

Audited Financial Statements

Ferrisburgh Town School District

June 30, 2016



*Proven Expertise and Integrity*

FERRISBURGH TOWN SCHOOL DISTRICT

CONTENTS

JUNE 30, 2016

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 10
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	11
STATEMENT B - STATEMENT OF ACTIVITIES	12 - 13
FUND FINANCIAL STATEMENTS	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	14
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	15
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	16
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	17
STATEMENT G - STATEMENT OF FIDUCIARY NET POSITION	18
NOTES TO FINANCIAL STATEMENTS	19 - 48
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	49
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS - BUDGET AND ACTUAL – GENERAL FUND	50

SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	51
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS	52
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	53
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	54
SCHEDULE A - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS - BUDGET AND ACTUAL – GENERAL FUND REVENUES	55
SCHEDULE B - SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND	56 - 57
SCHEDULE C - COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	58
SCHEDULE D - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	59
SPECIAL REVENUE FUNDS DESCRIPTION	60
SCHEDULE E - COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS	61
SCHEDULE F - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS	62
CAPITAL PROJECTS FUNDS DESCRIPTION	63
SCHEDULE G - COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUNDS	64
SCHEDULE H - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS	65
PERMANENT FUNDS DESCRIPTION	66
SCHEDULE I - COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS	67

SCHEDULE J - COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – NONMAJOR  
PERMANENT FUNDS

68

FEDERAL COMPLIANCE

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*

69 - 70



*Proven Expertise and Integrity*  
INDEPENDENT AUDITORS' REPORT

Board of Directors  
Ferrisburgh Town School District  
Addison, 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 Ferrisburgh Town School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Ferrisburgh Town School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 10 and 50 through 53 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 Ferrisburgh Town School District's basic financial statements. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements 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 5, 2017, on our consideration of the Ferrisburgh Town School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ferrisburgh Town School District's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
January 5, 2017

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

**(UNAUDITED)**

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

**Financial Statement Overview**

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

**Basic Financial Statements**

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

**Government-Wide Financial Statements**

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

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

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

Both of the above mentioned financial statements have separate columns for the two different types of District activities. The types of activities presented for the School District are:

- *Governmental activities* – The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). Most of the School District's basic services are reported in instruction, Board of Education, fiscal services, superintendent's office, operations and maintenance, transportation and program expenditures.

### **Fund Financial Statements**

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

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

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

The School District presents two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in

fund balances. The School District's only major fund is the general fund. All other funds are shown as nonmajor and are combined in the "All Nonmajor Funds" column on these statements.

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

*Fiduciary Funds:* These funds are used to account for resources held for the benefit of parties outside the Ferrisburgh Town School District. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the District's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

### **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 Statement of Fiduciary Net Position.

### **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, other detailed budgetary information for the general fund and capital asset activity.

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

Our analysis below focuses on the net position, and changes in net position of the District's governmental and business-type activities. The District's total net position for governmental activities increased by \$136,892 from \$979,444 to \$1,116,336.

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 - increased for governmental activities to \$(113,919) at the end of this year.

**Table 1**  
**Ferrisburgh Town School District**  
**Net Position**  
**June 30,**

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015 (Restated)</u>
<b>Assets</b>		
Current Assets	\$ 184,600	\$ 129,393
Capital Assets	<u>2,433,686</u>	<u>2,535,676</u>
Total Assets	<u>2,618,286</u>	<u>2,665,069</u>
<b>Deferred Outflows of Resources</b>		
Deferred Outflows Related to Pensions	<u>39,133</u>	<u>13,484</u>
Total Deferred Outflows of Resources	<u>39,133</u>	<u>13,484</u>
<b>Liabilities</b>		
Current Liabilities	338,294	369,344
Long-term Debt Outstanding	<u>1,199,782</u>	<u>1,298,973</u>
Total Liabilities	<u>1,538,076</u>	<u>1,668,317</u>
<b>Deferred Inflows of Resources</b>		
Deferred Inflows Related to Pensions	<u>3,007</u>	<u>30,792</u>
Total Deferred Inflows of Resources	<u>3,007</u>	<u>30,792</u>
<b>Net Position</b>		
Net Investment in Capital Assets	1,223,686	1,158,439
Restricted	6,569	-
Unrestricted (Deficit)	<u>(113,919)</u>	<u>(178,995)</u>
Total Net Position	<u>\$ 1,116,336</u>	<u>\$ 979,444</u>

### Revenues and Expenses

Revenues for the Ferrisburgh Town School District's governmental activities decreased by 3.04%, while total expenses decreased by 3.69%. The largest decrease in revenues was in operating grants and contributions. The decrease in expenses was mainly in regular instruction.

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

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for services	\$ 63,990	\$ 59,951
Operating grants and contributions	845,098	1,052,299
<i>General Revenues:</i>		
Grants and contributions not restricted to specific programs	3,084,049	3,003,030
Miscellaneous	3,393	6,405
<b>Total Revenues</b>	<b>3,996,530</b>	<b>4,121,685</b>
<b>Expenses</b>		
Regular instruction	1,330,003	1,461,499
Co-curricular	1,084	1,076
Special education	1,066,607	723,488
Support services	160,073	172,681
Principal's office	214,686	191,881
Board of education	8,654	14,080
Fiscal services	1,226	-
District services	272,346	368,373
Operations and maintenance	215,611	221,375
Transportation	83,815	140,624
On-behalf payments	177,522	387,930
Program expenditures	165,120	156,323
Interest on long-term debt	60,900	66,106
Unallocated depreciation (Note 4)	101,991	101,991
<b>Total Expenses</b>	<b>3,859,638</b>	<b>4,007,427</b>
<b>Change in Net Position</b>	<b>136,892</b>	<b>114,258</b>
<b>Net Position - July 1, Restated</b>	<b>979,444</b>	<b>865,186</b>
<b>Net Position - June 30</b>	<b>\$ 1,116,336</b>	<b>\$ 979,444</b>

## Financial Analysis of the School District's Fund Statements

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

**Table 3**  
**Ferrisburgh Town School District**  
**Fund Balances - Governmental Funds**  
**June 30,**

	2016	2015
Major Funds:		
General Fund:		
Nonspendable	\$ 399	\$ -
Unassigned	74,856	(91,232)
Total Major Funds	\$ 75,255	\$ (91,232)
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 1,811	\$ -
Unassigned	(125,409)	(94,807)
Capital Projects Funds:		
Committed	45,256	69,171
Unassigned	(8,343)	(8,343)
Permanent Funds:		
Restricted	6,569	7,017
Total Nonmajor Funds	\$ (80,116)	\$ (26,962)

The general fund total fund balance increased by \$166,487 from the prior fiscal year. Total nonmajor fund balances decreased by \$53,154 from the prior fiscal year.

### Budgetary Highlights

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

The general fund actual revenues were over budgeted revenues by \$84,720. This was mainly the result of other intergovernmental revenues.

The general fund actual expenditures were under budget by \$32,102. All expenditure categories were underspent with the exception of support services, debt service and principal's office.

### **Capital Asset and Long-Term Debt Activity**

#### **Capital Assets**

As of June 30, 2016, the School District's capital assets decreased by \$101,991. This decrease is due to current year depreciation expense.

**Table 4  
Ferrisburgh Town School District  
Capital Assets (Net of Depreciation)  
June 30,**

	<u>2016</u>	<u>2015</u>
Buildings	\$ 2,279,097	\$ 2,369,793
Machinery and equipment	154,589	165,884
Total	<u>\$ 2,433,686</u>	<u>\$ 2,535,677</u>

#### **Debt**

At June 30, 2016, the School District had \$1,263,572 in bonds and notes outstanding versus \$1,364,286 last year. Other obligations include accrued sick and vacation time and net pension liability. Refer to Note 6 of Notes to Financial Statements for more detailed information.

#### **Currently Known Facts, Decisions, or Conditions**

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

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

##### **Contacting the School District's Financial Management**

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

## FERRISBURGH TOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Investments	\$ 11,321
Due from other governments	171,069
Inventory	1,811
Prepaid items	399
Total current assets	<u>184,600</u>
Noncurrent assets:	
Buildings, net of accumulated depreciation	2,279,097
Machinery & equipment, net of accumulated depreciation	154,589
Total noncurrent assets	<u>2,433,686</u>
<b>TOTAL ASSETS</b>	<u>2,618,286</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	39,133
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>39,133</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 2,657,419</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 31,541
Accrued expenses	157,920
Current portion of long-term obligations	148,833
Total current liabilities	<u>338,294</u>
Noncurrent liabilities:	
Bonds payable	1,120,000
Accrued compensated absences	10,678
Net pension liability	69,104
Total noncurrent liabilities	<u>1,199,782</u>
<b>TOTAL LIABILITIES</b>	<u>1,538,076</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	3,007
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>3,007</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,223,686
Restricted	6,569
Unrestricted (deficit)	(113,919)
<b>TOTAL NET POSITION</b>	<u>1,116,336</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 2,657,419</u>

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

## FERRISBURGH TOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental activities:					
Regular instruction	\$ 1,330,003	\$ 13,481	\$ -	\$ -	\$ (1,316,522)
Co-curricular	1,084	-	-	-	(1,084)
Special education	1,066,607	-	623,362	-	(443,245)
Support services	160,073	-	-	-	(160,073)
Principal's office	214,686	-	-	-	(214,686)
Board of education	8,654	-	-	-	(8,654)
Fiscal services	1,226	-	-	-	(1,226)
District services	272,346	-	-	-	(272,346)
Operations and maintenance	215,611	-	-	-	(215,611)
Transportation	83,815	-	44,214	-	(39,601)
On-behalf payments	177,522	-	177,522	-	-
Program expenditures	165,120	50,509	-	-	(114,611)
Interest on long-term debt	60,900	-	-	-	(60,900)
Unallocated depreciation*	101,991	-	-	-	(101,991)
Total governmental activities	<u>\$ 3,859,638</u>	<u>\$ 63,990</u>	<u>\$ 845,098</u>	<u>\$ -</u>	<u>(2,950,550)</u>

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

STATEMENT B (CONTINUED)

FERRISBURGH TOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(2,950,550)</u>
General revenues:	
Grants and contributions not restricted to specific programs	3,084,049
Miscellaneous	3,393
Transfers	-
Total general revenues and transfers	<u>3,087,442</u>
Change in net position	136,892
NET POSITION - JULY 1, RESTATED	<u>979,444</u>
NET POSITION - JUNE 30	<u><u>\$ 1,116,336</u></u>

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

## FERRISBURGH TOWN SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	All Nonmajor Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	-	11,321	11,321
Due from other governments	167,314	3,755	171,069
Inventory	-	1,811	1,811
Prepaid items	399	-	399
Due from other funds	142,259	45,256	187,515
<b>TOTAL ASSETS</b>	<u>\$ 309,972</u>	<u>\$ 62,143</u>	<u>\$ 372,115</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 31,541	\$ -	\$ 31,541
Accrued expenses	157,920	-	157,920
Due to other funds	45,256	142,259	187,515
<b>TOTAL LIABILITIES</b>	<u>234,717</u>	<u>142,259</u>	<u>376,976</u>
<b>FUND BALANCES</b>			
Nonspendable	399	1,811	2,210
Restricted	-	6,569	6,569
Committed	-	45,256	45,256
Assigned	-	-	-
Unassigned	74,856	(133,752)	(58,896)
<b>TOTAL FUND BALANCES</b>	<u>75,255</u>	<u>(80,116)</u>	<u>(4,861)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 309,972</u>	<u>\$ 62,143</u>	<u>\$ 372,115</u>

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

## FERRISBURGH TOWN SCHOOL DISTRICT

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

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ (4,861)
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	2,433,686
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	39,133
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(1,210,000)
Notes payable	(53,572)
Accrued compensated absences	(10,678)
Net pension liability	(74,365)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(3,007)</u>
Net position of governmental activities	<u><u>\$ 1,116,336</u></u>

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

## FERRISBURGH TOWN SCHOOL DISTRICT

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

	General Fund	All Nonmajor Funds	Total Governmental Funds
REVENUES			
Intergovernmental revenues	\$ 3,838,312	\$ 41,094	\$ 3,879,406
Tuition	13,481	-	13,481
Interest income	467	52	519
Charges for service	-	50,509	50,509
Miscellaneous revenues	2,558	316	2,874
TOTAL REVENUES	<u>3,854,818</u>	<u>91,971</u>	<u>3,946,789</u>
EXPENDITURES			
Current:			
Regular instruction	1,354,839	-	1,354,839
Co-curricular	1,084	-	1,084
Special education	1,066,607	-	1,066,607
Support services	160,073	-	160,073
Principal's office	214,686	-	214,686
Board of education	8,654	-	8,654
Fiscal services	1,226	-	1,226
District services	272,346	-	272,346
Operations and maintenance	215,611	-	215,611
Transportation	83,815	-	83,815
On-behalf payments	127,781	-	127,781
Program expenditures	-	165,120	165,120
Debt service:			
Principal	100,714	-	100,714
Interest	60,900	-	60,900
TOTAL EXPENDITURES	<u>3,668,336</u>	<u>165,120</u>	<u>3,833,456</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>186,482</u>	<u>(73,149)</u>	<u>113,333</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	19,995	19,995
Transfers (out)	(19,995)	-	(19,995)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(19,995)</u>	<u>19,995</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	166,487	(53,154)	113,333
FUND BALANCES - JULY 1	<u>(91,232)</u>	<u>(26,962)</u>	<u>(118,194)</u>
FUND BALANCES - JUNE 30	<u>\$ 75,255</u>	<u>\$ (80,116)</u>	<u>\$ (4,861)</u>

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

## FERRISBURGH TOWN SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 113,333</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>(101,991)</u>
	<u>(101,991)</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>33,105</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, reduces long-term liabilities in the Statement of Net Position	
	<u>113,227</u>
Deferred inflows 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>27,785</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:	
Accrued compensated absences	16,709
Net pension liability	<u>(65,276)</u>
	<u>(48,567)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 136,892</u></u>

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

FERRISBURGH TOWN SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016

	<u>Agency Funds</u> <u>Student</u> <u>Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 22,308
<b>TOTAL ASSETS</b>	<u>\$ 22,308</u>
<b>LIABILITIES</b>	
Due to other funds	\$ -
Deposits held for others	22,308
<b>TOTAL LIABILITIES</b>	<u>\$ 22,308</u>

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

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Reporting Entity***

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

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

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

***Implementation of New Accounting Standards***

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

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

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

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

***Government-Wide and Fund Financial Statements***

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

Both the government. All other activities of the School District are categorized as governmental.

In the government-wide Statement of Net Position, the governmental activity column is (a) presented on a consolidated basis by column, and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The School District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions (instruction, administration, etc.). The functions are also supported by general government revenues (support from the School District, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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

The School District does not allocate indirect costs. All costs are charged directly to the corresponding departments.

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

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

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

1. Governmental Funds:

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

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

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

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.
- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- d. Permanent Funds are used to account for assets held by the Unit that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Unit or its citizenry. The Unit's policy for authorizing and spending investment income follows State statutes.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the School District's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

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

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Budget**

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

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

Revenues per budgetary basis	\$3,727,037
Add: On-behalf payments	<u>127,781</u>
Total GAAP basis	<u>\$3,854,818</u>
Expenditures per budgetary basis	\$3,560,550
Add: On-behalf basis	<u>127,781</u>
Total GAAP basis	<u>\$3,688,331</u>

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Early in the first half of the year the School District prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the participating Towns was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the participating Towns.
4. The School District does not adopt budgets for Special Revenue Funds.

**Deposits and Investments**

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

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

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

The Ferrisburgh Town School District has no formal investment policy but instead follows the State of Vermont Statutes.

**Inventories**

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet. The enterprise fund inventory consists of school lunch supplies and food on hand at the end of the year, valued at cost. The cost value is determined using the first-in, first-out (FIFO) method.

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Prepaid Items**

Certain insurance and other 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.

**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.

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 District. The District 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 bonds and notes payable, compensated absences and net pension liability.

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

**Compensated Absences**

The School District's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The School District 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 School District's liability for compensated absences is \$10,678.

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

**Fund Balance**

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

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

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

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

**Deferred Outflows and Inflows of Resources**

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

In addition to liabilities, the statement of financial position and/or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, deferred inflows related to pensions, which arises only under an accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the statement of net position. All items in this category are deferred and recognized as inflows of resources in the period that the amounts become available.

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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).

**Operating/Non-Operating Proprietary Fund Revenues**

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund.

**Encumbrance Accounting**

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

**Use of Estimates**

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The School District's investment policies, which follow state statutes, authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all School District funds.

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the School District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The School District does not have a policy covering custodial credit risk.

At June 30, 2016, the School District's cash balance of \$22,308 was comprised of bank balances of \$47,265 which was all insured by federal depository insurance and consequently was not exposed to custodial credit risk.

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 47,265
	<u>\$ 47,265</u>

**Investments:**

Custodial credit risk for investments is that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the District does not have a policy for custodial credit risk for investments.

At June 30, 2016, of the Unit's investment in certificates of deposit of \$11,321 was collateralized with securities held by the financial institution in the Unit's name.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>
Certificates of Deposit	\$ 11,321	\$ -	\$ 11,321	\$ -
	<u>\$ 11,321</u>	<u>\$ -</u>	<u>\$ 11,321</u>	<u>\$ -</u>

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

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

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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	\$ 142,259	\$ 45,256
Nonmajor special revenue funds	-	129,164
Nonmajor capital projects funds	45,256	8,343
Nonmajor permanent funds	-	4,752
	<u>\$ 187,515</u>	<u>\$ 187,515</u>

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
<u>Governmental activities:</u>				
Depreciated assets:				
Buildings & improvements	\$ 3,958,156	\$ -	\$ -	\$ 3,958,156
Machinery and equipment	346,781	-	-	346,781
	<u>4,304,937</u>	<u>-</u>	<u>-</u>	<u>4,304,937</u>
Less: accumulated depreciation				
Buildings	(1,588,363)	(90,696)	-	(1,679,059)
Machinery and equipment	(180,897)	(11,295)	-	(192,192)
	<u>(1,769,260)</u>	<u>(101,991)</u>	<u>-</u>	<u>(1,871,251)</u>
Net capital assets governmental activities	<u>\$ 2,535,677</u>	<u>\$ (101,991)</u>	<u>\$ -</u>	<u>\$ 2,433,686</u>

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 5 - SHORT TERM DEBT

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

	Balance, 7/1/15	Additions	Reductions	Balance, 6/30/16
Tax anticipation note	\$ -	\$ 600,000	\$ (600,000)	\$ -
Totals	<u>\$ -</u>	<u>\$ 600,000</u>	<u>\$ (600,000)</u>	<u>\$ -</u>

On July 1, 2015, the School District issued a tax anticipation note through Peoples United Bank in anticipation of revenues to meet its operating obligations during the fiscal year. The note allowed principal draws up to \$750,000 at 1.25% interest with a maturity date of June 20, 2016. On June 20, 2016 the note was paid in full. Interest expense for the note was \$7,021.

NOTE 6 - LONG TERM DEBT

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

	Balance, 7/1/15	Additions	Deletions	Balance, 6/30/16	Current Portion
<u>Governmental Activities</u>					
Bonds payable	\$ 1,300,000	\$ -	\$ (90,000)	\$ 1,210,000	\$ 90,000
Notes payable	64,286	-	(10,714)	53,572	53,572
Capital leases payable	12,513	-	(12,513)	-	-
Accrued compensated absences	27,387	-	(16,709)	10,678	-
Net pension liability	9,089	65,276	-	74,365	5,261
	<u>\$ 1,413,275</u>	<u>\$ 65,276</u>	<u>\$ (129,936)</u>	<u>\$ 1,348,615</u>	<u>\$ 148,833</u>

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 6 - LONG TERM DEBT (CONTINUED)

The following is a summary of the outstanding bonds and notes payable:

Governmental Activities:

*Bonds payable:*

\$260,000, 2006 General Obligation Bond due in annual installments and semiannual interest installments through December 2021. Interest is charged at a rate of 4.15% per annum. Annual principal payments are \$15,000, with the exception of the last payment which is \$10,000.	\$ 85,000
\$1,500,000, 2010 General Obligation Bond due in annual installments and semiannual interest installments through November 30. Interest is charged at a rate of 3.27% per annum. Annual principal payments are \$75,000.	<u>1,125,000</u>
Total bonds payable	<u>1,210,000</u>

*Notes payable:*

\$75,000 Note payable to Peoples United Bank. The interest rate is 1.75% per annum. This capital improvement note is a refunding of a June 10, 2014 note. Maturity is on June 6, 2017.	<u>53,572</u>
Total notes payable	<u>53,572</u>
Total bonds and notes payable	<u><u>\$ 1,263,572</u></u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 143,572	\$ 42,486	\$ 186,058
2018	90,000	40,704	130,704
2019	90,000	37,113	127,113
2020	90,000	40,666	130,666
2021	90,000	36,666	126,666
2022-2026	385,000	134,538	519,538
2027-2031	375,000	46,557	421,557
	<u>\$ 1,263,572</u>	<u>\$ 378,730</u>	<u>\$ 1,642,302</u>

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 7 - NONSPENDABLE FUND BALANCES

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

Prepaid items	\$	399
Nonmajor special revenue funds:		
Food service: Inventory		<u>1,811</u>
	\$	<u><u>2,210</u></u>

NOTE 8 - RESTRICTED FUND BALANCES

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

Nonmajor permanent funds (Schedule G)	\$	<u>6,569</u>
	\$	<u><u>6,569</u></u>

NOTE 9 - COMMITTED FUND BALANCES

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

Nonmajor capital projects funds:		
Capital improvement fund	\$	<u>45,256</u>
	\$	<u><u>45,256</u></u>

NOTE 10 - OVERSPENT APPROPRIATIONS

At June 30, 2016, the District had the following overspent appropriations:

Support services	\$	858
Principal's office		19,100
Debt service		<u>8,666</u>
	\$	<u><u>28,624</u></u>

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

**Plan Description**

All of the teachers employed by the District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private District teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2015, the retirement system consisted of 288 participating employers.

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

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

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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

FERRISBURGH TOWN SCHOOL DISTRICT

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 District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the District's employees included in the teacher's retirement plan which approximates \$127,781 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 \$51,603 during the year and were paid by the District to the State of Vermont. The District has no other liability under the plan. The District's total payroll for all employees covered under this plan was \$995,180 for the year ended June 30, 2016.

FERRISBURGH TOWN SCHOOL DISTRICT

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 districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. Employees of the District other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year.

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

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

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

**Benefits Provided**

The pension plan is divided into four membership groups:

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

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The District participates in Groups A. 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

\*\* - 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

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 District and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2016, and 2015 totaled \$4,754 and \$4,567, respectively. The District contributed \$7,606 and \$13,484 for the years ended June 30, 2016 and 2015, respectively. The District's total payroll for the year ended June 30, 2016 for all employees covered under this plan was \$190,151.

**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 District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2016. The State's portion of the collective net pension liability that was associated with the District was as follows:

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	<u>1,842,095</u>
Total	<u>\$ 1,842,095</u>

The State of Vermont's proportionate share of the net pension liability associated with the District is equal to the collective net pension liability, actuarially measured as of June 30, 2015, multiplied by the District's proportionate share percentage. The District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2015, the District's proportion was .15525%, which was a decrease of .05820% from its proportion measured as of June 30, 2014.

*VMERS Plan*

At June 30, 2016, the District reported a liability of \$74,365 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 District's proportion of the net pension liabilities were based on a projection of the District's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2015, the District's proportion was .09646% for VMERS, which was a decrease of .003130% from its proportion measured as of June 30, 2014 for VMERS.

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

For the year ended June 30, 2016, the District recognized pension revenue of \$49,741 and expense of \$49,741 for support provided by the State of Vermont for the VSTRS plan. In the same period, the District recognized pension expense of \$11,842 for the VMERS plan. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 2,351	\$ -
Changes of assumptions	-	-	14,810	-
Net difference between projected and actual earnings on pension plan investments	-	-	14,366	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-	3,007
Contributions subsequent to the measurement date	-	-	7,606	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,133</u>	<u>\$ 3,007</u>

\$7,606 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS	VMERS
Year ended June 30:		
2017	\$ -	\$ 5,261
2018	-	5,261
2019	-	5,261
2020	-	12,738
2021	-	-
Thereafter	-	-

**Significant Actuarial Assumptions and Methods**

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2017 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:

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

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

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

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

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

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

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

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

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

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

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

**Discount Rate**

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.95% for the VSTRS plan and 7.95% for the VMERS plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.95% for VSTRS and 6.95% for VMERS) or 1 percentage point higher (8.95% for VSTRS and 8.95% VMERS) than the current rate:

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.95%	7.95%	8.95%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.95%	7.95%	8.95%
District's proportionate share of the net pension liability	\$ 148,539	\$ 74,365	\$ 12,186

**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 School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance or participates in a public entity and self-insured risk pool.

Based on the coverage provided by the insurance purchased, the School District is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2016. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

In addition the District is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker compensation, multi-line intermunicipal school program, and unemployment compensation program, and the Vermont Education Health Initiative (VEHI) for medical benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont School Districts and is owned by the participating Districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 12 - RISK MANAGEMENT (CONTINUED)

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.

FERRISBURGH TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFICIT FUND BALANCES

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

Nonmajor special revenue funds:	
Food service	122,020
Kitchen equipment	1,578
Nonmajor capital projects funds:	
Construction fund	8,343
	<u>\$ 131,941</u>

NOTE 14 - CONTINGENCIES

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

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

NOTE 15 - RELATED ORGANIZATION

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

NOTE 16 - RESTATEMENT

The beginning net position for the governmental activities has been restated as of July 1, 2015. This balance was restated to correct the deferred inflows related to pensions balance. The governmental activities were restated by (\$2,765).

## 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

FERRISBURGH TOWN SCHOOL DISTRICT

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

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (91,232)	\$ (91,232)	\$ (91,232)	\$ -
Resources (Inflows):				
Intergovernmental:				
State support	2,992,509	2,992,509	3,015,116	22,607
Other	647,908	647,908	695,415	47,507
Tuition	-	-	13,481	13,481
Interest income	200	200	467	267
Miscellaneous	1,700	1,700	2,558	858
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>3,551,085</u>	<u>3,551,085</u>	<u>3,635,805</u>	<u>84,720</u>
Charges to Appropriations (Outflows):				
Regular instruction	1,391,387	1,391,387	1,354,839	36,548
Co-curricular	1,577	1,577	1,084	493
Special education	1,066,607	1,066,607	1,066,607	-
Support services	159,215	159,215	160,073	(858)
Principal's office	195,586	195,586	214,686	(19,100)
Board of education	13,803	13,803	8,654	5,149
Fiscal services	1,227	1,227	1,226	1
District services	272,346	272,346	272,346	-
Operations and maintenance	228,436	228,436	215,611	12,825
Transportation	89,525	89,525	83,815	5,710
Debt service:				
Principal	90,000	90,000	100,714	(10,714)
Interest	62,948	62,948	60,900	2,048
Transfers to other funds	19,995	19,995	19,995	-
Total Charges to Appropriations	<u>3,592,652</u>	<u>3,592,652</u>	<u>3,560,550</u>	<u>32,102</u>
Budgetary Fund Balance, June 30	<u>\$ (41,567)</u>	<u>\$ (41,567)</u>	<u>\$ 75,255</u>	<u>\$ 116,822</u>
Utilization of unassigned fund balance	<u>\$ (49,665)</u>	<u>\$ (49,665)</u>	<u>\$ -</u>	<u>\$ 49,665</u>

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

## FERRISBURGH TOWN SCHOOL DISTRICT

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	0.16%	0.21%	0.20%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>1,842,095</u>	<u>2,045,794</u>	<u>\$ 1,999,055</u>
Total	<u>\$ 1,842,095</u>	<u>\$ 2,045,794</u>	<u>\$ 1,999,055</u>
Covered-employee payroll	\$ 995,180	\$ 865,864	\$ 1,209,962
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	0.10%	0.10%	0.11%
Proportionate share of the net pension liability	\$ 74,365	\$ 9,089	\$ 39,715
Covered-employee payroll	\$ 190,151	\$ 182,692	\$ 321,155
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	39.11%	4.98%	12.37%
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.

FERRISBURGH TOWN SCHOOL DISTRICT

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	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 995,180	\$ 865,864	\$ 1,209,962
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%
<u>VMERS:</u>			
Contractually required contribution	\$ 7,606	\$ 13,484	\$ 12,846
Contributions in relation to the contractually required contribution	<u>(7,606)</u>	<u>(13,484)</u>	<u>(12,846)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 190,151	\$ 182,692	\$ 321,155
Contributions as a percentage of covered-employee payroll	4.00%	7.38%	4.00%

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

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

FERRISBURGH TOWN SCHOOL DISTRICT

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

**Changes of Assumptions**

The discount rate used to measure the net pension liability 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.

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

## FERRISBURGH TOWN SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
State support	\$ 2,992,509	\$ 2,992,509	\$ 3,015,116	\$ 22,607
Transportation aid	44,214	44,214	44,214	-
Mainstream Block Grant	74,866	74,866	74,866	-
General SPED Reimbursement	414,377	414,377	343,840	(70,537)
Extraordinary Reimbursement	86,612	86,612	37,342	(49,270)
Essential Early Education	27,839	27,839	27,839	-
Addison Northwest Supervisory Union	-	-	167,314	167,314
Tuition:				
Elementary tuition	-	-	13,481	13,481
Interest income	200	200	467	267
Miscellaneous:				
Facility rental	700	700	-	(700)
Other receipts	1,000	1,000	2,558	1,558
Transfer from other funds	-	-	-	-
Amounts Available for Appropriation	<u>\$ 3,642,317</u>	<u>\$ 3,642,317</u>	<u>\$ 3,727,037</u>	<u>\$ 84,720</u>

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

## FERRISBURGH TOWN SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Regular Instruction -				
Instruction	\$ 1,308,626	\$ 1,308,626	\$ 1,280,415	\$ 28,211
Art	1,600	1,600	593	1,007
Language Arts	5,390	5,390	1,951	3,439
Physical education	1,800	1,800	515	1,285
Math	5,990	5,990	4,488	1,502
Music	600	600	505	95
Science	3,715	3,715	1,761	1,954
Social Studies	1,615	1,615	440	1,175
Compensatory	3,110	3,110	1,187	1,923
Testing	400	400	290	110
Technology	58,041	58,041	62,495	(4,454)
Enrichment technology	500	500	199	301
	<u>1,391,387</u>	<u>1,391,387</u>	<u>1,354,839</u>	<u>36,548</u>
Extra-Curricular	<u>1,577</u>	<u>1,577</u>	<u>1,084</u>	<u>493</u>
Special Education -				
Special education assessment	880,745	880,745	880,745	-
EEE assessment	185,862	185,862	185,862	-
	<u>1,066,607</u>	<u>1,066,607</u>	<u>1,066,607</u>	<u>-</u>
Support Services -				
Guidance	57,153	57,153	56,602	551
Health	67,651	67,651	69,453	(1,802)
Library/media	34,411	34,411	34,018	393
	<u>159,215</u>	<u>159,215</u>	<u>160,073</u>	<u>(858)</u>
Principal's Office	<u>195,586</u>	<u>195,586</u>	<u>214,686</u>	<u>(19,100)</u>
Board of Education -				
Stipends/benefits	3,230	3,230	3,230	-
Other	10,573	10,573	5,424	5,149
	<u>13,803</u>	<u>13,803</u>	<u>8,654</u>	<u>5,149</u>
Fiscal Services	<u>1,227</u>	<u>1,227</u>	<u>1,226</u>	<u>1</u>
District Services -				
ANWSU assessment	272,346	272,346	272,346	-
	<u>272,346</u>	<u>272,346</u>	<u>272,346</u>	<u>-</u>

SCHEDULE B (CONTINUED)  
 FERRISBURGH TOWN SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operations and Maintenance	228,436	228,436	215,611	12,825
Transportation -				
Transportation	2,000	2,000	134	1,866
Extra-curricular transportation	5,525	5,525	1,681	3,844
Transportation assessment	82,000	82,000	82,000	-
	<u>89,525</u>	<u>89,525</u>	<u>83,815</u>	<u>5,710</u>
Debt Service -				
Principal	90,000	90,000	100,714	(10,714)
Interest	53,948	53,948	53,699	249
TAN interest/bank fees	9,000	9,000	7,201	1,799
	<u>152,948</u>	<u>152,948</u>	<u>161,614</u>	<u>(8,666)</u>
Transfers to Other Funds -				
School lunch	19,995	19,995	19,995	-
	<u>19,995</u>	<u>19,995</u>	<u>19,995</u>	<u>-</u>
<b>TOTAL DEPARTMENTAL OPERATIONS</b>	<u><u>\$ 3,592,652</u></u>	<u><u>\$ 3,592,652</u></u>	<u><u>\$ 3,560,550</u></u>	<u><u>\$ 32,102</u></u>

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

## FERRISBURGH TOWN SCHOOL DISTRICT

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Investments	\$ -	\$ -	\$ 11,321	\$ 11,321
Due from other governments	3,755	-	-	3,755
Inventory	1,811	-	-	1,811
Due from other funds	-	45,256	-	45,256
<b>TOTAL ASSETS</b>	<b><u>\$ 5,566</u></b>	<b><u>\$ 45,256</u></b>	<b><u>\$ 11,321</u></b>	<b><u>\$ 62,143</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	129,164	8,343	4,752	142,259
<b>TOTAL LIABILITIES</b>	<b><u>129,164</u></b>	<b><u>8,343</u></b>	<b><u>4,752</u></b>	<b><u>142,259</u></b>
<b>FUND BALANCES</b>				
Nonspendable	1,811	-	-	1,811
Restricted	-	-	6,569	6,569
Committed	-	45,256	-	45,256
Assigned	-	-	-	-
Unassigned	(125,409)	(8,343)	-	(133,752)
<b>TOTAL FUND BALANCES</b>	<b><u>(123,598)</u></b>	<b><u>36,913</u></b>	<b><u>6,569</u></b>	<b><u>(80,116)</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 5,566</u></b>	<b><u>\$ 45,256</u></b>	<b><u>\$ 11,321</u></b>	<b><u>\$ 62,143</u></b>

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

SCHEDULE D

FERRISBURGH TOWN SCHOOL DISTRICT

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

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 41,094	\$ -	\$ -	\$ 41,094
Interest income	-	-	52	52
Charges for service	50,509	-	-	50,509
Other income	316	-	-	316
TOTAL REVENUES	<u>91,919</u>	<u>-</u>	<u>52</u>	<u>91,971</u>
EXPENDITURES				
Other	140,705	23,915	500	165,120
TOTAL EXPENDITURES	<u>140,705</u>	<u>23,915</u>	<u>500</u>	<u>165,120</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(48,786)</u>	<u>(23,915)</u>	<u>(448)</u>	<u>(73,149)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	19,995	-	-	19,995
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>19,995</u>	<u>-</u>	<u>-</u>	<u>19,995</u>
NET CHANGE IN FUND BALANCES	(28,791)	(23,915)	(448)	(53,154)
FUND BALANCES - JULY 1	<u>(94,807)</u>	<u>60,828</u>	<u>7,017</u>	<u>(26,962)</u>
FUND BALANCES - JUNE 30	<u><u>\$ (123,598)</u></u>	<u><u>\$ 36,913</u></u>	<u><u>\$ 6,569</u></u>	<u><u>\$ (80,116)</u></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.

FERRISBURGH TOWN SCHOOL DISTRICT

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

	Food Service Fund	Kitchen Equipment	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from other governments	3,755	-	3,755
Inventory	1,811	-	1,811
Due from other funds	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 5,566</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,566</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	127,586	1,578	129,164
<b>TOTAL LIABILITIES</b>	<b><u>127,586</u></b>	<b><u>1,578</u></b>	<b><u>129,164</u></b>
<b>FUND BALANCES</b>			
Nonspendable	1,811	-	1,811
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	(123,831)	(1,578)	(125,409)
<b>TOTAL FUND BALANCES</b>	<b><u>(122,020)</u></b>	<b><u>(1,578)</u></b>	<b><u>(123,598)</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 5,566</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,566</u></b>

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

## FERRISBURGH TOWN SCHOOL DISTRICT

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

	Food Service Fund	Kitchen Equipment	Totals
REVENUES			
Intergovernmental	\$ 41,094	\$ -	\$ 41,094
Charges for services	50,509	-	50,509
Other income	316	-	316
TOTAL REVENUES	<u>91,919</u>	<u>-</u>	<u>91,919</u>
EXPENDITURES			
Other	140,705	-	140,705
TOTAL EXPENDITURES	<u>140,705</u>	<u>-</u>	<u>140,705</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(48,786)</u>	<u>-</u>	<u>(48,786)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	19,995	-	19,995
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>19,995</u>	<u>-</u>	<u>19,995</u>
NET CHANGE IN FUND BALANCES	(28,791)	-	(28,791)
FUND BALANCES - JULY 1	<u>(93,229)</u>	<u>(1,578)</u>	<u>(94,807)</u>
FUND BALANCES - JUNE 30	<u>\$ (122,020)</u>	<u>\$ (1,578)</u>	<u>\$ (123,598)</u>

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

## Capital Projects Funds

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

## FERRISBURGH TOWN SCHOOL DISTRICT

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

	Construction Fund	Capital Improvement Fund	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from other funds	-	45,256	45,256
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 45,256</u>	<u>\$ 45,256</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	8,343	-	8,343
<b>TOTAL LIABILITIES</b>	<u>8,343</u>	<u>-</u>	<u>8,343</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	45,256	45,256
Assigned	-	-	-
Unassigned	(8,343)	-	(8,343)
<b>TOTAL FUND BALANCES</b>	<u>(8,343)</u>	<u>45,256</u>	<u>36,913</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 45,256</u>	<u>\$ 45,256</u>

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

FERRISBURGH TOWN SCHOOL DISTRICT

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

	Construction Fund	Capital Improvement Fund	Totals
REVENUES			
Other income	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Other	-	23,915	23,915
TOTAL EXPENDITURES	<u>-</u>	<u>23,915</u>	<u>23,915</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(23,915)</u>	<u>(23,915)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(23,915)	(23,915)
FUND BALANCES - JULY 1	<u>(8,343)</u>	<u>69,171</u>	<u>60,828</u>
FUND BALANCES - JUNE 30	<u>\$ (8,343)</u>	<u>\$ 45,256</u>	<u>\$ 36,913</u>

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

## Permanent Funds

Permanent funds are used to account for assets held by the Ferrisburgh Town School District that are legally restricted and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the District or its residents. These funds have been established for the provision and/or maintenance of the funds.

## FERRISBURGH TOWN SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2016

	Scholarship Fund	Totals
	<u>          </u>	<u>          </u>
ASSETS		
Investments	\$ 11,321	\$ 11,321
Due from other funds	-	-
TOTAL ASSETS	<u>\$ 11,321</u>	<u>\$ 11,321</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
Due to other funds	4,752	4,752
TOTAL LIABILITIES	<u>4,752</u>	<u>4,752</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	6,569	6,569
Committed	-	-
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>6,569</u>	<u>6,569</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,321</u>	<u>\$ 11,321</u>

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

FERRISBURGH TOWN SCHOOL DISTRICT

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

	Scholarship Fund	Totals
REVENUES		
Interest income	\$ 52	\$ 52
TOTAL REVENUES	<u>52</u>	<u>52</u>
EXPENDITURES		
Other	500	500
TOTAL EXPENDITURES	<u>500</u>	<u>500</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(448)</u>	<u>(448)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers (out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(448)	(448)
FUND BALANCES - JULY 1	<u>7,017</u>	<u>7,017</u>
FUND BALANCES - JUNE 30	<u>\$ 6,569</u>	<u>\$ 6,569</u>

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



*Proven Expertise and Integrity*

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

School Board  
Ferrisburgh Town School District  
Addison, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, , each major fund, and the aggregate remaining fund information of the Ferrisburgh Town School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Ferrisburgh Town School District's basic financial statements, and have issued our report thereon dated January 5, 2017.

Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

A handwritten signature in black ink that reads "RHR Smith & Company". The signature is written in a cursive, flowing style.

Buxton, Maine  
Vermont Registration No. 092.0000697  
January 5, 2017