervisory Union
Statement of Activities
For the Fiscal Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Governmental Activities</u>	<u>June 30, 2015 Total</u>
<i>Governmental Activities:</i>					
Instructional & Related Support	\$ 1,227,264	\$ 251,622	\$ 975,642	\$ -	\$ -
Curriculum Development	620,361		620,361	-	-
Student Support Services	4,996,664	143,824	4,709,834	(143,007)	(143,007)
Superintendent's Office	393,811	383,720	-	(10,091)	(10,091)
Administration	21,660	21,660		-	-
Fiscal Services	467,746	310,911		(156,835)	(156,835)
Information Technology	(962)	-		962	962
Plant Operations	93,390	93,390	-	-	-
Transportation	153,279	153,279	-	-	-
Food Service	36,487	-	36,487	-	-
Depreciation	128,540	-	-	(128,540)	(128,540)
Total Governmental Activities	8,138,239	1,358,406	6,342,324	(437,510)	(437,510)
<i>General Revenues:</i>					
Investment Income				713	713
Other				(748)	(748)
Total General Revenues				(34)	(34)
Change in Net Position				(437,544)	(437,544)
Net Position - Beginning (As adjusted)				805,443	805,443
Net Position - Ending				367,899	367,899

The accompanying notes are an integral part of these financial statements.

Addison Northwest Supervisory Union
Combined Balance Sheet - Governmental Fund Types
June 30, 2015

	<u>Governmental Fund Types</u>		
	<u>Other</u>		<u>Totals</u>
	<u>General</u>	<u>Governmental</u>	
	<u>Fund</u>	<u>Funds</u>	<u>June 30, 2015</u>
ASSETS			
<i>Current Assets:</i>			
Cash and Investments	\$ 17,817	\$ -	\$ 17,817
Accounts & Grants Receivable	5,000	413,967	418,967
Due From Other Governments	206,551	-	206,551
Due from Other Funds	-	200,146	200,146
TOTAL ASSETS	\$ 229,368	\$ 614,113	\$ 843,481
LIABILITIES AND FUND BALANCES			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 568	173,069	173,636
Accrued Payroll & Benefits	28,654	226,052	254,705
Unearned Revenue	-	82,986	82,986
Due to Other Funds	200,146	-	200,146
Total Liabilities	229,368	482,106	711,474
<i>Fund Balances:</i>			
Restricted For EPSDT & Medicaid Programs	-	90,909	90,909
Committed for Local Early Education & Afterschool Food Service	-	41,098	41,098
Unassigned	-	-	-
Total Fund Balances	-	132,007	132,007
TOTAL LIABILITIES & FUND BALANCES	\$ 229,368	\$ 614,113	\$ 843,481

The accompanying notes are an integral part of these financial statements.

Addison Northwest Supervisory Union
Reconciliation of the Governmental Funds Balance Sheet
To the Government-Wide Statement of Net Position
June 30, 2015

Total Fund Balances - Governmental Funds Statements \$ 132,007

Amounts reported for Governmental Activities in the Statement of Net Position are different due to the following:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet 329,840

Capital Lease receivable is not recognized on the Governmental Funds Balance Sheet, but is recorded on the Statement of Net Position. 55,529

The entire early retirement incentive is reported on the government-wide financial statements. The non-current portion of the liability is not reported in the fund financial statements. (8,975)

Compensated Absences are recognized as incurred on the government wide financial statements, and recognized as paid in the Governmental Funds statements. (5,933)

Net Capital Lease Obligations not recorded in the Governmental fund financial statements. However, the government wide financial statements require the inclusion of long term obligations. (105,866)

Deferred outflows and deferred inflows of resources are reported as governmental activities, but are not current financial resources, or uses, and are not reported in the Governmental Fund financial statements. (28,703)

Net Position - Government-Wide Financial Statements \$ 367,899

Addison Northwest Supervisory Union
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Types
For the Fiscal Year Ended June 30, 2015

	<u>Governmental Fund Types</u>		Totals June 30, 2015
	General Fund	Other Governmental Funds	
<i>Revenues:</i>			
Assessments	\$ 1,223,173	\$ 4,709,834	\$ 5,933,007
Grants - Federal	1,500	1,139,462	1,140,962
Grants - State	-	115,303	115,303
Grants - Other	-	8,149	8,149
EPSDT & Medicaid Billings	-	143,824	143,824
On Behalf Teachers' Retirement System Contributions	369,576	-	369,576
Investment Income	713	-	713
Miscellaneous	(748)	-	(748)
Total Revenues	1,594,214	6,116,572	7,710,786
<i>Expenditures:</i>			
Instructional & Related Support	425,932	812,657	1,238,589
Curriculum Development	298,867	321,495	620,361
Student Support Services	125,532	4,871,132	4,996,664
Superintendent's Office	393,811	-	393,811
Administration	21,660	-	21,660
Fiscal Services	512,929	-	512,929
Information Technology	105,400	-	105,400
Plant Operations	81,394	11,996	93,390
Transportation	-	153,279	153,279
Food Service	-	36,487	36,487
Total Expenditures	1,965,524	6,207,045	8,172,570
 Excess (Deficiency) of Revenues over Expenditures	 (371,310)	 (90,473)	 (461,783)

The accompanying notes are an integral part of these financial statements.

**Addison Northwest Supervisory Union
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Types
 For the Fiscal Year Ended June 30, 2015**

	Governmental Fund Types		Totals June 30, 2015
	General Fund	Other Governmental Funds	
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	(371,310)	(90,473)	(461,783)
Fund Balances - Beginning (As adjusted)	371,310	222,480	593,790
Fund Balances - Ending	\$ -	\$ 132,007	\$ 132,007

**Reconciliation of the Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Fund Types to the Statement of Activities
 For the Fiscal Year Ended June 30, 2015**

Net Change in Fund Balances - Governmental Funds Financial Statements	\$ (461,783)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
In the statement of activities, deferred pension expenses are reported as deferred outflows. In the governmental fund statements, expenditures for pension expense is measured by the amount of financial resources used.	2,350
Changes in Early Retirement Incentive liability are not reported in the Governmental Funds Financial Statements.	8,975
Principal repayment of capital lease obligations is not an expense in the Statement of Activities	45,183
In the Statement of Activities, the cost of fixed assets is allocated over their estimated useful lives and reported as depreciation expense annually.	(32,269)
<i>Change in Net Position - Statement of Activities</i>	<u>\$ (437,544)</u>

Addison Northwest Supervisory Union NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of significant accounting policies - The Addison Northwest Supervisory Union (the Supervisory Union) provides educational services to the citizens of member school districts (Vergennes, Addison, Ferrisburgh, Panton and Waltham, Vermont) and the financial statements of the Supervisory Union have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units.

Reporting entity - The Supervisory Union is a primary unit of government under reporting criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include a separately elected governing body, separate legal standing, and fiscal independence from other state and local governmental entities. Based on these criteria, there are no other entities which are component units of the Supervisory Union.

Government-wide and fund financial statements - The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Supervisory Union. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues.

In the Government-wide Statement of Net Position, the financial position of the Supervisory Union is consolidated and incorporates capital assets as well as all long-term debt and obligations. The Government-wide Statement of Activities reflects both the gross and net costs by category. Direct expenses that are clearly identifiable with the category are offset by program revenues of the category. Program revenues include charges for services provided by a particular function or program and grants that are restricted to meeting the operational or capital requirements of the particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds, if any, are summarized in a single column.

Basis of presentation - The accounts of the Supervisory Union are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund balances or net position, revenues, and expenditures or expenses, as appropriate.

The Supervisory Union reports the following major governmental funds: *General Fund* is the general operating fund of the Supervisory Union. It is used to account for all financial resources, except those required to be accounted for in another fund. *Other Governmental Funds* used to account for the assets and activity of monies left to the Supervisory Union through trust and grant agreements, or capital project expenditures incurred for specific Supervisory Union infrastructure projects.

Measurement focus and basis of accounting - Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become both measurable and available. "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when the fund liability is incurred, if measurable, as under accrual accounting. However, debt service expenditures are recorded only when payment is made.

Addison Northwest Supervisory Union
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of significant accounting policies (continued)

Budgets and budgetary accounting - The Supervisory Union approves a budget for the General Fund at an annual Supervisory Union Meeting. The accounting method used for budgetary presentation is the same method used for the financial presentation of operations under U.S. GAAP. Formal budgetary integration is employed as a management control during the year for the General Fund. The Supervisory Union does not legally adopt budgets for other governmental funds. All budgeted amounts lapse at year end.

Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Risk management - The Supervisory 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 and others; environmental liability; and natural disasters. The Supervisory Union manages these risks through participation in the Vermont League of Cities and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Supervisory Union. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.

Cash, cash equivalents and investments - The Supervisory Union considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents. Investments and unrealized gains and losses are reflected in the individual fund and government-wide financial statements.

Capital assets - Capital assets, which include land, buildings, equipment, vehicles and infrastructure, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Supervisory Union as assets with an initial useful life of one year or greater and an initial individual cost equal to or greater than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest costs are capitalized on projects during the construction period. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Equipment and furnishings

5 - 20 years

Compensated absences - Employees are entitled to certain compensated absences based on their length of employment. Sick leave accumulates and is paid upon illness during employment and the cumulative liability is not included in these financial statements. Vacation accrues for annual use.

Fund Balances & Net Position - In the fund financial statements, governmental funds may report five categories of fund balances: non-spendable, restricted, committed, assigned and unassigned. *Non-spendable* fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Addison Northwest Supervisory Union
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of significant accounting policies (continued)

Committed fund balance includes amounts that can be used only for specific purposes determined by the Supervisory Union's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Meetings. *Assigned* fund balance includes amounts that are intended to be used by the Supervisory Union for specific purposes, as authorized by the Select Board. *Unassigned* fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in another classification. Deficits are also classified as unassigned. The Supervisory Union's policy is to apply expenditures to fund balance in the order of restricted, committed, assigned and unassigned. The Supervisory Union maintains separate governmental funds to account for donor specified amounts (restricted), voter approved amounts (committed), and amounts set aside by management. Any residual fund balance amounts are reported as unassigned fund balance in the General Fund.

In addition to assets and liabilities, deferred outflows of resources (previously reported as assets) and deferred inflows of resources (previously reported as liabilities), if applicable, will be reported as separate sections in the statement of net position and the governmental funds balance sheet. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period. The Supervisory Union does not currently report any deferred outflows of resources.

New accounting standards - The District has timely implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* as required. Vermont Municipal Employees' Retirement System (VMERS) and Vermont Teachers' Retirement System (VSTRS) are the public pension plans provided by the State of Vermont for participating municipalities' employees and is governed by Vermont Statutes Annotated in Title 24, Chapter 125 and Title 16, Chapter 55, respectively. If another entity is paying for a portion of the pension benefits of its employees, the cost of those benefits is nonetheless the District's cost of providing services. It reports the full expense and revenue in the amount of the state aid. Likewise, an employer benefiting from a special funding situation reports its full pension expense and revenue equal to the amount of expense reported by the non-employer contributing entity (VMERS & VSTRS).

The District has also completed the implementation of GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*.

The General Fund does not include on-behalf payments as a revenue or expenditure amounts to assess budgetary compliance, therefore they are not included in budgetary comparison schedules.

NOTE 2 - Deposits and investments

As of June 30, 2015, the Supervisory Union's deposit accounts were fully insured or collateralized. Custodial credit risk deposits and investments - Custodial credit risk is the risk that in the event of a financial institution failure, the Supervisory Union will not be able to recover its deposits or investments or will not be able to recover collateral securities that are in the possession of an outside party. The Supervisory Union addresses this risk by requiring each institution to provide deposit insurance and/or proof of collateralization. The Treasurer is required to determine the types of collateralization after consultation with the Board. *Credit risk* is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. The Supervisory Union addresses credit risk by limiting the types of investments the Treasurer can make to bank deposit accounts, collateralized repurchase agreements and U.S. Treasury obligations.

**Addison Northwest Supervisory Union
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - Inter-fund receivable and payable balances

Inter-fund receivable and payables, due to the pooling of cash for cash receipts and disbursements, as it shall not necessarily be bound solely and constitutes the transfer of resources from the fund that receives the resources to the fund that utilizes them. Transfers from Other Governmental Funds to the General Fund were to cover expenses that had been incurred on their behalf.

The following is a schedule detailing the Inter-fund Balances:

	General Fund	Other Governmental/Trust Funds
Federal Sub-grants	(\$9,973)	\$9,973
Special Education Funds - Local Funds	(11,592)	11,592
Early Education - Local Funds	(15,638)	15,638
Medicaid & EPSDT Funds	(63,581)	63,581
Food Service Funds	(55,319)	55,319
Other	(44,043)	44,043
Totals	(\$200,146)	\$200,146

NOTE 4 - Fixed Assets and Depreciation

The following is a schedule detailing the Supervisory Union's investment in capital assets:

	Balance - July 1, 2014	Net Activity	Depreciation	Beginning Accumulated Depreciation	Net Asset Value - June 30, 2015
Equipment & Furnishings (as adjusted)	\$814,624	\$106,363	(\$128,540)	(\$462,606)	\$329,840

Note 5 - Deferred (Unearned) Revenue

The following is a schedule of grant or fee revenues received, but not spent at June 30, 2015:

Grantor	Amount
Migrant Grant	12,679
21 st Century Community Learning	32,788
Alcohol & Drug Prevention Grant	7,393
Local Funds	30,035
TOTAL	\$82,895

Addison Northwest Supervisory Union
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Pension plan

Vermont Municipal Employees' Retirement System

The Supervisory Union contributes to the Vermont Municipal Employees' Retirement System (VMERS), a cost-sharing multiple-employer public employee retirement system (PERS) with defined benefit and defined contribution plans administered by the State of Vermont. VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Defined Benefit Plan members are required to contribute 2.5% (Group A) of their annual covered salary, and the Supervisory Union is required to contribute 4% (Group A). Defined Contribution Plan members are required to contribute 5% of their annual covered salary and the Supervisory Union is required to contribute an equal dollar amount. This liability is actuarially determined annually by VMERS and the aggregate funding as compared to its potential liability is approximately 86%.

The Town's contributions to VMERS for the Defined Benefit Plan for the years ended June 30, 2015, 2014, and 2013 were \$23,539, \$25,823 and \$26,802 respectively. The amounts contributed were equal to the required contributions for each year. Covered payroll for the fiscal year ended June 30, 2015 was \$579,130, and total wages paid by the Supervisory Union was \$3,427,080 for the fiscal year ended.

During the fiscal year, it was determined that the net pension liability for the Town's proportionate share of the Vermont Municipal Retirement System underfunded pension liability recognized in these financial statements decreased to \$12,793, a favorable outcome of \$36,122. In accordance with the implementation of GASB 68 *Accounting and Financial Reporting for Pensions*, the net position of the Supervisory Union was reduced \$48,915 as of June 30, 2014 as a prior period adjustment as a change in accounting principle to reflect the liability balance for the prior fiscal year.

The following is a discussion of the significant assumptions employed in the measurement of the net pension liability: A select and ultimate interest rate set is restarted each year based on the employee's entry date; employee salary increases are estimated at 5% per year; cost of living adjustments are made 1.5% for Group A members and 1.8% for Groups B, C & D. Inflation rates are consistent with stated assumptions for investment return, salary increases and cost of living adjustments are consistent with a 3% to 3.25% per year. Assumptions related to the discount rate and the impact on the total pension liability of a 1 percentage point increase would increase the District's net pension liability by (\$66,893) and decrease in the discount rate would decrease the District net pension liability by \$107,774.

Vermont Teachers' Retirement System

The Supervisory Union contributes to the Vermont Teachers' Employees' Retirement System (VSTRS), a cost-sharing multiple-employer public employee retirement system (PERS) with defined benefit and defined contribution plans administered by the State of Vermont. VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Teachers become members of VSTRS upon employment, and vest in the system after 10 years of service. Group A members contribute 5.5% and Group C 5% of salary. Covered payroll under this plan equaled \$2,003,442 therefore an on-behalf payment of 12.75% (or \$255,439) has been recognized in these financial statements. Total wages paid by the Supervisory Union during the fiscal year was \$3,427,080. In addition, the District's share of the entire teachers' pension plan (VSTRS) expenditure of \$114,127 was also recorded as an on-behalf benefit to the District.

Addison Northwest Supervisory Union
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - Commitments & Contingencies

The Supervisory Union is exposed to various risks of loss related to torts; theft, damage and destruction of its assets; injuries. Any claims under these policies have not exceeded coverage in any of the immediately preceding three fiscal years. If the insurance funds noted above should ever become insolvent, the Supervisory Union could be liable for a proportionate share of the Fund's liabilities.

NOTE 8 - Fund Balance Deficit & Adjustments

The beginning fund balances and net position amounts have been adjusted as compared with previously issued financial statements. The adjustments were made as a result of the implementation of GASB 34, 37, 38 and 68 during the current fiscal year. The balances were increased as a result of asset capitalization, and reduced in order to recognize: the depreciation of general fixed assets; long term debt associated with these assets; as well as the District's proportionate share of the projected future net pension liability for past and present employees of the District as discussed in Note 6, as well as beginning balance adjustments to various operating accounts.

Additionally, the net position and fund balances have been corrected to liability balances due to overstatements in deferred revenue and payroll liabilities as stated in previously issued financial statements.

Note 9 - Leases of Space and Equipment

On November 6, 2014, the Supervisory Union entered into a 5 year agreement to lease space in Vergennes, Vermont to house its personnel and equipment commencing on June 1, 2015. The monthly base rental for the current fiscal year is \$4,500 plus the costs of insurance for the first 3 years of the lease. In years 4 & 5, the base rental will be adjusted on each June 1st anniversary of the lease by the Consumer Price Index (CPI) for the prior year to a maximum of 3%.

NOTE 10 - Concentration of Support

The Supervisory Union's General Fund receives approximately 77% of its revenue from its member districts' assessments. Additionally, the Supervisory Union receives grants from the State of Vermont for special education, transportation, after school programs and other programs. The Supervisory Union receives grant support from various State, Local and Federal sources. These programs are subject to financial and compliance audits by these grantors. Management believes that possible disallowed costs, if any, would be immaterial to these financial statements.

Morrison & Bradley CPAs, P.C.

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

To the Board of Directors
Addison Northwest Supervisory Union

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Addison Northwest Supervisory Union, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Addison Northwest Supervisory Union's basic financial statements, and have issued our report thereon dated January 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Addison Northwest Supervisory Union's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Morrison & Bradley CPAs P.C.

Morrison & Bradley CPAs, P.C.

Rutland, Vermont

January 14, 2016

VT License 92-0000515

Morrison & Bradley CPAs, P.C.

~ Members ~

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Addison Northwest Supervisory Union

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Addison Northwest Supervisory Union's major federal programs for the year ended June 30, 2015. 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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the Addison Northwest Supervisory Union's compliance.

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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001. 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 is described in the accompanying schedule of 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 the 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 OMB Circular A-133, 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Morrison & Bradley CPAs P.C.

Morrison & Bradley CPAs, P.C.

Rutland, Vermont

VT License No. 92-0000515

January 14, 2016

**Addison Northwest Supervisory Union
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015**

Name of Agency or Department	CFDA Number	Name of Program	Name of Grant	Grant ID Number	Award Amount	Award Expended	Subgranted to Member Districts	Total Awards Expended
<i>U.S. Department of Education</i>								
	84.010	Title I - Grants to LEAs	Title I	4250-S002-15-01	\$ 295,437	278,924	\$ -	\$ 278,924
	84.141	Migrant Consortium	Migrant Grant	4253-S002-15-01	161,578	148,899	-	148,899
	84.196A	Homeless Grants	Homeless Education	4265-S002-15-01	16,300	13,057	-	13,057
	84.377	Title I School Improvement Grant	Title I SIG	4255-S002-15-01	27,750	23,757	-	23,757
	84.027	Special Education - Grants to States	IDEA-B Basic	4226-S002-15-01	300,667	291,265	-	291,265
	84.173	Special Education - Grants to States	IDEA-B Pre-school	4228-S002-15-01	4,520	4,520	-	4,520
	84.367	Improving Teacher Quality State Grants	Title II	4651-S002-15-01	141,264	141,264	-	141,264
	84.287	21st Century Community Learning Centers	21st Century Grant	4611-S002-15-01	169,028	136,240	-	136,240
			Total Department of Education		1,116,544	1,037,925	-	1,037,925
<i>U.S. Department of Agriculture</i>								
	10.559	Federal Summer Lunch Program	Summer Lunch Program	4455-S001-15-01	20,679	19,719	-	19,719
	10.575	Farm to School Grant	Farm to School Program	4792-S002-15-01	1,687	1,687	-	1,687
	10.582	Fresh Fruit and Vegetable Program	Fresh Fruit and Vegetable Program	4448-S002-15-01	14,910	14,910	-	14,910
	10.582	Fresh Fruit and Vegetable Program	Improving Healthy Outcomes	4449-S002-15-01	6,890	6,890	-	6,890
			Subtotal		44,166	43,205	-	43,205
		<i>Non-Cash Assistance:</i>						
	10.565	Commodity Supplemental Food Program	USDA Commodities	4456-S002-15-01	26,063	26,065	-	26,065
			Total Department of Agriculture		70,229	69,271	-	69,271
<i>U.S. Department of Health and Human Services</i>								
	93.959	Department of Health	ADAP Grant 14B1VTSAPT	03420-A15105S	39,942	32,549	-	32,549
			Total Federal Awards		\$ 1,186,773	\$ 1,139,744	\$ -	\$ 1,139,744

ADDISON NORTHWEST SUPERVISORY UNION
NOTES FOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

Summary of significant accounting policies:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Addison Northwest Supervisory Union and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the OMB Circular A133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Single Audit Reporting Entity: For purposes of complying with the Single Audit Act of 1984 as amended, the Union includes all funds and programs that are considered part of the primary governmental unit, as described in the basic financial statements as of the fiscal year ended above.

Basis of Presentation:

Federal award - Pursuant to the Single Audit Act and OMB Circular A-133, federal award is defined as federal financial assistance and cost-reimbursement contracts that non-Federal entities received directly from Federal awarding agencies or indirectly from pass-through entities. The Supervisory Union receives federal awards which are passed through primarily the Vermont Department of Education.

Federal financial assistance - As noted in the above referenced authoritative guidance, is defined as assistance provided by a federal agency, directly or indirectly, in the form of grants, contracts, cooperative agreements, loan guarantees, property, interest subsidies, insurance or direct appropriations.

Major or non-major programs - OMB Circular A-133 establishes risk based criteria for determining major programs and selecting those programs to be tested for compliance with related program requirements.

The major programs were the following US Department of Education programs:

84.010 Title I - Grants to Local Educational Agencies
84.367 - Improving Teacher Quality State Grants
84.287 - 21st Century Community Learning Centers

Basis of Accounting:

The accompanying schedule was prepared on the basis of accounting required by its grantor agencies, and includes accrued expenditures which may result in deferred revenue from unexpended receipts or accrued grants receivable from expended, unreimbursed program costs.

**ADDISON NORTHWEST SUPERVISORY UNION SCHEDULE OF FINDINGS AND
QUESTIONED COSTS Fiscal Year Ended June 30, 2015**

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of Addison Northwest Supervisory Union.

2. 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, 2015.

However, certain deficiencies in internal control and compliance concerning relating to the audit of the financial statements of Addison Northwest Supervisory Union were noted in the fiscal year ended June 30, 2015 compliance audit.

3. The programs tested as major programs were: 84.010 Title I - Grants to Local Educational Agencies; 84.367 - Improving Teacher Quality State Grants; 84.287 - 21st Century Community Learning Centers

4. The threshold for distinguishing Types A and B programs was \$300,000.

5. Addison Northwest Supervisory Union did not qualify as a low-risk auditee.

FINANCIAL STATEMENT FINDINGS:

Finding 2015-001 Equipment and Real Property Management

Criteria: Any entity that receives Federal funds to purchase property, plant and equipment is required to conduct a 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 1, 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 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.

Current Status: 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.

**ADDISON NORTHWEST SUPERVISORY UNION SUMMARY SCHEDULE OF PRIOR AUDIT
FINDINGS Year Ended June 30, 2015**

FEDERAL AWARDS FINDINGS:

2014 Findings:

B. FINDINGS - FINANCIAL STATEMENT AUDIT

B-01 Grant Budgets in Accounting System

Condition: Budget amounts for grants are not consistently and accurately entered into ADS software.

Criteria: Entering budgets into the accounting software is an important element of the internal control system to enable personnel to monitor costs and maintain accountability.

Current Status: There were no similar instances of noncompliance noted in the fiscal year ended June 30, 2015 audit.

B-02 Sub-grant Agreements for Sub-recipients

Condition: The Supervisory Union did not prepare a sub-grant agreement for 21st Century grant when the Supervisory sub-granted the award.

Criteria: Sub-grant agreements should be prepared when required by the grant agreement.

Effect: The State could potentially require the Supervisory Union to return these funds since they were not in compliance with the grant agreement.

Recommendation: We recommend the Supervisory Union prepare sub-grant agreements with member schools when funds are sub-granted to member schools.

Response: Addison Northwest Supervisory Union has reduced the instances requiring sub-granting of funds to the members schools. The Grant Coordinator and the Business Manager will review the need for sub-granting annually. Once a situation is identified that requires sub-granting, an agreement will be issued to the member school district.

Current Status: There were no similar instances of noncompliance noted in the fiscal year ended June 30, 2015 audit.

Effect: Ineligible costs could be charged to the grant.

Recommendation: We recommend that budget line items be entered into the accounting software that agree with the grant agreements. The Supervisory Union should work with ADS to resolve any issues with inputting and producing budget reports.

Response: In fiscal year 2015, the budget line items have been entered into the accounting software based on function and objects required by the strategies. The totals of the grant agreements match the total grants.

**ADDISON NORTHWEST SUPERVISORY UNION SUMMARY SCHEDULE OF PRIOR AUDIT
FINDINGS Year Ended June 30, 2015**

B-03 Non-major Program Report Filings of SDE 1.1

Condition: The Supervisory Union was unable to locate the quarterly SDE 1.1's for several grants quarterly SDE 1.1's. In addition, several final SDE 1.1's have not been filed for the year.

Criteria: It is the Supervisory Union's fiduciary responsibility to maintain adequate and complete records. In addition, final SDE 1.1's are required to be submitted after all obligations have been liquidated, but no later than 90 days after the close of the grant period.

Effect: The State could withhold subsequent funding of these grants to the Supervisory Union until the final reports are filed.

2014 Findings:

Recommendation: We recommend the Supervisory Union prepare and submit final SDE 1.1 reports on all grants requiring them and after all cash disbursements have been made to accurately report cash disbursements on the final SDE 1.1. We also recommend that copies of all reports submitted to granting agencies be kept on file.

Response: The Supervisory Union will prepare and submit final SDE 1.1 reports on all grants requiring them and after all cash disbursements have been made to accurately report cash disbursements on the final SDE 1.1.

Current Status: There were no similar instances of noncompliance noted in the fiscal year ended June 30, 2015 audit.

B-04 Approval of Expenditures

Condition: We noted several instances in which there was no indication of approval by the Business Manager.

Criteria: The Supervisory Union records should contain signatures as evidence of review and approval of all purchase orders by appropriate personnel in accordance with the Supervisory Union's approved procedures.

Effect: An improper expense could be charged to a program.

Recommendation: We recommend that the Program Director, if applicable, review items for accuracy to the grant agreement and sign off on all purchase orders. We also recommend that the Business Manager approve all purchase orders.

Response: Beginning in fiscal year 2015, all purchase orders for grants require the signature of both the Program Director and the Business Manager.

Current Status: There were no similar instances of noncompliance noted in the fiscal year ended June 30, 2015 audit.

ADDISON NORTHWEST SUPERVISORY UNION SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended June 30, 2015

B-05 Lack of Approval for Cash Transfers

Condition: We noted one individual has the authority to perform wire transfers with no approval by another individual.

Criteria: Dual authorization of wire transfers is an integral part of internal control to ensure that only legitimate transfers are made.

Effect: Unauthorized transfers from cash accounts could occur. Funds could be transferred out of a cash account for unauthorized purposes.

Recommendation: We recommend that the Supervisory Union adopt a policy for authorizing bank transfers. We also recommend that limits be placed on the amount an individual is authorized to transfer without approval. For transfers over the limit, we recommend that a second individual be required to provide approval to the bank before the transfer is executed.

Response: In fiscal year 2016, the process for transferring funds will be the responsibility of the elected Treasurer of the district. The Supervisory Union Board will adopt a policy outlining the requirements of these bank transfers.

Current Status: There were no similar instances of noncompliance noted in the fiscal year ended June 30, 2015 audit.

C. FINDINGS AND QUESTIONED COSTS - AUDIT OF MAJOR FEDERAL AWARDS

DEPARTMENT OF EDUCATION - Passed through Vermont Department of Education: Title IIA - CFDA No. 84.367, Special Education Cluster - CFDA No.'s 84.027, 84.391 and 84.173, and Migrant Education - CFDA No. 84.011

C-01 Reporting - Data Collection Form and Reporting Package

Condition: The Supervisory Union did not submit the data collection form and reporting package for 2012 and 2013 to the federal audit clearinghouse on time.

Current Status: There is a no similar instance of noncompliance for the 2014 reporting packages were timely filed by March 31, 2015.

DEPARTMENT OF EDUCATION - Passed through Vermont Department of Education: Title IIA - CFDA No. 84.367

C-02 Procurement - Bids on Contractual Services

Condition: There is no formal procurement policy.

Current Status: There were no similar instances of noncompliance noted in the current audit.

ADDISON NORTHWEST SUPERVISORY UNION SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DEPARTMENT OF EDUCATION - Passed through Vermont Department of Education: Title IIA - CFDA No. 84.367, Special Education Cluster - CFDA No.'s 84.027, 84.391 and 84.173, and Migrant Education - CFDA No. 84.011

C-03 Activities Allowed or Unallowed / Allowable Costs / Cost Principles Allocation of Costs

Condition: We noted the following issues with time studies:

- Special Education Cluster: There was one instance where a semi-annual certification was not on file for half the year. One semi-annual certification was not signed by a supervisor. One instance where a personnel activity report was filled out which as inconsistent with the grant agreement and the contracted position.
- Title I Program: There were six instances where semiannual certificates were not on file for half of the year. There was one instance where a semiannual certificate was filed for the first half of the year, however, the employee had more than one cost objective, therefore should have done a personnel activity report.

There were four instances in which there was approval by the Program Director. There was no Business Manager signature, but the purchase order was stamped with the Business Manager's initials. There were four instances in which there was no approval by the Business Manager or Program Director. There was one instance in which a purchase order could not be found.

Current Status: There were no similar instances of noncompliance noted during the fiscal 2015 audit.

DEPARTMENT OF EDUCATION - Passed through Vermont Department of Education: Title IIA - CFDA No. 84.367, Special Education Cluster - CFDA No.'s 84.027, 84.391 and 84.173, and Migrant Education - CFDA No. 84.011

C-04 Reporting - Missing SDE 1.1's and Missing support for SDE 1.1's

Condition: The Supervisory Union was unable to locate certain SDE 1.1's. In addition, we were unable to obtain the supporting documentation used to prepare one SDE 1.1.

Current Status: There were no similar instances of noncompliance noted during the fiscal 2015 audit.

DEPARTMENT OF EDUCATION - Passed through Vermont Department of Education: Title IIA - CFDA No. 84.367, Special Education Cluster - CFDA No.'s 84.027, 84.391 and 84.173, and Migrant Education - CFDA No. 84.011

C-05 Reporting - Reconciliation of SDE 1.1's to the General Ledger

Condition: Balances of the cash requests on the SDE 1.1 forms for individual funds were not reconciled to the deferred revenue or accounts receivable balances as stated in the general ledger.

Current Status: There were no similar instances of noncompliance noted in the during the fiscal year 2015 audit.

DEPARTMENT OF EDUCATION - Passed through Vermont Department of Education: Title IIA
- CFDA No. 84.367 and Migrant Education - CFDA No. 84.011

**C-06 Activities Allowed or Unallowed / Allowable Costs / Cost Principles and Period of
Availability of Federal Funds - Lack of Documentation for Amounts Charged to Grants**

Condition: We were unable to obtain support for six items charged to the grants. There were also two items with no supporting check or remittance advice and one item that had no proof of payment.

Current Status: There were no similar instances of noncompliance noted during the fiscal year 2015 audit.

Addison Northwest Supervisory Union
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund and Budgeted Other Governmental Funds
For the Fiscal Year Ended June 30, 2015

	<i>General Fund</i>			<i>Other Governmental Funds (Early Education & Special Education Programs)</i>		
	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Revenues:</i>						
Interest	\$ 1,300	\$ 713	\$ (587)	\$ -	\$ -	\$ -
Assessments	1,113,609	1,223,173	109,564	4,673,418	4,709,834	36,416
State Reimbursements	-	-	-	103,244	83,951	(19,293)
Miscellaneous	-	(748)	(748)	-	1,250	1,250
Federal & State Grants	-	1,500	1,500	-	-	-
Total Revenues	1,114,909	1,224,638	109,729	4,776,662	4,795,035	18,373
<i>Expenditures:</i>						
General Instructional	284,853	278,102	6,751	186,798	177,070	9,728
Early Essential Education	-	-	-	282,560	279,115	3,445
Special Services Instructional	-	-	-	3,711,576	3,898,993	(187,417)
Curriculum Development	186,707	187,994	(1,287)	-	-	-
Student Support Services	158,210	125,532	32,678	422,759	295,861	126,898
Student Transportation	-	-	-	106,250	112,219	(5,969)
Superintendent's Office	363,093	282,938	80,155	-	-	-
Fiscal Services	318,642	512,929	(194,287)	-	-	-
Information Technology	109,444	105,400	4,044	-	-	-
Plant Operations	72,300	81,394	(9,094)	9,850	7,476	2,374
Administration	21,660	21,660	-	56,869	43,125	13,744
Total Expenditures	1,514,909	1,595,949	(81,040)	4,776,662	4,813,859	(37,197)
 Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	 \$ (400,000)	 \$ (371,310)	 \$ 28,690	 \$ -	 \$ (18,824)	 \$ (18,824)