

ADDISON NORTHEAST SUPERVISORY UNION

FINANCIAL & COMPLIANCE REPORTS

JUNE 30, 2018

DRAFT - FOR DISCUSSION PURPOSES ONLY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Addison Northeast Supervisory Union

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Addison Northeast Supervisory Union, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Addison Northeast Supervisory Union's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Addison Northeast Supervisory Union, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-5 and 21-24 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Addison Northeast Supervisory Union 's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018 on our consideration of the Addison Northeast 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 solely 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 effectiveness of the Addison Northeast Supervisory Union 's 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 Addison Northeast Supervisory Union's internal control over financial reporting and compliance.



Jeffrey R. Bradley CPA, P.C.
Mendon, Vermont
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November 21, 2018

ADDISON NORTHEAST SUPERVISORY UNION

Management's Discussion and Analysis

The following discussion and analysis of Addison Northeast Supervisory Union (the District) financial performance provides an overview of the District's financial activities as of and for the fiscal year ended June 30, 2018. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which follow this section.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

Fund Financial Statements

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

Financial Analysis of the District as a Whole

The District presents its financial statements under the reporting model required by the Governmental Accounting Standards Board (GASB) concerning *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

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

accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The District adopts an annual appropriated budget for its general fund, a budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 9-12 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-18 of this report.

Other information - The combining statements referred to earlier in connection with non-major governmental funds can be found immediately following the footnotes. Combining and individual fund statements can be found on pages 21-24.

FINANCIAL HIGHLIGHTS

- The District's net position (assets minus liabilities and deferred items) from governmental activities decreased by (\$455,679) as a result of this year's operations.
- Capital assets increased \$87,933 or 18.6%, of the total historical capital investment of the District.
- At the close of the current fiscal year, the School District's general fund ending carryforward deficit of (\$36,077), a decrease of (\$402,074). The District had budgeted to use operating reserves of (\$448,895) to fund general fund operations during the fiscal year.
- Therefore, the District outperformed overall budgetary expectation by \$46,821.
- Key factors in the overall favorable outcome are primarily the less than anticipated instructional and plant operating costs totaling \$96,083. Revenues earned were less than anticipated by (\$78,962).
- The Food Service cooperative's net position was reduced by an operating deficit of (\$53,362) for the current fiscal year.

By the far the largest portion of the District's net position (\$217,147) reflect investments in capital assets (e.g., land, buildings, structures, systems, machinery, equipment, infrastructure, and intangible assets), net of any related debt used to acquire those assets that is still outstanding. The School District uses assets to provide services to citizens; consequently, these assets are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. A portion of the District's net position (\$235,223) represents resources that are subject to internal and external restrictions on how they can be used.

Overall Government-wide total unrestricted net position increased \$84,326.

Governmental Activities - The most significant revenues of the governmental activities are assessments from its member districts (42%), and grants revenue from the State of Vermont and Federal government (38%). Fees for service account for the remaining 20%. Special education costs are the most significant (37%), followed by instructional support (25%) general administration (13%), food service (11%) and plant operations, debt service, depreciation and student transportation (14%).

Governmental revenues increased (6.6%) in the current year, with the most significant portion attributable to the method in which special education and other costs are incurred by the member districts.

Governmental activities expenses increased (8.5%) in the current year. The most significant changes in program expenses were as follows:

- Instructional support costs were the primary reason for the increase.
- There were not any other programs with significant or unusual changes.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- On September 20, 2016, the Vermont Agency of Education approved the formation of a Regional Education District (Mount Abraham Unified School District) that will effectively replace the operations of Addison Northeast Supervisory Union effective July 1, 2018. Therefore, the ending fund balances of the District have been transferred to the Mount Abraham Unified School District as of the effective date of the merger.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School District's finances for all those interested in governmental finance. Questions concerning any information in the report or requests for additional information should be addressed to Mount Abraham Unified School District, 72 Munsill Avenue, Suite 601, Bristol, VT 05443.

COMPARATIVE FINANCIAL INFORMATION

The following schedules detail the changes in the Statement of Net Position and Statement of Activities for the fiscal years ended June 30, 2018 and 2017:

STATEMENT OF NET POSITION

	2018	2017
Current Assets	\$ 755,782	\$ 1,438,461
Capital Assets	217,147	226,343
Total Assets	972,928	1,664,804
Current Liabilities	\$ 192,631	\$ 428,828
Total Liabilities	192,631	428,828
Nonspendable General Fixed Assets	217,147	226,343
Other Net Position	563,151	1,009,634
Total Net Position	780,298	1,235,977
Total Liabilities & Net Position	\$ 972,928	\$ 1,664,804

STATEMENT OF ACTIVITIES

	2018	2017
<i>Program Revenues:</i>		
Operating Grants & Charges for Services	\$ 11,291,423	\$ 11,845,170
<i>General Revenues:</i>		
Interest Earnings	6,008	8,338
Miscellaneous	60,530	102,888
Total General Revenues	66,537	111,226
Total Revenues	11,357,960	11,956,396
<i>Programs:</i>		
Instructional & Curriculum Development	2,622,197	2,665,349
Special Education & Support Services	4,284,367	4,865,017
Health Services	66,181	49,593
School Based Clinician	58,721	57,159
Superintendents Office	454,937	417,631
Subgrants	376,482	445,743
Administration	1,415,685	1,223,906
Plant Operations	90,418	169,370
Transportation	1,075,257	1,072,644
Food Service	1,269,395	1,134,821
Total Expenses	11,813,639	12,101,233
Change in Net Position	(455,679)	(144,837)
Net Position - Beginning	1,235,977	1,380,814
Net Position - Ending	\$ 780,298	\$ 1,235,977

Addison Northeast Supervisory Union
Statement of Net Position
June 30, 2018 and 2017

	2018	2017
ASSETS		
<i>Current Assets:</i>		
Cash and Investments	\$ 251,267	\$ 984,396
Accounts Receivable	353,175	190,374
Inventory	50,995	29,644
Due from Other Governments	100,345	234,046
Total Current Assets	755,782	1,438,461
<i>Noncurrent Assets:</i>		
Property, Plant & Equipment, net of applicable depreciation	217,147	226,343
TOTAL ASSETS	\$ 972,929	\$ 1,664,804
LIABILITIES & NET POSITION		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 10,852	\$ 102,568
Accrued Payroll & Benefits	99,546	288,633
Deferred Revenue	82,233	37,627
Total Current Liabilities	192,631	428,828
<i>Net Position:</i>		
Nonspendable General Fixed Assets	217,147	226,343
Restricted For Specific Purposes	235,223	766,032
Unassigned	327,928	243,602
Total Net Position	780,298	1,235,977
TOTAL LIABILITIES & NET POSITION	\$ 972,929	\$ 1,664,804

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

Addison Northeast Supervisory Union
Statement of Activities
For the Fiscal Years Ended June 30, 2018 and 2017

<i>Functions/Programs:</i>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Primary Government</u>		
				<u>Governmental Activities</u>	<u>June 30, 2018 Total</u>	<u>June 30, 2017 Total</u>
Instructional & Related Support	\$ 3,757,550	\$ 791,861	\$ 2,965,690	\$ -	\$ -	\$ -
Cocurricular	60,112		60,112	-	-	-
Special Education & Support Services	4,384,367	2,140,367	2,208,696	(35,304)	(35,304)	-
Health Services	66,181	66,181	-	-	-	-
School Based Clinician	58,721	58,721	-	-	-	-
Curriculum Development	192,936	192,936	-	-	-	-
Superintendent's Office	454,937	454,937	-	-	-	-
Administration	173,021	61,767	29,700	(81,553)	(81,553)	(56,977)
Fiscal & Technology Services	1,242,664	1,242,664	-	-	-	-
Plant Operations	90,418		-	(90,418)	(90,418)	(84,093)
Transportation	1,075,257	511,967	362,096	(201,193)	(201,193)	(97,077)
Food Service	1,269,395	699,537	456,111	(113,747)	(113,747)	(17,915)
Subgrants to Member Districts	376,482	-	376,482	-	-	-
Total Governmental Activities	<u>\$ 13,202,040</u>	<u>\$ 6,220,937</u>	<u>\$ 6,458,886</u>	<u>(522,216)</u>	<u>(522,216)</u>	<u>(256,062)</u>
<i>General Revenues:</i>						
Investment Income				6,008	6,008	8,338
Other				60,530	60,530	102,888
Total General Revenues				<u>66,537</u>	<u>66,537</u>	<u>111,227</u>
Change in Net Position				(455,679)	(455,679)	(144,835)
Net Position - Beginning				1,235,977	1,235,977	1,380,812
Net Position - Ending				<u>\$ 780,298</u>	<u>\$ 780,298</u>	<u>\$ 1,235,977</u>

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

Addison Northeast Supervisory Union
Combined Balance Sheet - Governmental Fund Types
June 30, 2018 and 2017

	<i>Governmental Fund Types</i>		Totals June 30, 2018	Totals June 30, 2017
	General Fund	Other Governmental Funds		
ASSETS				
<i>Current Assets:</i>				
Cash and Investments	\$ 232,638	\$ 18,629	\$ 251,267	\$ 984,396
Accounts Receivable	183,270	169,905	353,175	190,374
Inventory & Prepaid Expenses	23,749	27,246	50,995	29,644
Due From Other Governments	100,345	-	100,345	234,046
Due from Other Funds	-	555,783	555,783	569,930
TOTAL ASSETS	\$ 540,002	\$ 771,563	\$ 1,311,565	\$ 2,008,391
LIABILITIES AND FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 10,852	\$ -	\$ 10,852	\$ 102,568
Accrued Payroll & Benefits	9,444	90,102	99,546	288,633
Deferred Revenue	-	82,233	82,233	37,627
Due to Other Funds	555,783	-	555,783	569,930
Total Liabilities	576,079	172,335	748,414	998,758
<i>Fund Balances:</i>				
Restricted For Specific Purposes	-	235,223	235,223	766,032
Committed for Special Programs	-	364,005	364,005	326,499
Unassigned	(36,077)	-	(36,077)	(82,898)
Total Fund Balances (Deficit)	(36,077)	599,228	563,151	1,009,633
TOTAL LIABILITIES & FUND BALANCES	\$ 540,002	\$ 771,563	\$ 1,311,565	\$ 2,008,391

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

**Addison Northeast Supervisory Union
Reconciliation of the Governmental Funds Balance Sheet
To the Government-Wide Statement of Net Position
June 30, 2018**

Total Fund Balances - Governmental Funds Balance Sheet \$ 563,151

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet 217,147

Net Position - Government-Wide Financial Statements \$ 780,298

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Addison Northeast Supervisory Union
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Types
For the Fiscal Year Ended June 30, 2018 and 2017

	<i>Governmental Fund Types</i>			Totals June 30, 2017
	General Fund	Other Governmental Funds	Totals June 30, 2018	
<i>Revenues:</i>				
Assessments	\$ 4,296,882	\$ 476,916	\$ 4,773,798	8,066,253
Grants - Federal	29,700	1,369,657	1,399,357	1,055,841
Grants - State	2,638,690	325,541	2,964,231	168,325
Grants - Other	-	-	-	96,935
EPSDT & Medicaid Billings	-	206,529	206,529	235,684
Service Fees to Local Educational Agencies	791,861	-	791,861	7,141
Food Program Sales and Assessments	-	699,537	699,537	635,955
Food Program - Federal Grant Support	-	456,111	456,111	480,950
State Retirement Contribution	1,388,401	-	1,388,401	1,106,498
Investment Income	5,940	68	6,008	8,338
Miscellaneous	58,757	1,773	60,530	94,478
Total Revenues	9,210,230	3,536,131	12,746,361	11,956,397
<i>Expenditures:</i>				
Instructional & Related Support	2,473,695	1,283,856	3,757,550	2,988,515
Cocurricular	-	60,112	60,112	-
Special Education	4,128,269	256,098	4,384,367	4,317,724
Health Services	66,181	-	66,181	49,593
School Based Clinician	58,721	-	58,721	57,159
Curriculum & Instructional Development	182,891	10,045	192,936	224,127
Administration	66,886	106,134	173,021	119,172
Office of the Superintendent	454,937	-	454,937	417,631
Fiscal & Technology Services	1,233,467	-	1,233,467	1,249,118
Plant Operations	90,418	-	90,418	85,277
Transportation	856,839	218,417	1,075,257	1,072,644
Subgrants to Member Districts	-	376,482	376,482	445,743
Food Service	-	1,269,395	1,269,395	1,134,821
Total Expenditures	9,612,304	3,580,539	13,192,843	12,161,524

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

Addison Northeast Supervisory Union
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Types
For the Fiscal Year Ended June 30, 2018 and 2017

	<u>Governmental Fund Types</u>		Totals June 30, 2018	Totals June 30, 2017
	General Fund	Other Governmental Funds		
Excess (Deficiency) of Revenues over Expenditures	(402,074)	(44,408)	(446,482)	(205,127)
<i>Other Financing Sources (Uses):</i>				
Operating Transfers In (Out)	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(402,074)	(44,408)	(446,482)	(205,127)
Fund Balances - Beginning	365,997	643,636	1,009,633	1,214,759
Fund Balances (Deficit) - Ending	\$ (36,077)	\$ 599,228	\$ 563,151	\$ 1,009,632

**Reconciliation of the Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types to the Statement of Activities**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - Governmental Funds Financial Statements	\$ (446,482)
In the Statement of Activities, the cost of fixed assets is allocated over their estimated useful lives and reported as depreciation expense annually.	<u>(9,197)</u>
<i>Change in Net Position - Statement of Activities</i>	<u>\$ (455,679)</u>

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

Addison Northeast Supervisory Union
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

Measurement focus and basis of accounting - Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

NOTE 1 - Summary of significant accounting policies (continued)

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

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

Risk management - The Supervisory Union is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and others; environmental liability; and natural disasters. The Supervisory Union manages these risks of loss through participation in public entity risk pools (Vermont School Boards' Insurance Trust). Management believes such coverage is sufficient to preclude any significant uninsured losses to the Supervisory Union. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.

Cash, cash equivalents and investments - The Supervisory Union considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less to be cash equivalents.

Capital assets - Capital assets, which include land, buildings, equipment, vehicles and infrastructure, are reported in the applicable governmental activities columns in the government-wide and in the proprietary fund financial statements. Capital assets are defined by the Supervisory Union as assets with an initial useful life of one year or greater and an initial individual cost equal to or greater than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Net interest costs are capitalized on projects during the construction period. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Equipment and furnishings (5-20 years)

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

Fund Balances/Net Position - In the fund financial statements, governmental funds may report five categories of fund balances: non-spendable, restricted, committed, assigned and unassigned. *Non-spendable* fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. *Committed* fund balance includes amounts that can be used only for specific purposes determined by the Supervisory Union's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Meetings. *Assigned* fund balance includes amounts that are intended to be used by the Supervisory Union for specific purposes, as authorized by the Board of Directors. *Unassigned* fund balance is the Fund and includes all spendable amounts not contained in another classification. Deficits are also classified

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

NOTE 1 - Summary of significant accounting policies (continued)

as unassigned. The Supervisory Union's policy is to apply expenditures to fund balance in the order of restricted, committed, assigned and unassigned. The Supervisory Union maintains separate governmental funds to account for donor specified amounts (restricted), voter approved amounts (committed), and amounts set aside by management. Any residual fund balance amounts are reported as unassigned fund balance in the General Fund.

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

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

NOTE 2 - Deposits and investments

As of June 30, 2017, the Supervisory Union's deposit accounts were fully insured or collateralized. Custodial credit risk deposits and investments - Custodial credit risk is the risk that in the event of a financial institution failure, the Supervisory Union will not be able to recover its deposits or investments or will not be able to recover collateral securities that are in the possession of an outside party. The Supervisory Union addresses this risk by requiring each institution to provide deposit insurance and/or proof of collateralization. The Treasurer is required to determine the types of collateralization after consultation with the Board. *Credit risk* is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. The Supervisory Union addresses credit risk by limiting the types of investments the Treasurer can make to bank deposit accounts, collateralized repurchase agreements and U.S. Treasury obligations. *Concentration of credit risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2017, the Supervisory Union does not hold more than 5% of its investments in any one issuer.

NOTE 3 - Inter-fund receivable and payable balances

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

	General Fund	Other Governmental/Trust Funds
Federal Sub-grants	\$ -	
State & Local Sub-grants & Awards	(69,321)	69,321
Early Education - Local	(52,012)	52,012
ANESU Food Cooperative	(33,359)	33,359
Medicaid & EPSDT Funds	(453,748)	453,748
Totals	(\$608,440)	\$608,440

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

NOTE 4 - Fixed Assets and Depreciation

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

	Balance July 1, 2017	Net Activity	Depreciation	Beginning Accumulated Depreciation	Net Asset Value - June 30, 2018
Equipment & Furnishings	\$471,687	\$87,933	(\$97,130)	\$ (245,343)	\$ 217,147

NOTE 5 - Deferred (Unearned) Revenue

The following is a schedule of grant and fee revenues received, but not spent at June 30, 2018:

Grantor	Amount
IDEA-B	\$ 13,926
21st Century Learning Centers	1,361
Race to the Top & Wellness Implementation	10,500
ACT 156 Merger Transition	53,152
Local Standards Board	271
BEST Grant	2,403
Expanded Learning Program	620
TOTAL	\$ 82,233

NOTE 6 - Defined Contribution Pension plan

Vermont Teachers' Retirement System - The District contributes to the Vermont Teachers' Employees' Retirement System (VSTRS), a cost-sharing multiple-employer public employee retirement system (PERS) with defined contribution plans administered by the State of Vermont. VMERS provides retirement, disability and death benefits to plan members and beneficiaries. Teachers become members of VSTRS upon employment, and vest in the system after 10 years of service. Group A - for public school teachers employed within the State of Vermont prior to July 1, 1981 and who elected to remain in Group A. Group B is for public school teachers employed within the State of Vermont on or after July 1, 1990, or hired before July 1, 1990 and were a member of Group B at that time. Group C members contribute 5% of salary (6% if member less than 5 years as of July 1, 2014). 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).

Covered payroll under this plan equaled \$2,579,309, and total wages paid by the Supervisory Union during the fiscal year was \$5,424,503. In addition, an on-behalf benefit of \$1,388,401 was recorded the Union's proportionate share of VSTRS's total pension expenditure as required by GASB 68.

Support Staff Retirement Plan

The District provides for its support staff employees working at least 1,000 hours annually a retirement benefit of 5% of gross wages in matching contributions. Vesting occurs upon reaching 2 years of creditable service for defined contribution plans.

NOTE 7 - Commitments & Contingencies

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

The Supervisory Union receives grant support from various State, Local and Federal sources. These programs are subject to financial and compliance audits by these grantors. Management believes that any possible disallowed costs, if any, would be immaterial to these financial statements.

NOTE 8 - Leases of Space and Equipment

On July 14, 2011, the Supervisory Union entered into a 10 year agreement to lease space in Bristol, Vermont to house its personnel and equipment. The base rental for the current fiscal year is \$42,500 plus the costs of insurance, property taxes and common area charges on an allocable basis with other tenants. The base rental will be adjusted on each July 1st anniversary of the lease by the Consumer Price Index (CPI) for the prior year. Either party may terminate the lease in a 30 day period.

NOTE 9 - Concentration of Support

The Supervisory Union's General Fund receives approximately 74% of its revenue from its member districts' assessments. Additionally, the Supervisory Union receives State, Local and Federal grants for special education, transportation, after school programs and other programs.

NOTE 10 - Merger with its Member Districts forming Unified District

On September 20, 2016, the Vermont Agency of Education approved the formation of a Regional Education District (RED) that will effectively replace the operations of Addison Northeast Supervisory Union and its member districts effective July 1, 2018.

The successor entity is known as Mount Abraham Unified School District.

DRAFT FOR DISCUSSION PURPOSES ONLY

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

To the Executive Committee

Addison Northeast Supervisory Union

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Addison Northeast Supervisory Union, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Addison Northeast Supervisory Union's basic financial statements, and have issued our report thereon dated November 21, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Addison Northeast Supervisory Union's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed

no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Jeffrey R. Bradley CPA, P.C.
Mendon, Vermont
VT License No. 92-0000515
November 21, 2018

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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*

Independent Auditor's Report

To the Executive Committee
Addison Northeast Supervisory Union

Report on Compliance for Each Major Federal Program

We have audited Addison Northeast Supervisory Union's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Addison Northeast Supervisory Union's major federal programs for the year ended June 30, 2018. Addison Northeast 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Addison Northeast Supervisory Union's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Addison Northeast Supervisory Union's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Addison Northeast Supervisory Union's compliance.

Opinion on Each Major Federal Program

In our opinion, Addison Northeast Supervisory Union complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*

We have audited the financial statements of Addison Northeast Supervisory Union as of and for the year ended June 30, 2018, and have issued our report thereon dated November 21, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Uniform Guidance* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Jeffrey R. Bradley CPA, P.C.
Mendon, Vermont
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November 21, 2018

**Addison Northeast Supervisory Union
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018**

Name of Agency or Department	CFDA Number	Name of Program	Name of Grant	Grant ID Number	Award Amount	Award Expended	Subgranted to Member Districts	Total Awards Expended
<i>Department of Education</i>								
	84.010	Title I - Grants to LEAs	Title I	4250-S001-18-01	\$ 496,692	101,023	\$ 303,101	\$ 404,123
	84.367	Improving Teacher Quality State Grants	Title II	4651-S001-18-01	232,927	177,882	-	177,882
	84.287	21st Century Community Learning Centers	21st Century Grant	4611-S001-18-01	210,264	209,281	-	209,281
			Subtotal		939,883	488,186	303,101	791,287
	84.027	Special Education - Grants to States	IDEA-B Basic	4226-S001-18-01	568,761	521,698	-	521,698
	84.027	Special Education - Grants to States	IDEA-B Proportionate Share	4223-S001-18-01	4,759	4,170	-	4,170
	84.173	Special Education - Grants to States	IDEA-B Pre-school	4228-S001-18-01	20,988	20,662	-	20,662
			Total IDEA-B Cluster		594,508	546,531	-	546,531
	84.412	Discretionary/Competitive Grants	Race To The Top Early Learning Challenge MTSS	4504-S001-18-01	5,001	3,120	-	3,120
			Total Department of Education		1,539,392	1,037,836	303,101	1,340,937
<i>Department of Agriculture</i>								
	10.553	Federal School Breakfast Program	School Breakfast Program	4452-S001-18-01	84,080	84,080	-	84,080
	10.555	Federal School Lunch Program	School Lunch Program	4450-S001-18-01	222,117	222,117	-	222,117
	10.558	Child and Adult Care Food Program	Child Care and Adult Food Program	4454-S001-18-01	56,383	56,383	-	56,383
	10.559	Federal Summer Lunch Program	Summer Lunch Program	4455-S001-18-01	45,126	45,126	-	45,126
	10.565	Commodity Supplemental Food Program	Cash in lieu of Commodities	4453-S001-18-01	4,059	4,059	-	4,059
	10.582	Fresh Fruit and Vegetable Program	Fresh Fruit and Vegetable Program	4449-S001-18-01	27,868	27,868	-	27,868
			Subtotal		439,633	439,632	-	439,632
		<i>Non-Cash Assistance:</i>						
	10.565	Commodity Supplemental Food Program	USDA Commodities	4453-S001-18-01	44,347	44,347	-	44,347
			Total Department of Agriculture		483,980	483,979	-	483,979
			Total Federal Awards		\$ 2,023,372	\$ 1,521,815	\$ 303,101	\$ 1,824,916
<i>Subgranted Funds:</i>					Title I	Title II	IDEA-B Basic	Totals
		Bristol Town School District			\$ 162,203	\$ -	\$ -	\$ 162,203
		Starksboro Town School District			112,766	-	-	112,766
		New Haven Town School District			28,132	-	-	28,132
		Totals			303,101	-	-	303,101

**ADDISON NORTHEAST SUPERVISORY UNION
NOTES FOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Summary of significant accounting policies:

Single Audit Reporting Entity: For purposes of complying with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Supervisory Union includes all funds and programs that are considered part of the primary governmental unit, as described in the basic financial statements as of the fiscal year ended above.

Basis of Presentation:

The information in the accompanying Schedule is presented in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Federal award – Pursuant to the preceding, a federal award is defined as federal financial assistance and cost-reimbursement contracts that non-Federal entities received directly from Federal awarding agencies or indirectly from pass-through entities. The Supervisory Union receives federal awards which are passed through various State of Vermont Departments and Agencies.

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

Major or non-major programs – OMB regulation establishes risk based criteria for determining major programs and selecting those programs to be tested for compliance with related program requirements. The major programs selected were the following programs:

- 84.027 IDEA-B Cluster
- 84.287 21st Century Community Learning Centers

Basis of Accounting:

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Supervisory Union's financial statements. The Supervisory Union uses the *modified accrual* basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

Program Costs/Matching Contributions:

The amounts shown as current year expenses represent only the Supervisory Union's Federal grant portion of the program costs. Entire program costs, including the Supervisory Union's portion, may be more than shown.

Non-cash Awards:

The amount of commodities and surplus property reported on the schedule is its value of distributed by the Supervisory Union during the current year and priced as prescribed by the US Department of Agriculture.

Schoolwide Programs:

The Supervisory Union operates a “schoolwide program” in 3 elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the Supervisory Union in its schoolwide program: Title I (84.010) - (\$303,101).

Federal Indirect Rate:

The Supervisory Union has not elected to use the 10% *de minimis* indirect cost rate.

DRAFT - FOR DISCUSSION PURPOSES ONLY

**ADDISON NORTHEAST SUPERVISORY UNION
SCHEDULE OF FINDINGS AND
QUESTIONED COSTS
Fiscal Year Ended June 30, 2018**

Section I. Summary of Auditor's Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? ___yes Xno
- Significant Deficiency(s) ___yes X none reported
- Noncompliance material to financial statements noted? ___yes Xno

Federal Awards:

Internal control over major federal programs:

- Material weakness(es) identified? ___yes Xno
- Significant Deficiency(s) identified ___yes X none reported

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

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___yes Xno

Identification of major federal programs:

CFDA No(s).	Names of Federal Program or Cluster
84.027	IDEA-B Cluster
84.287	21 st Century Community Learning Centers

**ADDISON NORTHEAST SUPERVISORY UNION
SCHEDULE OF PRIOR YEAR FINDINGS
Fiscal Year Ended June 30, 2018**

Finding: 2017-001

Status: Corrected.

(i) Vermont Agency of Education is not currently following up with the Supervisory Union on this finding.

Finding: 2017-002

Status: Corrected.

(i) Vermont Agency of Education is not currently following up with the Supervisory Union on this finding.

Finding: 2017-003

Status: Corrected.

(i) Vermont Agency of Education is not currently following up with the Supervisory Union on this finding.

Finding: 2017-004

Status: Corrected.

(i) Vermont Agency of Education is not currently following up with the Supervisory Union on this finding.

Finding: 2017-005

Status: Corrected.

(i) Vermont Agency of Education is not currently following up with the Supervisory Union on this finding.

PRIOR YEAR FEDERAL AWARDS FINDINGS:

Finding 2017-001 - Equipment and Real Property Management

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

Condition: There were incomplete procedures in place to ensure that the Supervisory Union conducts a physical inventory of its property, plant and equipment that was purchased with Federal awards.

Cause: The Supervisory Union has prepared the schedule accurately, but it lacks the required criteria: source of funds; acquisition date; Federal percentage of participation at purchase; use and condition; details as to how and when disposed and treated as program income in the year of disposition.

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

Response/Corrective Action: We recommend that the Supervisory Union Management ensure that its list of property, plant and equipment purchased with Federal awards is complete and in compliance with 2 CFR 200.313. Condition was corrected prior to the end of the fiscal year.

Finding 2017-002 - Sub-grant Agreements for Sub-recipients

Condition: The Supervisory Union's sub-grant agreements for the Title I and Title II grants on file for fiscal year 2016-17 fiscal year were executed after the Supervisory Union as required by 2 CFR 200.331.

Criteria: Sub-grant agreements must be executed prior to the grant period of the related agreement, and amended if the sub-grant award during the year should change during the period of performance.

Effect: The grantee could potentially require the Supervisory Union to return these funds.

Recommendation: We recommend the Supervisory Union ensure that sub-grant agreements with member schools are executed prior to funds are sub-granted.

Response/Corrective Action: The CFG Grant Coordinator and Management will ensure that the agreement will be executed to the member school district prior to the commencement of the grant period.

Finding 2017-003 - Approval of Contracts and Expenditures

Condition: It was noted in several instances in which there was no indication of approval by the responsible party on contracts, vendor invoices and purchase requisitions. The Supervisory Union must also ensure that its local procedures are adhered to, and must be consistent with Federal requirements (2 CFR 200.300 through 200.309).

Criteria: The Supervisory Union records must contain signatures as evidence of review and approval of all purchase orders, vendor invoices and service contracts in accordance with the Supervisory Union's approved procedures.

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

Recommendation: We recommend that the CFG Grant Coordinator and Management review items for accuracy to the grant agreement and ensure that all purchase orders, vendor invoices and purchase requisitions include the related contract in the approved vendor package.

Response/Corrective Action: Beginning in fiscal year 2018, all items in voucher packages will indicate approval of the appropriate parties, and include copies of the original vendor contract in the paid invoice files.

Finding 2017-004 - Program Income

Condition: It was noted that local program income associated with the 21st Century Learning Centers was not utilized prior to the requisition of Federal Funds.

Criteria: The Supervisory Union must utilize local program receipts before Federal funds.

Effect: Excess expenditures could be charged to a Federal program.

Recommendation: We recommend that Management, as applicable, reduce the Federal requisition by local funds quarterly.

Response/Corrective Action: Beginning in fiscal year 2018, Supervisory Union management will ensure that the program income reduces the Federal requisition of funds from any Federal source. Condition was corrected prior to the end of the fiscal year.

Finding 2017-005 - Allowable Costs and Cost Principles

Condition: It was noted that 9 grant charges were charged to the Title II, 21st Century Community Learning Centers and its Schoolwide Plan that were deemed disallowed by the Vermont Agency of Education during a routine monitoring. Disallowed costs were reimbursement in the same fiscal year.

Criteria: The Supervisory Union must ensure that each grant charge meets the approved grant strategies before charging Federal funds, and that the correct grant is charged for the invoice.

Effect: Excess expenditures could have been charged to a Federal program.

Recommendation: We recommend that the Business Manager, Accountant and Grant Coordinator, as applicable, ensure that the approved grant strategies are consulted prior to a charge to Federal awards.

Response: Management will ensure that the procedures are consistent with approved grant strategies.

Addison Northeast Supervisory Union
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund and Budgeted Other Governmental Funds
For the Fiscal Year Ended June 30, 2018

	<i>General Fund</i>			<i>Other Governmental Funds (ANESU Food Service Cooperative)</i>		
	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Revenues:</i>						
Interest	\$ 2,500	\$ 5,940	\$ 3,440	\$ 100	\$ 68	\$ (32)
Assessments	4,188,850	4,296,882	108,032	-	-	-
Service Fees	233,341	791,861	558,519	656,068	699,537	43,469
Miscellaneous	1,300	58,757	57,257	-	1,748	1,748
Federal Grants	-	29,700	29,700	518,000	456,111	(61,889)
State Grants	3,444,900	2,638,690	(806,210)	8,000	22,154	14,154
Total Revenues	7,871,091	7,821,829	(49,262)	1,182,168	1,179,618	(2,550)
<i>Expenditures:</i>						
Instructional & Related Support	1,122,195	1,085,294	36,902	-	-	-
Special Education	3,889,423	4,128,269	(238,846)	-	-	-
Health Services	61,954	66,181	(4,227)	-	-	-
School Based Clinician	59,473	58,721	752	-	-	-
Curriculum & Instructional Development	168,663	182,891	(14,229)	-	-	-
Student Transportation	1,153,945	856,839	297,106	-	-	-
Administration	70,583	66,886	3,696	-	-	-
Office of the Superintendent	433,115	454,937	(21,822)	-	-	-
Fiscal & Technology Services	1,263,407	1,233,467	29,940	-	-	-
Plant Operations	97,228	90,418	6,810	-	-	-
Food Service	-	-	-	1,182,168	1,232,980	(50,812)
Total Expenditures	8,319,986	8,223,903	96,083	1,182,168	1,232,980	(50,812)
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ (448,895)	\$ (402,074)	\$ 46,821	\$ -	\$ (53,362)	\$ (53,362)

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ADDISON NORTHEAST SUPERVISORY UNION
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE A - Employers' Allocation of Pension Amounts as of June 30, 2016

	Employer Contributions	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Discount Rate)	Net Pension Liability 1% Increase (8.95% Discount Rate)
6/30/2016	\$ 242,414	0.33105%	\$ 4,335,225	\$ 2,139,933	\$ (17,936)	\$ 5,424,803	\$ 3,420,784

SCHEDULE B - Employers' Allocation of Pension Amounts as of June 30, 2017

	State Contribution	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Discount Rate)	Net Pension Liability 1% Increase (8.95% Discount Rate)
6/30/2017	\$ 2,352,155	0.35595%	\$ 5,276,659	\$ 1,967,892	\$ 12,857	\$ 6,538,541	\$ 4,223,440

SCHEDULE C - Employer's Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2017

	Employer Proportion	Net Pension Liability	Difference between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportionate Share of Contributions	Total Deferred Outflows
6/30/2017	0.35595%	\$ 5,276,659	\$ 57,063	\$ 547,309	\$ -	\$ 221,705	\$ 1,141,215	\$ 1,967,292
Changes in Assumptions	Changes in Benefits	Earnings	Share of Contribution	Total Deferred Inflows	Proportionate Share of Pension Plan Expense	Share of Contribution	Total	
\$ 12,857	\$ -	\$ -	\$ -	\$ 12,857	\$ 660,406	\$ 727,995	\$ 1,388,401	

SCHEDULE D - Employer's Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2017

	2018	2019	2020	2021	Thereafter	For the measurement period ended June 30, 2017	2016
	\$ 926,638	\$ 768,737	\$ 292,773	\$ (33,112)	\$ -	District's proportionate share of the net pension liability (asset)	0.3560%
						Proportionate share of the net pension liability (asset)	\$ 5,276,659
						Covered-employee payroll	\$ 2,352,155
						Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	\$ 202.33%
							\$ 4,335,225
							\$ 2,144,558
							\$ 202.15%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Significant Actuarial Assumptions and Methods:

Valuation Highlights

The following key findings were the result of this actuarial valuation:

- The Net Pension Liability (NPL) is equal to the difference between the Total Pension Liability (TPL) and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) on a market value basis. The Plan's Fiduciary Net Position as a percent of the TPL increased from 80.95% to 83.64%.
- The NPL measured as of June 30, 2017, was determined based upon the results of the actuarial valuation as of June 30, 2016, adjusted forward using standard actuarial techniques, and updated to reflect changes in the investment return, inflation, cost of living, and mortality assumptions.
- The discount rates used to determine the TPL and NPL as of June 30, 2017, and June 30, 2016, were 7.50% and 7.95%, respectively.

Actuarial Cost Method

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, is summarized in the following table:

Long-Term Expected Real Rate of Return

US Equity	16.00%	6.07%
Non-US Equity	16.00%	7.42%
Global Equity	9.00%	6.85%
Fixed Income	24.00%	2.41%
Real Estate	8.00%	4.62%
Private Markets	15.00%	7.80%
Hedge Funds	8.00%	3.95%
Risk Parity	4.00%	4.84%

Actuarial assumptions. The total pension liability as of June 30, 2017, was determined by rolling forward the total pension liability as of June 30, 2016, to June 30, 2017, using the following actuarial assumptions:

Inflation 2.50%; Salary increases 5.00% per year

Investment rate of return 7.50%, net of pension plan investment expenses, including inflation

Cost of Living Adjustment 1.15% for Group A members and 1.30% for Group C, B and D members

Mortality

Pre-retirement: Groups A/B/C – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvement

Group D – RP-2014 Blue Collar Employee Table with generational improvement

Healthy Retiree: Groups A/B/C - 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational improvement.

Group D - RP-2014 Blue Collar Annuitant Table with generational improvement

Disabled Retiree: RP-2014 Disabled Mortality Table with generational improvement.

The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 43 of GASB 67, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. Our analysis was based on the expectation that employers will continue to contribute at rates set by the Board, which exceed the actuarially determined contribution rate. The actuarially determined contribution rate is comprised of an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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