

Federal Compliance Audit

Washington West Supervisory Union

June 30, 2017



Proven Expertise and Integrity

WASHINGTON WEST SUPERVISORY UNION

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JUNE 30, 2017

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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Board of Directors
Washington West Supervisory Union
Waitsfield, 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 Washington West Supervisory Union as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Supervisory Union's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Washington West Supervisory Union as of June 30, 2017, 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 52 through 55 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 Washington West Supervisory Union's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget an Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, the combining financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017 on our consideration of Washington West Supervisory Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Washington West Supervisory Union's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
November 7, 2017

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

(UNAUDITED)

The following management's discussion and analysis of the Washington West Supervisory Union's financial performance provides an overview of the Supervisory Union's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Supervisory Union's financial statements.

Financial Statement Overview

The Supervisory Union's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and 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 Supervisory Union's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Supervisory Union's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

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

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net

position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have one separate column for the one type of Supervisory Union activities. The type of activity presented for the Supervisory Union is:

- *Governmental activities* – The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). All of the Supervisory Union's basic services are reported in general, special education – eligible for reimbursement, finance director/fiscal services, transportation services, 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 Supervisory Union, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Supervisory Union can be classified into one category: governmental funds.

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

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

The Supervisory Union presents seven columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Supervisory Union's six major funds are the general fund, the IDEA-B fund, the school wide (CFG SCW) fund, the transportation fund, the Harwood Union High School fund and the Waterbury-Duxbury School District 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 Supervisory Union legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining schedules provide information in regards to 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 Supervisory Union's governmental activities. The Supervisory Union's total net position for governmental activities increased by \$126,727 from \$229,191 to \$355,918.

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 a balance of \$45,446 at the end of this year.

Table 1
Washington West Supervisory Union
Net Position
June 30,

	Governmental Activities	
	2017	2016 (Restated)
Assets:		
Current Assets	\$ 957,358	\$ 784,159
Capital Assets	141,485	180,818
Total Assets	1,098,843	964,977
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	113,823	68,582
Total Deferred Outflows of Resources	113,823	68,582
Liabilities:		
Current Liabilities	681,940	525,147
Long-term Obligations Outstanding	172,216	162,031
Total Liabilities	854,156	687,178
Deferred Inflows of Resources:		
Deferred Revenues	-	117,190
Deferred Inflows Related to Pensions	2,592	-
Total Deferred Inflows of Resources	2,592	117,190
Net Position:		
Net Investment in Capital Assets	92,182	102,181
Restricted	218,290	97,305
Unrestricted	45,446	29,705
Total Net Position	\$ 355,918	\$ 229,191

Revenues and Expenses

Revenues for the Supervisory Union increased by 166.89% from the prior year and expenses increased by 168.05% from the prior year. The largest increase in revenues was in operating grants and contributions. The biggest increase in expenses was in program expenditures. The large increase in revenues and expenses is attributable to Act 153/156 enacted by the State of Vermont. This Act made special education part of the assessment process. Prior to this year all special education was recorded in the School Districts.

Table 2
Washington West Supervisory Union
Change in Net Position
For the Years Ended June 30,

	Governmental Activities	
	2017	2016
Revenues		
<i>Program Revenues:</i>		
Operating grants and contributions	\$ 5,044,042	\$ 2,350,646
<i>General Revenues:</i>		
Grants and contributions not restricted to specific programs	6,055,817	1,275,894
Miscellaneous	401,994	682,982
Total Revenues	11,501,853	4,309,522
Expenses		
General	759,373	639,132
Special education - eligible for reimbursement	157,018	150,402
Finance Director/fiscal services	470,152	441,917
Transportation	-	1,161,063
State on-behalf payments	393,258	46,357
Program expenditures	9,555,992	1,778,055
Capital outlay	-	7,500
Unallocated depreciation	39,333	19,193
Total Expenses	11,375,126	4,243,619
Change in Net Position	126,727	65,903
Net Position - July 1, Restated	229,191	163,288
Net Position - June 30	\$ 355,918	\$ 229,191

Financial Analysis of the Supervisory Union's Fund Statements

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

Table 3
Washington West Supervisory Union
Fund Balances - Governmental Funds
June 30,

	2016	2016
Major Funds:		
General Fund:		
Nonspendable	\$ 5,608	\$ 2,796
Unassigned	82,371	43,449
IDEA-B Fund:		
Restricted	229	229
Transportation Fund:		
Committed	21,916	28,678
Harwood Union High School Fund:		
Unassigned	(1,585)	-
Total Major Funds	\$ 108,539	\$ 75,152
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 218,061	\$ 97,076
Unassigned	(358)	(3,737)
Capital Projects Funds:		
Committed	-	13
Total Nonmajor Funds	\$ 217,703	\$ 93,352

The general fund total fund balance increased by \$41,734 from the prior fiscal year. The IDEA-B fund balance remained the same as the prior fiscal year. The transportation fund balance decreased by \$6,762 from the prior fiscal year. The Harwood Union High School fund balance had a deficit balance of \$1,585 this year. The nonmajor funds total fund balance increased by \$124,351 from the prior fiscal year.

Budgetary Highlights

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

The general fund actual revenues exceeded budget by \$12,550. This was attributable to all revenues being receipted in excess of budgeted amounts with the exception of assessments.

The general fund actual expenditures were under budget by \$40,062. This resulted from actual expenditures being less than budgeted expenditures for all expenditure categories.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2017, the Supervisory Union capital assets decreased by \$39,333. This decrease was due to current year depreciation expense.

Table 4
Washington West Supervisory Union
Capital Assets (Net of Depreciation)
June 30,

	2017	2016 (Restated)
Construction in progress	\$ 5,393	\$ 5,393
Machinery and equipment	136,092	175,425
Total	\$ 141,485	\$ 180,818

Debt

At June 30, 2017, the Supervisory Union had \$49,303 in capital leases payable versus \$78,637 in the prior fiscal year. Other obligations include net pension liability. Refer to Note 5 of the Notes to Financial Statements for detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The 2017-2018 budget could be severely impacted by the reduction of funding from the State. There is no indication of reduced funding from the State for 2017-2018 as of the date this report was issued.

The Washington West Supervisory Union will no longer be operational as of June 30, 2017 in accordance with the Articles of Agreement forming the Harwood Unified Union School District, which became operational on July 1, 2017.

Contacting the Supervisory Union's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Supervisory Union's finances and to show the Supervisory Union's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michelle J. Baker, Director of Finance & Operations, at Washington West Supervisory Union located at 340 Mad River Park, Suite 7, Waitsfield, VT 05673.

WASHINGTON WEST SUPERVISORY UNION

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 195,743
Accounts receivable (net of allowance for uncollectibles)	3,072
Due from other governments	752,935
Prepaid items	5,608
Total current assets	<u>957,358</u>
Noncurrent assets:	
Construction in progress not being depreciated	5,393
Machinery and equipment, net of accumulated depreciation	136,092
Total noncurrent assets	<u>141,485</u>
TOTAL ASSETS	<u>1,098,843</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	113,823
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>113,823</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,212,666</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 151,889
Accrued expenses	252,157
Due to other governments	227,070
Current portion of long-term obligations	50,824
Total current liabilities	<u>681,940</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Capital leases payable	20,926
Net pension liability	151,290
Total noncurrent liabilities	<u>172,216</u>
TOTAL LIABILITIES	<u>854,156</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,592
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,592</u>
NET POSITION	
Net investment in capital assets	92,182
Restricted: IDEA-B	229
Special revenue funds	218,061
Unrestricted	45,446
TOTAL NET POSITION	<u>355,918</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,212,666</u>

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

WASHINGTON WEST SUPERVISORY UNION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities
Governmental activities:					
General	\$ 759,373	\$ -	\$ -	\$ -	\$ (759,373)
Special education - eligible for reimbursement	157,018	-	-	-	(157,018)
Finance Director/fiscal services	470,152	-	-	-	(470,152)
State on-behalf payments	393,258	-	393,258	-	-
Program expenditures	9,555,992	-	4,650,784	-	(4,905,208)
Unallocated depreciation*	39,333	-	-	-	(39,333)
Total governmental activities	<u>\$ 11,375,126</u>	<u>\$ -</u>	<u>\$ 5,044,042</u>	<u>\$ -</u>	<u>(6,331,084)</u>

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

STATEMENT B (CONTINUED)
WASHINGTON WEST SUPERVISORY UNION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(6,331,084)</u>
General revenues:	
Grants and contributions not restricted to specific programs	6,055,817
Miscellaneous	401,994
Total general revenues	<u>6,457,811</u>
Change in net position	126,727
NET POSITION - JULY 1, RESTATED	<u>229,191</u>
NET POSITION - JUNE 30	<u><u>\$ 355,918</u></u>

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

WASHINGTON WEST SUPERVISORY UNION

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	General Fund	IDEA-B	School Wide Fund (CFG SCW)	Transportation	Harwood Union High School	Waterbury- Duxbury School District	All Nonmajor Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 195,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195,743
Accounts receivable (net of allowance for uncollectibles)	2,667	-	-	-	-	-	405	3,072
Due from other governments	-	62,380	-	-	121,747	239,549	329,259	752,935
Prepaid items	5,608	-	-	-	-	-	-	5,608
Due from other funds	533,756	-	104,317	21,916	-	-	236,205	896,194
TOTAL ASSETS	\$ 737,774	\$ 62,380	\$ 104,317	\$ 21,916	\$ 121,747	\$ 239,549	\$ 565,869	\$ 1,853,552
LIABILITIES								
Accounts payable	\$ 5,039	\$ 4,840	\$ -	\$ -	\$ 7,609	\$ 98,497	\$ 35,904	\$ 151,889
Accrued expenses	252,157	-	-	-	-	-	-	252,157
Due to other governments	30,161	1,565	104,317	-	-	-	91,027	227,070
Due to other funds	362,438	55,746	-	-	115,723	141,052	221,235	896,194
TOTAL LIABILITIES	649,795	62,151	104,317	-	123,332	239,549	348,166	1,527,310
FUND BALANCES (DEFICITS)								
Nonspendable	5,608	-	-	-	-	-	-	5,608
Restricted	-	229	-	-	-	-	218,061	218,290
Committed	-	-	-	21,916	-	-	-	21,916
Assigned	-	-	-	-	-	-	-	-
Unassigned	82,371	-	-	-	(1,585)	-	(358)	80,428
TOTAL FUND BALANCES (DEFICITS)	87,979	229	-	21,916	(1,585)	-	217,703	326,242
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 737,774	\$ 62,380	\$ 104,317	\$ 21,916	\$ 121,747	\$ 239,549	\$ 565,869	\$ 1,853,552

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

WASHINGTON WEST SUPERVISORY UNION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

	Total Governmental Funds
Total Fund Balances	\$ 326,242
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	141,485
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	113,823
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Capital leases payable	(49,303)
Net pension liability	(173,737)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(2,592)
Net position of governmental activities	\$ 355,918

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

WASHINGTON WEST SUPERVISORY UNION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	IDEA-B	School Wide Fund (CFG SCW)	Transportation	Harwood Union High School	Waterbury- Duxbury School District	All Nonmajor Funds	Total Governmental Funds
REVENUES								
Intergovernmental revenues	\$ 1,415,245	\$ 610,568	\$ -	\$ 1,159,698	\$ 2,592,179	\$ 2,048,393	\$ 2,880,518	\$ 10,706,601
Interest income	439	-	-	-	-	-	-	439
State on-behalf payments	335,073	-	-	-	-	-	-	335,073
Miscellaneous	16,353	-	-	-	-	-	385,202	401,555
TOTAL REVENUES	<u>1,767,110</u>	<u>610,568</u>	<u>-</u>	<u>1,159,698</u>	<u>2,592,179</u>	<u>2,048,393</u>	<u>3,265,720</u>	<u>11,443,668</u>
EXPENDITURES								
Current:								
General	748,711	-	-	-	-	-	-	748,711
Special education - eligible for reimbursement	157,018	-	-	-	-	-	-	157,018
Finance Director/fiscal services	489,136	-	-	-	-	-	-	489,136
State on-behalf payments	335,073	-	-	-	-	-	-	335,073
Program expenditures	-	610,568	330,301	1,166,460	2,593,764	2,048,393	2,806,506	9,555,992
TOTAL EXPENDITURES	<u>1,729,938</u>	<u>610,568</u>	<u>330,301</u>	<u>1,166,460</u>	<u>2,593,764</u>	<u>2,048,393</u>	<u>2,806,506</u>	<u>11,285,930</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>37,172</u>	<u>-</u>	<u>(330,301)</u>	<u>(6,762)</u>	<u>(1,585)</u>	<u>-</u>	<u>459,214</u>	<u>157,738</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	4,562	-	330,301	-	-	-	-	334,863
Transfers (out)	-	-	-	-	-	-	(334,863)	(334,863)
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,562</u>	<u>-</u>	<u>330,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(334,863)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	41,734	-	-	(6,762)	(1,585)	-	124,351	157,738
FUND BALANCES - JULY 1	<u>46,245</u>	<u>229</u>	<u>-</u>	<u>28,678</u>	<u>-</u>	<u>-</u>	<u>93,352</u>	<u>168,504</u>
FUND BALANCES - JUNE 30	<u>\$ 87,979</u>	<u>\$ 229</u>	<u>\$ -</u>	<u>\$ 21,916</u>	<u>\$ (1,585)</u>	<u>\$ -</u>	<u>\$ 217,703</u>	<u>\$ 326,242</u>

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

WASHINGTON WEST SUPERVISORY UNION

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 157,738</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>(39,333)</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>45,241</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	<u>29,334</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	<u>(2,592)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds: Net pension liability	<u>(63,661)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 126,727</u></u>

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

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Supervisory Union was incorporated under the laws of the State of Vermont. The Supervisory Union operates under a Board of Directors-superintendent form of government and provides the following services: general, special education - eligible for reimbursement, finance director/fiscal services, transportation and program.

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

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

Implementation of New Accounting Standards

During the year ended June 30, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

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.

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet specified criteria. Management has determined the impact of this Statement is not material to the financial statements.

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 77, "*Tax Abatement Disclosures*". The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 80, "*Blending Requirements for Certain Component Units*". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements - in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 82, "*Pension Issues*". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

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

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

In the government-wide Statement of Net Position, the governmental activities columns are (a) presented on a consolidated basis by column, and (b) are 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 Supervisory Union's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Supervisory Union first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Supervisory Union's functions (General, Special Education, Finance Director/Fiscal Services, Transportation, Program expenditures, etc.). The functions are also supported by general government revenues (support from the Supervisory Union, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) 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.

The net costs (by function) are normally covered by general revenue (assessments, certain intergovernmental revenues and interest income, etc.).

The Supervisory Union 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 Supervisory Union as an entity and the change in the Supervisory Union's net position resulting from the current year's activities.

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

The following fund types are used by the Supervisory Union:

1. Governmental Funds:

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

Major Funds

- a. The General Fund is the general operating fund of the Supervisory Union. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The IDEA-B Fund is the special revenue fund used to account for special education expenditures incurred by the Supervisory Union that are subsequently reimbursed through grant funding administered by the State of Vermont.
- c. The School Wide (CFG SCW) Fund is the special revenue fund used to account for funding provided to the Supervisory Union for the purpose of improving the academic achievement of disadvantaged students with the goal that all children meet state academic standards.
- d. The Transportation Fund is the capital projects fund used to account for payments made to First Student, Inc. for contracted bus service. The Supervisory Union entered into this agreement on behalf of all of the School Districts. The School Districts reimburse the Supervisory Union for their share of payments made to First Student, Inc.

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- e. The Harwood Union High School Fund is used to account for the proceeds of revenue sources and expenditures from Harwood Union High School assessments.
- f. The Waterbury-Duxbury School District Fund is used to account for the proceed of revenue sources and expenditures from Waterbury-Duxbury School District assessments.

Nonmajor Funds

- g. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- h. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

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.

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.

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Revenues per budgetary basis	\$1,436,599
Add: On-behalf payments	<u>335,073</u>
Total GAAP basis	<u>\$1,771,672</u>
Expenditures per budgetary basis	\$1,394,865
Add: On-behalf basis	<u>335,073</u>
Total GAAP basis	<u>\$1,729,938</u>

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

1. The Supervisory Union board approves the budget by early January for the following fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The preliminary budget which includes the Special Revenue Fund is shared with the communities in the School Report.

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. The Supervisory Union is not legally required to adopt a budget for the Special Revenue Fund.

Deposits and Investments

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

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

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

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

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".

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions Between Funds

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

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$756,007 for the year ended June 30, 2017. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2017.

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. 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.

Estimated useful lives are as follows:

Machinery and equipment	3 - 20 years
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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.

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of capital leases payable 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 the proprietary fund is the same in the fund statements as it is in the government-wide statements.

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 Supervisory Union 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.

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

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

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

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

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

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

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred revenue qualifies for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to pensions qualify for reporting in this category as well. This item is reported only 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.

Program Revenues

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

Encumbrance Accounting

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

Use of Estimates

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

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

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

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Supervisory Union 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 Supervisory Union does not have a policy covering custodial credit risk.

At June 30, 2017, the Supervisory Union's cash balance of \$195,743 was comprised of bank deposits of \$353,054. Bank deposits were either fully covered by federal depository insurance, and consequently were not exposed to custodial credit risk, or were collateralized by securities held by the financial institution in the Supervisory Union's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking account	\$ 75,000
Sweep account	278,054
	<u>\$ 353,054</u>

Investments:

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

At June 30, 2017, the Supervisory Union did not have any investments.

Credit risk – Statutes for the State of Vermont authorize the Supervisory Union to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Supervisory Union does not have an investment policy on credit risk. Generally, the Supervisory Union invests excess funds in savings accounts and various insured certificates of deposit.

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2017 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
	<u> </u>	<u> </u>
General Fund	\$ 533,756	\$ 362,438
IDEA-B	-	55,746
School-wide Fund (CFG SCW)	104,317	-
Transportation	21,916	-
Harwood Union High School	-	115,723
Waterbury-Duxbury School District	-	141,052
Nonmajor Special Revenue Funds	236,205	221,235
	<u>\$ 896,194</u>	<u>\$ 896,194</u>

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	Balance 7/1/16 (Restated)	Additions	Disposals	Balance 6/30/17
<u>Governmental activities:</u>				
Non-depreciated assets:				
Construction in progress	\$ 5,393	\$ -	\$ -	\$ 5,393
	<u>5,393</u>	<u>-</u>	<u>-</u>	<u>5,393</u>
Depreciated assets:				
Machinery and equipment	394,924	-	-	394,924
	<u>394,924</u>	<u>-</u>	<u>-</u>	<u>394,924</u>
Less: accumulated depreciation				
Machinery and equipment	(219,499)	(39,333)	-	(258,832)
	<u>(219,499)</u>	<u>(39,333)</u>	<u>-</u>	<u>(258,832)</u>
Net capital assets	<u>\$ 180,818</u>	<u>\$ (39,333)</u>	<u>\$ -</u>	<u>\$ 141,485</u>
 <u>Current year depreciation:</u>				
Union wide				<u>\$ 39,333</u>

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2017:

	Balance 7/1/16	Additions	Deletions	Balance 6/30/17	Current Portion
<u>Governmental activities:</u>					
Capital lease payable	\$ 78,637	\$ -	\$ (29,334)	\$ 49,303	\$ 28,377
Net pension liability	110,076	66,253	(2,592)	173,737	22,447
	<u>\$ 188,713</u>	<u>\$ 66,253</u>	<u>\$ (31,926)</u>	<u>\$ 223,040</u>	<u>\$ 50,824</u>

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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

Capital lease payable to US Bank Equipment Finance, interest at a rate of 0%, annual principal payments of \$2,652. Maturity in August of 2017.	\$ 442
Capital lease payable to Goham Leasing Group, interest at a rate of 3.97%, annual payments of principal and interest of \$8,321. Maturity in February of 2018.	8,003
Capital lease payable to Gorham Leasing Group, interest at a rate of 4.99%, annual payments of principal and interest of \$21,970 in the first year and \$21,896 thereafter. Maturity in December of 2018.	<u>40,858</u>
Total Capital Leases Payable	<u><u>\$ 49,303</u></u>

The following is a summary of outstanding capital lease requirements for the fiscal year ending June 30:

Year Ending June 30:	
<u>2018</u>	\$ 30,734
2019	<u>21,970</u>
Total minimum lease payment	52,704
Less amount representing interest	<u>(3,401)</u>
Present value of future minimum lease payments	<u><u>\$ 49,303</u></u>

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - OPERATING LEASES

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

Washington West Supervisory Union entered into a lease, dated July 1, 2015, payable to M 5 Leasing Company, LLC for 3,000 square feet of space of the southern portion of the West Wing, second floor of the M5 building located at 340 Mad River Park in Waitsfield, VT, with monthly payments of \$2,974, lease term being 3 years.

The following is a summary of outstanding operating lease requirements for the fiscal year ending June 30:

Year Ending	
<u>June 30:</u>	
2018	<u>\$ 35,688</u>

NOTE 7 - NONSPENDABLE FUND BALANCES

At June 30, 2017, the Supervisory Union had the following nonspendable fund balances:

General fund:	
Prepaid items	<u>\$ 5,608</u>

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2017, the Supervisory Union had the following restricted fund balances:

IDEA-B	\$ 229
Nonmajor special revenue funds (Schedule E)	<u>218,061</u>
	<u>\$ 218,290</u>

NOTE 9 - COMMITTED FUND BALANCES

At June 30, 2017, the Supervisory Union had the following committed fund balances:

Transportation	<u>\$ 21,916</u>
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WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFICIT FUND BALANCES

At June 30, 2017, the Supervisory Union had the following deficit fund balances:

Major funds:		
Harwood Union High School	\$	1,585
Nonmajor special revenue funds (Schedule E):		
Health ed. - Mara Urban		30
Tobacco		120
District operations & maintenance		193
Teacher negotiations		15
	\$	<u>1,943</u>

NOTE 11 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the Supervisory Union participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private Union teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2017, 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.

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

Benefits Provided

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

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
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 Supervisory Union but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the Supervisory Union has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the Supervisory Union's employees included in the teacher's retirement plan which approximates \$335,073 or 11.59% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
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 \$149,000 during the year and were paid by the Supervisory Union to the State of Vermont. The Supervisory Union has no other liability under the plan. The Supervisory Union's total payroll for all employees covered under this plan was \$2,891,053 for the year ended June 30, 2017. Beginning in 2016, school districts that pay for teachers with federal dollars are required to include costs of pensions in the federal grant, lowering the liability for the State. Federally funded

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

pension costs reimbursed to the State by the Supervisory Union for the fiscal year ending June 30, 2017 were \$36,061. The Supervisory Union's total payroll for all federally funded employees covered under this plan was \$320,339 for the year ended June 30, 2017.

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 School 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 Schools 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.

Benefits Provided

The pension plan is divided into four membership groups:

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

VMERS	Group A	Group B	Group C	Group D
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

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

Contributions

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

VMERS	Group A	Group B	Group C	Group D
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 Supervisory Union and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2017 and 2016 totaled \$15,670 and \$12,824, respectively. The Supervisory Union contributed \$25,071 and \$20,518 for the years ended June 30, 2017 and 2016, respectively. The Supervisory Union's total payroll for the year ended June 30, 2017 for all employees covered under this plan was \$626,788.

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Liabilities

VSTRS Plan

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the Supervisory Union does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2017. The State's portion of the collective net pension liability that was associated with the Supervisory Union was as follows:

Supervisory Union's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Supervisory Union		<u>729,835</u>
Total	\$	<u><u>729,835</u></u>

The State of Vermont's proportionate share of the net pension liability associated with the Supervisory Union is equal to the collective net pension liability, actuarially measured as of June 30, 2016, multiplied by the Supervisory Union's proportionate share percentage. The Supervisory Union's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2016, the Supervisory Union's proportion was 0.05573% which was a decrease of 0.00955% from its proportion measured as of June 30, 2015.

VMERS Plan

At June 30, 2017, the Supervisory Union reported a liability of \$173,737 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Supervisory Union's proportion of the net pension liabilities were based on a projection of the Supervisory Union's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2016, the Supervisory Union's proportion was 0.13500% for VMERS, which was an increase of 0.10720% from its proportion measured as of June 30, 2015 for VMERS.

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2017, the Supervisory Union recognized total pension expense \$58,185 and revenue of \$58,185 for support provided by the State of Vermont for the VSTRS plan. In the same period, the Supervisory Union recognized pension revenue of \$21,012. At June 30, 2017, the Supervisory Union reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 3,569	\$ -
Changes of assumptions	-	-	27,902	-
Net difference between projected and actual earnings on pension plan investments	-	-	56,334	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	947	2,592
Contributions subsequent to the measurement date	-	-	25,071	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,823</u>	<u>\$ 2,592</u>

\$25,071 reported as deferred outflows of resources related to pensions resulting from Supervisory Union contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	\$ -	\$ 22,447
2018	-	22,447
2019	-	31,546
2020	-	9,720
2021	-	-
Thereafter	-	-

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2014:

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

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

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

Age	Annual Rate of Salary Increase
25	8.15%
30	6.84%
35	5.97%
40	5.29%
45	4.80%
50	4.46%
55	4.22%
60	4.12%
64	4.12%

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

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Deaths After Retirement: The VSTRS plan used the RP-2000 Mortality Tables projected to 2029 using Scale BB for terminated vested members and beneficiaries and retirees; the RP-2000 Disabled Life Table with projection to 2020 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 for Groups A, B, C and D were based on the RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB. Groups A, B, and C with a 60% Blue Collar and 40% White Collar adjustment and Group D with a 100% Blue Collar adjustment. The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

Spouse's age assumptions used in the June 30, 2016 valuation set a husband's age at three years greater than their wives.

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

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

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

A smoothing *asset valuation method* was used for funding purposes, 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 the VMERS 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

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	31.50%	8.54%
Fixed income	33.00%	2.36%
Alternative	15.50%	8.35%
Multi-strategy	20.00%	4.90%
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 VMERS 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 Supervisory Union's proportionate share of the net pension liability calculated using the discount rate of 7.95% for the VSTRS plan and

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

7.95% for the VMERS plan, as well as what the Supervisory Union'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%) or 1 percentage point higher (8.95%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.95%	7.95%	8.95%
Supervisory Union's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.95%	7.95%	8.95%
Supervisory Union's proportionate share of the net pension liability	\$ 288,420	\$ 173,737	\$ 77,713

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

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

NOTE 12 - RISK MANAGEMENT

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

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - RISK MANAGEMENT (CONTINUED)

Based on the coverage provided by the insurance purchased, the Supervisory Union is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2017. 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 Supervisory Union is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker compensation, 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 Supervisory Unions. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

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

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

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

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - RISK MANAGEMENT (CONTINUED)

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.

NOTE 13 - CONTINGENCIES

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

The Supervisory Union participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Supervisory Union'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 14 - RELATED ORGANIZATIONS

On May 15, 2015 Washington West Supervisory Union entered into a transportation contract with First Student, Inc. for busing services through June 30, 2018. Washington West Supervisory Union entered into this contract on behalf of the Fayston School District, Harwood Union High School, Moretown School District, Waitsfield School District, Warren School District and Waterbury-Duxbury Union School District #45. Annually, Washington West Supervisory Union charges each School District an assessment for their share of the transportation expenditure. The total amount due for fiscal year 2018 is \$1,104,911.

Washington West Supervisory Union provides services to the following School Districts: Duxbury School District, Fayston School District, Harwood Union High School, Moretown School District, Waitsfield School District, Warren School District, Waterbury-Duxbury Union School District #45. Each School District has an ongoing financial responsibility to the Supervisory Union as defined in GASB 14, paragraph 71.

WASHINGTON WEST SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the School District's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 16 - SUBSEQUENT EVENT

On June 7, 2016 the voters in all of the School Districts of the Washington West Supervisory Union (WWSU) voted to approve forming a Unified District, to be known as the Harwood Unified Union School District. The new governance structure will become fully operational on July 1, 2017. During the year of transition, a newly formed board will begin working on the budget for the 2017-2018 fiscal year. A single budget for the operations of a coordinated PK-12 system was presented to voters on Town Meeting Day in March of 2017. On July 1, 2017, the seven boards of WWSU were replaced with one 14-member board overseeing the unified district, with one blended tax rate adjusted for Common Level Appraisal in each Town.

NOTE 17 - RESTATEMENT

The beginning net position for the governmental activities has been restated as of July 1, 2016. This balance was restated to correct the capital asset balance and accumulated depreciation. The capital asset balance was restated by \$140,979 and the accumulated depreciation balance was restated by (\$4,489).

The net restatement to the governmental activities was \$136,490.

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

WASHINGTON WEST SUPERVISORY UNION

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 46,245	\$ 46,245	\$ 46,245	\$ -
Resources (Inflows):				
Intergovernmental:				
Assessments	1,414,549	1,414,549	1,414,548	(1)
Other	-	-	697	697
Interest income	-	-	439	439
Miscellaneous	9,500	9,500	16,353	6,853
Transfers from other funds	-	-	4,562	4,562
Amounts Available for Appropriation	<u>1,470,294</u>	<u>1,470,294</u>	<u>1,482,844</u>	<u>12,550</u>
Charges to Appropriations (Outflows):				
Current:				
General	779,734	779,734	748,711	31,023
Special education - eligible for reimbursement	164,074	164,074	157,018	7,056
Finance Director/fiscal services	491,119	491,119	489,136	1,983
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	<u>1,434,927</u>	<u>1,434,927</u>	<u>1,394,865</u>	<u>40,062</u>
Budgetary Fund Balance, June 30	<u>\$ 35,367</u>	<u>\$ 35,367</u>	<u>\$ 87,979</u>	<u>\$ 52,612</u>
Utilization of committed fund balance	<u>\$ 10,878</u>	<u>\$ 10,878</u>	<u>\$ -</u>	<u>\$ (10,878)</u>

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

WASHINGTON WEST SUPERVISORY UNION

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>VSTRS:</u>			
Proportion of the net pension liability	0.00%	0.00%	0.00%
Proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Supervisory Union	<u>729,835</u>	<u>774,574</u>	<u>591,573</u>
Total	<u>\$ 729,835</u>	<u>\$ 774,574</u>	<u>\$ 591,573</u>
Covered-employee payroll	\$ 361,036	\$ 364,083	\$ 349,879
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	55.31%	58.22%	64.02%
<u>VMERS:</u>			
Proportion of the net pension liability	0.14%	0.03%	0.03%
Proportionate share of the net pension liability	\$ 173,737	\$ 110,076	\$ 77,713
Covered-employee payroll	\$ 512,939	\$ 498,962	\$ 458,275
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.87%	22.06%	16.96%
Plan fiduciary net position as a percentage of the total pension liability	80.95%	87.42%	98.32%

* 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.

WASHINGTON WEST SUPERVISORY UNION

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>VSTRS:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,891,053	\$ 361,036	\$ 364,083
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%
<u>VMERS:</u>			
Contractually required contribution	\$ 25,071	\$ 20,518	\$ 19,958
Contributions in relation to the contractually required contribution	<u>(25,071)</u>	<u>(20,518)</u>	<u>(19,958)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 626,788	\$ 512,939	\$ 498,962
Contributions as a percentage of covered-employee payroll	4.00%	4.00%	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.

WASHINGTON WEST SUPERVISORY UNION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Changes of Assumptions

The actuarial assumptions regarding the incidence of mortality, terminations, retirements, and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014 for VSTRS and VMERS.

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 - Budgetary Basis - 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

WASHINGTON WEST SUPERVISORY UNION

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental Revenues:				
General Assessment	\$ 930,406	\$ 930,406	\$ 930,405	\$ (1)
Business/Fiscal Services Assessment	484,143	484,143	484,143	-
Erate	-	-	697	697
Interest Income	-	-	439	439
Miscellaneous:				
Other Receipts	9,500	9,500	16,353	6,853
Transfer From Other Funds	-	-	4,562	4,562
Amounts Available for Appropriation	<u>\$ 1,424,049</u>	<u>\$ 1,424,049</u>	<u>\$ 1,436,599</u>	<u>\$ 12,550</u>

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

WASHINGTON WEST SUPERVISORY UNION

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
General (includes Superintendent's office, curriculum & assessment and technology) -				
Salaries	\$ 472,898	\$ 472,898	\$ 433,241	\$ 39,657
Benefits	129,804	129,804	130,692	(888)
Contracted services, supplies, and operating costs	177,032	177,032	184,778	(7,746)
	<u>779,734</u>	<u>779,734</u>	<u>748,711</u>	<u>31,023</u>
Special education - eligible for reimbursement to local Districts @ +55% -				
Salaries	126,142	126,142	123,992	2,150
Benefits	36,432	36,432	31,256	5,176
Contracted services, supplies, and operating costs	1,500	1,500	1,770	(270)
	<u>164,074</u>	<u>164,074</u>	<u>157,018</u>	<u>7,056</u>
Finance Director/fiscal services -				
Salaries	305,268	305,268	305,172	96
Benefits	132,056	132,056	129,088	2,968
Financial audit	9,500	9,500	9,500	-
Contracted services, supplies, accounting applications and operating costs	44,295	44,295	45,376	(1,081)
	<u>491,119</u>	<u>491,119</u>	<u>489,136</u>	<u>1,983</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 1,434,927</u></u>	<u><u>\$ 1,434,927</u></u>	<u><u>\$ 1,394,865</u></u>	<u><u>\$ 40,062</u></u>

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

WASHINGTON WEST SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Accounts receivable (net of allowance for uncollectibles)	\$ 405	\$ -	\$ 405
Due from other governments	329,259	-	329,259
Due from other funds	236,205	-	236,205
TOTAL ASSETS	<u>\$ 565,869</u>	<u>\$ -</u>	<u>\$ 565,869</u>
LIABILITIES			
Accounts payable	\$ 35,904	\$ -	\$ 35,904
Due to other governments	91,027	-	91,027
Due to other funds	221,235	-	221,235
TOTAL LIABILITIES	<u>348,166</u>	<u>-</u>	<u>348,166</u>
FUND BALANCES (DEFICITS)			
Nonspendable	-	-	-
Restricted	218,061	-	218,061
Committed	-	-	-
Assigned	-	-	-
Unassigned	(358)	-	(358)
TOTAL FUND BALANCES (DEFICITS)	<u>217,703</u>	<u>-</u>	<u>217,703</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 565,869</u>	<u>\$ -</u>	<u>\$ 565,869</u>

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

SCHEDULE D

WASHINGTON WEST SUPERVISORY UNION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 2,880,518	\$ -	\$ 2,880,518
Other income	385,202	-	385,202
TOTAL REVENUES	<u>3,265,720</u>	<u>-</u>	<u>3,265,720</u>
EXPENDITURES			
Other	2,806,493	13	2,806,506
TOTAL EXPENDITURES	<u>2,806,493</u>	<u>13</u>	<u>2,806,506</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>459,227</u>	<u>(13)</u>	<u>459,214</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	(334,863)	-	(334,863)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(334,863)</u>	<u>-</u>	<u>(334,863)</u>
NET CHANGE IN FUND BALANCES	124,364	(13)	124,351
FUND BALANCES - JULY 1,	<u>93,339</u>	<u>13</u>	<u>93,352</u>
FUND BALANCES - JUNE 30	<u>\$ 217,703</u>	<u>\$ -</u>	<u>\$ 217,703</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.

WASHINGTON WEST SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Safety Grant Warren	Health Ed. - Mara Urban	IDEA-B Preschool	Local Standards Board	Title IIA Professional Development	Nellie Mae
ASSETS						
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	3,121	463	-	684	-
Due from other funds	10,000	-	-	12	-	8,328
TOTAL ASSETS	\$ 10,000	\$ 3,121	\$ 463	\$ 12	\$ 684	\$ 8,328
LIABILITIES						
Accounts payable	\$ -	\$ 6	\$ -	\$ -	\$ 312	\$ -
Due to other governments	10,000	-	-	-	-	-
Due to other funds	-	3,145	460	-	372	-
TOTAL LIABILITIES	10,000	3,151	460	-	684	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	3	12	-	8,328
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	(30)	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	-	(30)	3	12	-	8,328
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 10,000	\$ 3,121	\$ 463	\$ 12	\$ 684	\$ 8,328

WASHINGTON WEST SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Medicaid MAC	Medicaid IEP	Title II-D	DOL Vocational	VEHI Pathpoints	Food Service Program
ASSETS						
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	19,288
Due from other funds	50,207	26,760	-	-	115	1,409
TOTAL ASSETS	\$ 50,207	\$ 26,760	\$ -	\$ -	\$ 115	\$ 20,697
LIABILITIES						
Accounts payable	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-	-	19,288
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	3	-	-	-	-	19,288
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	50,204	26,760	-	-	115	1,409
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	50,204	26,760	-	-	115	1,409
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 50,207	\$ 26,760	\$ -	\$ -	\$ 115	\$ 20,697

WASHINGTON WEST SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Sunshine	Reinhart To Schools	Title I School Improvement	Fayston School District	Tobacco	Technology Coordinator
ASSETS						
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ 405	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	8,984	10,283	-	-
Due from other funds	180	3,426	19,132	-	21,509	-
TOTAL ASSETS	\$ 180	\$ 3,831	\$ 28,116	\$ 10,283	\$ 21,509	\$ -
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	1,448	28,116	-	21,629	-
Due to other funds	-	-	-	10,283	-	-
TOTAL LIABILITIES	-	1,448	28,116	10,283	21,629	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	180	2,383	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	(120)	-
TOTAL FUND BALANCES (DEFICITS)	180	2,383	-	-	(120)	-
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 180	\$ 3,831	\$ 28,116	\$ 10,283	\$ 21,509	\$ -

WASHINGTON WEST SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	VTCLA Foundation	Criminal Record Check	ACT 230	Moretown School District	District Operations & Maintenance
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	45,046	-
Due from other funds	8,294	2,153	8,796	-	-
TOTAL ASSETS	\$ 8,294	\$ 2,153	\$ 8,796	\$ 45,046	\$ -
LIABILITIES					
Accounts payable	\$ 48	\$ 72	\$ -	\$ 2,461	\$ 193
Due to other governments	-	-	8,796	-	-
Due to other funds	-	-	-	42,585	-
TOTAL LIABILITIES	48	72	8,796	45,046	193
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	8,246	2,081	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(193)
TOTAL FUND BALANCES (DEFICITS)	8,246	2,081	-	-	(193)
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 8,294	\$ 2,153	\$ 8,796	\$ 45,046	\$ -

WASHINGTON WEST SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Waitsfield School District	Warren School District	IDEA B Proportionate Share	State Placed Students	HUHS Food Service Equipment
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	41,636	43,656	-	43,377	-
Due from other funds	-	-	600	-	-
TOTAL ASSETS	\$ 41,636	\$ 43,656	\$ 600	\$ 43,377	\$ -
LIABILITIES					
Accounts payable	\$ 618	\$ 8,320	\$ -	\$ 17,733	\$ -
Due to other governments	-	-	600	-	-
Due to other funds	41,018	35,336	-	25,644	-
TOTAL LIABILITIES	41,636	43,656	600	43,377	-
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 41,636	\$ 43,656	\$ 600	\$ 43,377	\$ -

WASHINGTON WEST SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Title I	Professional Development	Wat-Dux SES Services	Teacher Negotiations	ACT 156 Union School Analysis	Act 230/ Best	Total
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 405
Due from other governments	62,161	-	-	216	50,344	-	329,259
Due from other funds	-	18,229	-	-	55,905	1,150	236,205
TOTAL ASSETS	\$ 62,161	\$ 18,229	\$ -	\$ 216	\$ 106,249	\$ 1,150	\$ 565,869
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 6,138	\$ -	\$ 35,904
Due to other governments	-	-	-	-	-	1,150	91,027
Due to other funds	62,161	-	-	231	-	-	221,235
TOTAL LIABILITIES	62,161	-	-	231	6,138	1,150	348,166
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	18,229	-	-	100,111	-	218,061
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	(15)	-	-	(358)
TOTAL FUND BALANCES (DEFICITS)	-	18,229	-	(15)	100,111	-	217,703
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 62,161	\$ 18,229	\$ -	\$ 216	\$ 106,249	\$ 1,150	\$ 565,869

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

WASHINGTON WEST SUPERVISORY UNION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Safety Grant Warren	Health Ed. - Mara Urban	IDEA-B Preschool	Local Standards Board	Title IIA Professional Development	Nellie Mae
REVENUES						
Intergovernmental	\$ 10,000	\$ 9,768	\$ 9,280	\$ -	\$ 100,524	\$ -
Other income	-	-	-	648	-	10,000
TOTAL REVENUES	<u>10,000</u>	<u>9,768</u>	<u>9,280</u>	<u>648</u>	<u>100,524</u>	<u>10,000</u>
EXPENDITURES						
Other	10,000	9,768	9,280	648	96,084	9,861
TOTAL EXPENDITURES	<u>10,000</u>	<u>9,768</u>	<u>9,280</u>	<u>648</u>	<u>96,084</u>	<u>9,861</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,440</u>	<u>139</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	(4,440)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,440)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	-	-	139
FUND BALANCES (DEFICITS) - JULY 1,	<u>-</u>	<u>(30)</u>	<u>3</u>	<u>12</u>	<u>-</u>	<u>8,189</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>	<u>\$ (30)</u>	<u>\$ 3</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 8,328</u>

WASHINGTON WEST SUPERVISORY UNION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Medicaid MAC	Medicaid IEP	Title II-D	DOL Vocational	VEHI Pathpoints	Food Service Program
REVENUES						
Intergovernmental	\$ 20,037	\$ -	\$ -	\$ -	\$ -	\$ 306,660
Other income	-	325,422	-	-	5,850	-
TOTAL REVENUES	<u>20,037</u>	<u>325,422</u>	<u>-</u>	<u>-</u>	<u>5,850</u>	<u>306,660</u>
EXPENDITURES						
Other	27,113	301,758	-	-	6,632	307,012
TOTAL EXPENDITURES	<u>27,113</u>	<u>301,758</u>	<u>-</u>	<u>-</u>	<u>6,632</u>	<u>307,012</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,076)</u>	<u>23,664</u>	<u>-</u>	<u>-</u>	<u>(782)</u>	<u>(352)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	(176)	(298)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(176)</u>	<u>(298)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(7,076)	23,664	(176)	(298)	(782)	(352)
FUND BALANCES (DEFICITS) - JULY 1,	<u>57,280</u>	<u>3,096</u>	<u>176</u>	<u>298</u>	<u>897</u>	<u>1,761</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 50,204</u>	<u>\$ 26,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115</u>	<u>\$ 1,409</u>

WASHINGTON WEST SUPERVISORY UNION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Sunshine	Reinhart To Schools	Title I School Improvement	Fayston School District	Tobacco	Technology Coordinator
REVENUES						
Intergovernmental	\$ -	\$ -	\$ 81,232	\$ 160,553	\$ -	\$ 55,444
Other income	-	10,539	-	-	14,624	-
TOTAL REVENUES	-	10,539	81,232	160,553	14,624	55,444
EXPENDITURES						
Other	-	9,516	81,232	160,553	14,624	54,451
TOTAL EXPENDITURES	-	9,516	81,232	160,553	14,624	54,451
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	1,023	-	-	-	993
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	(1,684)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	(1,684)
NET CHANGE IN FUND BALANCES	-	1,023	-	-	-	(691)
FUND BALANCES (DEFICITS) - JULY 1,	180	1,360	-	-	(120)	691
FUND BALANCES (DEFICITS) - JUNE 30	\$ 180	\$ 2,383	\$ -	\$ -	\$ (120)	\$ -

WASHINGTON WEST SUPERVISORY UNION

COMBINING SCHEDULE OF REVEUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	VTCLA Foundation	Criminal Record Check	ACT 230	Moretown School District	District Operations & Maintenance
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 1,554	\$ 319,969	\$ 78,901
Other income	15,966	2,153	-	-	-
TOTAL REVENUES	<u>15,966</u>	<u>2,153</u>	<u>1,554</u>	<u>319,969</u>	<u>78,901</u>
EXPENDITURES					
Other	17,086	2,148	1,554	319,969	75,508
TOTAL EXPENDITURES	<u>17,086</u>	<u>2,148</u>	<u>1,554</u>	<u>319,969</u>	<u>75,508</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,120)</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>3,393</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	(2,400)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(3,520)</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>3,393</u>
FUND BALANCES (DEFICITS) - JULY 1,	<u>11,766</u>	<u>2,076</u>	<u>-</u>	<u>-</u>	<u>(3,586)</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 8,246</u>	<u>\$ 2,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (193)</u>

WASHINGTON WEST SUPERVISORY UNION

COMBINING SCHEDULE OF REVEUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Waitsfield School District	Warren School District	IDEA B Proportionate Share	State Placed Students	HUHS Food Service Equipment
REVENUES					
Intergovernmental	\$ 295,799	\$ 384,745	\$ -	\$ 537,955	\$ 3,500
Other income	-	-	-	-	-
TOTAL REVENUES	<u>295,799</u>	<u>384,745</u>	<u>-</u>	<u>537,955</u>	<u>3,500</u>
EXPENDITURES					
Other	295,799	384,745	-	537,955	3,500
TOTAL EXPENDITURES	<u>295,799</u>	<u>384,745</u>	<u>-</u>	<u>537,955</u>	<u>3,500</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	-	-
FUND BALANCES (DEFICITS) - JULY 1,	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE F (CONTINUED)

WASHINGTON WEST SUPERVISORY UNION

COMBINING SCHEDULE OF REVEUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Title I	Professional Development	Wat-Dux SES Services	Teacher Negotiations	ACT 156 Union School Analysis	Act 230/ Best	Total
REVENUES							
Intergovernmental	\$ 330,647	\$ 43,950	\$ -	\$ -	\$ 130,000	\$ -	\$ 2,880,518
Other income	-	-	-	-	-	-	385,202
TOTAL REVENUES	<u>330,647</u>	<u>43,950</u>	<u>-</u>	<u>-</u>	<u>130,000</u>	<u>-</u>	<u>3,265,720</u>
EXPENDITURES							
Other	4,786	35,008	-	15	29,888	-	2,806,493
TOTAL EXPENDITURES	<u>4,786</u>	<u>35,008</u>	<u>-</u>	<u>15</u>	<u>29,888</u>	<u>-</u>	<u>2,806,493</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>325,861</u>	<u>8,942</u>	<u>-</u>	<u>(15)</u>	<u>100,112</u>	<u>-</u>	<u>459,227</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	(325,861)	-	(4)	-	-	-	(334,863)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(325,861)</u>	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(334,863)</u>
NET CHANGE IN FUND BALANCES	-	8,942	(4)	(15)	100,112	-	124,364
FUND BALANCES (DEFICITS) - JULY 1,	-	9,287	4	-	(1)	-	93,339
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>	<u>\$ 18,229</u>	<u>\$ -</u>	<u>\$ (15)</u>	<u>\$ 100,111</u>	<u>\$ -</u>	<u>\$ 217,703</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.

WASHINGTON WEST SUPERVISORY UNION

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	<u>Technology Reserve</u>	<u>Total</u>
ASSETS		
Due from other funds	\$ -	\$ -
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES		
Due to other funds	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>

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

WASHINGTON WEST SUPERVISORY UNION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Technology Reserve	Total
REVENUES		
Intergovernmental	\$ -	\$ -
Other	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>
EXPENDITURES		
Other	13	13
TOTAL EXPENDITURES	<u>13</u>	<u>13</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u> <u>(13)</u>	<u>-</u> <u>(13)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers (out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(13)	(13)
FUND BALANCES - JULY 1	<u>13</u>	<u>13</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ -</u>

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

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

WASHINGTON WEST SUPERVISORY UNION

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2017

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Union wide	\$ 5,393	\$ -	\$ 394,924	\$ -	\$ 400,317
Total General Capital Assets	5,393	-	394,924	-	400,317
Less: Accumulated Depreciation	-	-	(258,832)	-	(258,832)
Net General Capital Assets	<u>\$ 5,393</u>	<u>\$ -</u>	<u>\$ 136,092</u>	<u>\$ -</u>	<u>\$ 141,485</u>

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

WASHINGTON WEST SUPERVISORY UNION

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2017

	General Capital Assets 7/1/16 (Restated)	Additions	Deletions	General Capital Assets 6/30/17
Union wide	\$ 400,317	\$ -	\$ -	\$ 400,317
Total General Capital Assets	400,317	-	-	400,317
Less: Accumulated Depreciation	(219,499)	(39,333)	-	(258,832)
Net General Capital Assets	<u>\$ 180,818</u>	<u>\$ (39,333)</u>	<u>\$ -</u>	<u>\$ 141,485</u>

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

WASHINGTON WEST SUPERVISORY UNION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor Pass-through Grantor Program/Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture				
Passed through State of Vermont - Department of Education and Cultural Services:				
Child Nutrition Cluster:				
School Breakfast Program / Start Up	10.553	4452S0421700	\$ 62,144	\$ 62,144
National School Lunch Program	10.555	4450S0421600	226,205	226,205
Commodity Supplemental Food Program	10.555		62,593	62,593
Subtotal Child Nutrition Cluster			<u>350,942</u>	<u>350,942</u>
Total U.S. Department of Agriculture			<u>350,942</u>	<u>350,942</u>
U.S. Department of Education				
Passed through State of Vermont - Department of Education and Cultural Services:				
Title I Grants to Local Educational Agencies	84.010	4250S0421701	330,647	330,301
Title I - School improvement or technical assistance	84.01A	4255S0421701	81,232	81,232
Title IIA, Improving Teacher Quality	84.367	4651S0421701	100,524	-
Special Education Cluster (IDEA):				
IDEA B - Flow Through Grants	84.027	4226S0421701	610,568	-
IDEA B - Preschool - Flows Through Grants	84.173	4228S0421701	9,280	-
Subtotal Special Education Cluster (IDEA)			<u>619,848</u>	<u>-</u>
Total U.S. Department of Education			<u>1,132,251</u>	<u>411,533</u>
U.S. Department of Health and Human Services				
Passed through State of Vermont:				
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems				
	93.938	4249S0421701	<u>9,768</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,492,961</u>	<u>\$ 762,475</u>

WASHINGTON WEST SUPERVISORY UNION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Washington West Supervisory Union under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Washington West Supervisory Union, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Washington West Supervisory Union.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The U.S. Department of Education (USED) has delegated to the State of Vermont Agency of Education the authority to issue indirect cost rates to all Local Education Agencies (LEAs) based on a plan approved by the USED. Therefore, the Washington West Supervisory Union does not use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

3. Noncash Awards

The Washington West Supervisory Union reports U.S. Department of Agriculture (USDA) Foods consumed on the Schedule at the fair value [or entitlement value]. The State of Vermont allocated USDA Foods to the respective program(s) that benefitted from the use of those USDA Foods.

4. Expenditures to Subrecipients

CFDA Number	Harwood Union High School	Waterbury- Duxbury School District	Warren School District	Fayston School District	Total
10.553	\$ 19,778	\$ 24,916	\$ 9,552	\$ 7,898	\$ 62,144
10.555	108,404	118,858	41,278	20,258	288,798
84.01	128,198	142,365	59,738	-	330,301
84.01A	31,835	49,397	-	-	81,232
	<u>\$ 288,215</u>	<u>\$ 335,536</u>	<u>\$ 110,568</u>	<u>\$ 28,156</u>	<u>\$ 762,475</u>



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

Board of School Directors
Washington West Supervisory Union
Waitsfield, 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, business-type activities, each major fund and the aggregate remaining fund information of Washington West Supervisory Union, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Washington West Supervisory Union's basic financial statements, and have issued our report thereon dated November 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Washington West Supervisory Union's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Washington West Supervisory Union's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these

limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington West Supervisory Union's financial statements are free of 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 organization's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R.H.R. Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
November 7, 2017



Proven Expertise and Integrity

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

Board of School Directors
Washington West Supervisory Union
Waitsfield, Vermont

Report on Compliance for Each Major Federal Program

We have audited Washington West Supervisory Union's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Washington West Supervisory Union's major federal programs for the year ended June 30, 2017. Washington West Supervisory Union's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Washington West Supervisory Union's compliance.

Opinion on Each Major Federal Program

In our opinion, Washington West Supervisory Union, complied in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
November 7, 2017

WASHINGTON WEST SUPERVISORY UNION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

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

• *Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA B

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None