

LINCOLN TOWN SCHOOL DISTRICT
FINANCIAL & COMPLIANCE REPORTS
JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Executive Committee of Addison Northeast Supervisory Union and its Superintendent
Lincoln Town School District

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 Lincoln Town School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Lincoln Town School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Lincoln Town School District, as of June 30, 2017, and the respective changes in financial position 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 and budgetary comparison information on pages 3-6 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lincoln Town School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of the Lincoln Town School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lincoln Town School District's internal control over financial reporting and compliance.



Jeffrey R. Bradley CPA, P.C.
Essex Junction, Vermont
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December 20, 2017

LINCOLN TOWN SCHOOL DISTRICT

Management's Discussion and Analysis

The following discussion and analysis of the Lincoln Town School District, Vermont's (the School Board) financial performance provides an overview of the School Board's financial activities as of and for the fiscal year ended June 30, 2017. The analysis focuses on the School Board's financial performance as a whole. Please read it in conjunction with the transmittal letter at the front of this report and the School Board'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 School District's basic financial statements. The School 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 School Board's financial statements consist of two kinds of statements that present different views of the School Board'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 School Board's finances. The government-wide financial statements provide both long-term and short-term information about the School Board's overall financial status.
- The fund financial statements focus on the individual parts of the School Board, reporting School Board 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 School Board'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 School Board'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 School Board's only significant fund, the General Fund. The All of the School Board'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 School Board as a Whole

The School Board presents its financial statements under the reporting model required by the Government Accounting Standards Board (GASB). The government-wide financial statements report information about the School Board as a whole using accounting methods similar to those used by private-sector companies. An important question one could ask about the School Board's finances is, "Is the School Board 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 School Board 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 School 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 9-13 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 14-18 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 and 25, respectively.

FINANCIAL HIGHLIGHTS

- The School District's net position (assets minus liabilities and deferred items) from governmental activities decreased by (\$13,164) as a result of this year's operations.
- Capital assets did not increase during the fiscal year.
- The School District's long-term liabilities decreased \$123,032 (9.1%) during the fiscal year ending June 30, 2017 through anticipated debt retirement.
- At the close of the current fiscal year, the School District's governmental funds reported total ending fund balances of \$8,062, a decrease of (\$46,503) (-85%). The District budgeted to use (\$42,320) of its operating reserves, therefore the District exceeded budget expectation by (\$5,690) for the General Fund. Key factors in the unfavorable outcome are primarily the less than anticipated state grant revenues.
- By the far the largest portion of the School District's net assets (\$252,873) 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 School District's net assets (\$65,277) represents resources that are subject to internal and external restrictions on how they can be used.
- Overall Government-wide total unrestricted net position decreased (\$55,329).

Governmental Activities - The most significant revenues of the governmental activities are tax revenue from the State of Vermont (86%). Grants and contributions and fees for service account for the remaining 14%. Instructional costs are the most significant (50%), expenses followed by special education (20%) general administration (15%) and plant operations, debt service, depreciation and student food & transportation (15%).

Governmental revenues increased 2.6% in the current year, with the most significant portion of the income attributable to an increase in the Education Spending grant. Governmental activities expenses decreased (3.7%) in the current year. The most significant changes in program expenses were as follows:

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

<i>Investment in Capital Assets</i>	Balance - July 1, 2016	Net Activity	Depreciation	Beginning Accumulated Depreciation	Net Asset Value - June 30, 2017
Land, Buildings & Equipment	\$3,044,256	\$0	(\$89,690)	(\$1,348,330)	\$1,606,236

<i>Bond Payable</i>	
Vermont Municipal Bond Bank, issued 2011, no stated interest, currently \$123,032 principal paid annually to December 2027.	\$1,353,363

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Expenditures in the General Fund are budgeted to decrease 5.1% from \$2,216,123 to \$2,101,791 as compared to fiscal year 2017. The decrease affects assessments to Addison Northeast Supervisory Union to cover centralized administrative and fiscal costs. The School District has added no major new major programs or initiatives to the fiscal year 2017 budget. If these estimates are realized, the School District's budgetary general fund balance is expected to decrease by (\$1,333) the close of fiscal year 2018.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School District's finances for all those interested in governmental finance. Questions concerning any information in the report or requests for additional information should be addressed to Addison Northeast Supervisory Union, 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, 2017 and 2016:

STATEMENT OF NET POSITION

	2017	2016
Current Assets	\$ 102,958	\$ 201,949
Capital Assets	1,606,236	1,695,928
Total Assets	\$ 1,709,194	\$ 1,897,877
Current Liabilities	\$ 217,928	\$ 270,415
Noncurrent Liabilities	1,230,331	1,353,363
Total Liabilities	1,448,259	1,623,778
Nonspendable General Fixed Assets	252,873	186,189
Other Net Position	8,063	87,910
Total Net Position	260,935	274,099
Total Liabilities & Net Position	\$ 1,709,194	\$ 1,897,877

STATEMENT OF ACTIVITIES

	2017	2016
<i>Program Revenues:</i>		
Operating Grants and Charges for Services	\$ 403,105	\$ 449,222
<i>General Revenues:</i>		
Education Spending & Other State Grants	1,903,031	1,850,587
Interest Earnings	11,124	12,004
Miscellaneous	5,102	7,424
Total General Revenues	1,919,257	1,870,015
Total Revenues	2,322,362	2,319,237
<i>Programs:</i>		
Instructional & Operating Costs	1,222,824	1,269,494
Special Education	450,259	392,597
General Administration	343,302	365,019
Food Service	15,520	15,242
Plant Operations and Transportation	190,881	161,585
Debt Service	23,049	18,577
Depreciation	89,690	89,689
Total Expenses	2,335,525	2,312,204
Change in Net Position	(13,164)	7,032
Net Position - Beginning	274,099	267,067
Net Position - Ending	\$ 260,935	\$ 274,099

LINCOLN TOWN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017 and 2016

ASSETS	<i>Governmental Activities</i>	
	<i>June 30, 2017</i>	<i>June 30, 2016</i>
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 72,687	\$ 171,954
Accounts Receivable	22,822	26,775
Prepaid Expenses	7,449	3,220
Due from Other Governments	-	-
Total Current Assets	102,958	201,949
<i>Noncurrent Assets:</i>		
Property, Plant & Equipment, net of applicable depreciation	1,606,236	1,695,928
Total Noncurrent Assets	1,606,236	1,695,928
TOTAL ASSETS	\$ 1,709,194	\$ 1,897,877
LIABILITIES & NET POSITION		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 14,628	\$ 26,830
Accrued Payroll & Benefits	78,454	98,050
Due to Other Governments	1,814	22,503
Current Portion of Bond & Notes Payable	123,032	123,032
Total Current Liabilities	217,928	270,415
<i>Noncurrent Liabilities:</i>		
Bond Payable	1,230,331	1,353,363
Total Noncurrent Liabilities	1,230,331	1,353,363
Total Liabilities	1,448,259	1,623,778
<i>Net Position:</i>		
Nonspendable General Fixed Assets	252,873	219,533
Nonspendable Prepaid Expenses	7,449	3,220
Restricted For Special Purposes	57,739	53,232
Unassigned (Deficit)	(57,126)	(1,885)
Total Net Position	260,935	274,099
TOTAL LIABILITIES & NET POSITION	\$ 1,709,194	\$ 1,897,877

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

LINCOLN TOWN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2017 and 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	June 30, 2017 Total	June 30, 2016 Total
<i>Governmental Activities:</i>						
Interest Expense - Debt Service	23,049	\$ -	\$ -	\$ (23,049)	\$ (23,049)	\$ (18,577)
Regular Instruction & Related Support	1,069,651	-	135,165	(934,486)	(934,486)	(892,601)
Cocurricular	1,096	-	-	(1,096)	(1,096)	(745)
Health Services	41,044	-	-	(41,044)	(41,044)	(51,604)
Guidance Services	30,506	-	-	(30,506)	(30,506)	(34,016)
School Based Clinician	18,766	-	-	(18,766)	(18,766)	(18,070)
Educational Media Services	61,761	-	-	(61,761)	(61,761)	(75,180)
Board of Education, Treasurer & Professional Services	13,306	-	-	(13,306)	(13,306)	(9,170)
Supervisory Union Assessment	152,868	-	-	(152,868)	(152,868)	(187,287)
Principal's Office	177,128	-	-	(177,128)	(177,128)	(168,563)
Plant Operations	126,289	-	-	(126,289)	(126,289)	(107,531)
Student Transportation	64,592	-	-	(64,592)	(64,592)	(62,579)
Special Education	450,259	-	230,942	(219,317)	(219,317)	(182,605)
Food Service	15,520	-	36,998	21,478	21,478	26,711
Depreciation	89,690	-	-	(89,690)	(89,690)	(89,689)
<i>Total Governmental Activities</i>	<i>2,335,525</i>	<i>-</i>	<i>403,105</i>	<i>(1,932,421)</i>	<i>(1,932,421)</i>	<i>(1,871,506)</i>
<i>General Revenues:</i>						
Education Spending				1,876,285	1,876,285	1,808,179
Misc State Grants				26,746	26,746	42,408
Investment earnings				11,124	11,124	12,004
Miscellaneous				5,102	5,102	15,947
Total General Revenues				1,919,257	1,919,257	1,878,538
Change in Net Position				(13,164)	(13,164)	7,033
Net Position - Beginning				274,099	274,099	267,067
Net Position - Ending				\$ 260,935	\$ 260,935	\$ 274,099

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

**LINCOLN TOWN SCHOOL DISTRICT
COMBINED BALANCE SHEET -
GOVERNMENTAL FUND TYPES
JUNE 30, 2017 AND 2016**

	<i>Governmental Fund Types</i>			
	General Fund	Other Governmental Funds	Totals June 30, 2017	Totals June 30, 2016
ASSETS				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 72,687	\$ -	\$ 72,687	\$ 171,954
Accounts Receivable	19,557	3,266	22,822	26,775
Prepaid Expenses	7,449	-	7,449	3,220
Due from Other Funds	-	24,537	24,537	202
TOTAL ASSETS	\$ 99,692	\$ 27,802	\$ 127,495	\$ 202,151
LIABILITIES AND FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 3,804	\$ 10,824	\$ 14,628	\$ 26,830
Accrued Payroll & Benefits	76,895	1,560	78,455	98,051
Due to Other Governments	1,814	-	1,814	22,503
Due to Other Funds	24,537	-	24,537	202
Total Current Liabilities	107,050	12,383	119,433	147,585
<i>Fund Balances:</i>				
Restricted For Special Purposes	1,333	15,419	16,752	53,232
Nonspendable Prepaid Items	7,449	-	7,449	3,220
Unrestricted	(16,139)	-	(16,139)	(1,886)
Total Fund Balances (Deficit)	(7,357)	15,419	8,062	54,566
TOTAL LIABILITIES & FUND BALANCES	\$ 99,692	\$ 27,802	\$ 127,495	\$ 202,151

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

LINCOLN TOWN SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2017

Fund Balances - Governmental Funds Balance Sheet	\$	8,062
 <i>Amounts reported for Governmental Activities in the Statement of Net Position are different due to the following:</i>		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		1,606,236
Long Term Debt is not recorded in the Governmental fund financial statements. However, the government wide financial statements require the inclusion of long term debt.		<u>(1,353,362)</u>
<i>Net Position - Government-Wide Financial Statements</i>	\$	<u><u>260,935</u></u>

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

**LINCOLN TOWN SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017 and 2016**

	General Fund	Other Governmental Funds	TOTALS June 30, 2017	TOTALS June 30, 2016
<i>Revenues:</i>				
Education Spending	\$ 1,876,285	\$ -	\$ 1,876,285	\$ 1,808,179
Miscellaneous State Grants	26,746	-	26,746	42,408
Special Education	230,942	-	230,942	209,992
Private Subgrants	-	29,694	29,694	28,546
Fee for Services	-	36,998	36,998	41,953
Interest Income	11,067	58	11,124	12,004
On-behalf Teachers' Retirement Contributions	105,471	-	105,471	168,731
Miscellaneous	5,102	-	5,102	15,950
<i>Total Revenues</i>	<u>2,255,612</u>	<u>66,749</u>	<u>2,322,362</u>	<u>2,327,762</u>
<i>Expenditures:</i>				
Debt Service	146,078	-	146,078	141,609
Regular Instruction & Related Support	1,052,953	16,698	1,069,651	1,089,879
Cocurricular	1,096	-	1,096	745
Guidance Services	25,481	5,024	30,506	34,016
Health Services	12,991	28,054	41,044	51,604
School Based Clinician	18,766	-	18,766	18,070
Educational Media Services	61,761	-	61,761	75,180
Board of Education, Treasurer & Professional Services	13,306	-	13,306	9,170
Supervisory Union Assessment	152,868	-	152,868	187,287
Principal's Office	177,128	-	177,128	168,563
Plant Operations	110,823	15,466	126,289	98,233
Student Transportation	64,592	-	64,592	62,579
Special Education	450,259	-	450,259	392,597

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

**LINCOLN TOWN SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017 and 2016**

	General Fund	Other Governmental Funds	TOTALS June 30, 2017	TOTALS June 30, 2016
<i>Expenditures (continued):</i>				
Food Service	15,520	-	15,520	15,242
<i>Total Expenditures</i>	2,303,622	65,242	2,368,864	2,344,774
Excess (Deficiency) of Revenues Over Expenditures	(48,010)	1,507	(46,503)	(17,012)
<i>Other Financial Sources (Uses):</i>				
Operating Transfers In (Out)	(3,000)	3,000	-	-
<i>Total Other Financial Sources (Uses)</i>	(3,000)	3,000	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(51,010)	4,507	(46,503)	(17,012)
Fund Balances - Beginning	43,653	10,912	54,565	71,578
Fund Balances (Deficit) - Ending	\$ (7,357)	\$ 15,419	\$ 8,062	\$ 54,566

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

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

Net change in fund balances - Governmental Funds Financial Statements	\$	(46,503)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
In the Statement of Activities, the cost of fixed assets is allocated over their estimated useful lives and reported as depreciation expense annually.		(89,690)
Repayment of bond principal is not an expense in the Statement of Activities		<u>123,029</u>
<i>Change in Net Position - Statement of Activities</i>	<u>\$</u>	<u>(13,164)</u>

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

Lincoln Town School District NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of significant accounting policies - The Lincoln Town School District (the District) provides educational services to the citizens of Lincoln, Vermont, and the financial statements of the District 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 District 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 District.

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 District. 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 District is consolidated and incorporates capital assets as well as all long-term debt and obligations. The Government-wide Statement of Activities reflects both the gross and net costs by category. Direct expenses that are clearly identifiable with the category are offset by program revenues of the category. Program revenues include charges for services provided by a particular function or program and grants that are restricted to meeting the operational or capital requirements of the particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds, if any, are summarized in a single column.

Basis of presentation - The accounts of the District 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 District reports the following major governmental funds: *General Fund* is the general operating fund of the District. 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 District through trust and grant agreements, or capital project expenditures incurred for specific District 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.

Lincoln Town School District
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of significant accounting policies (continued)

Budgets and budgetary accounting - The District approves a budget for the General Fund at an annual District 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 District 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 District 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 District 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 District. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.

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

Capital assets - Capital assets, which include land, buildings, equipment, vehicles and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide and in the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial useful life of one year or greater and an initial individual cost equal to or greater than \$3,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest costs are capitalized on projects during the construction period. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Equipment and furniture	5 - 20 years
Vehicles	3 - 15 years
Buildings and improvements	25 - 50 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 specific purposes stipulated by constitution, external providers, or enabling legislation.

Lincoln Town School District
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of significant accounting policies (continued)

Committed fund balance includes amounts that can be used only for specific purposes determined by the District'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 District for specific purposes, as authorized by the School Board. *Unassigned* fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in another classification. Deficits are also classified as unassigned. The District's policy is to apply expenditures to fund balance in the order of restricted, committed, assigned and unassigned. The District 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 District'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 District 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 District 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 District 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 District 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.

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

**Lincoln Town School District
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - Inter-fund receivable and payable balances (continued)

	General Fund	Other Governmental Funds
Federal & State Sub-grants	(\$4,064)	\$4,064
Capital Projects Reserve	(20,473)	20,473

NOTE 4 - Long Term Debt

<i>Bond Payable</i>	
Vermont Municipal Bond Bank, issued 2011, no stated interest, currently \$123,032 principal paid annually to December 2027.	\$1,353,363

The following is a schedule of the minimum annual debt service payments for the obligation:

Fiscal Year Ending	Principal
2018	\$123,032
2019	123,032
2020	123,032
2021	123,032
2022	123,032
Thereafter	738,194
Total	\$1,353,363

NOTE 5 - Fixed Assets and Depreciation

<i>Investment in Capital Assets</i>	Balance - July 1, 2016	Net Activity	Depreciation	Beginning Accumulated Depreciation	Net Asset Value - June 30, 2017
Land, Buildings & Equipment	\$3,044,256	\$0	(\$89,690)	(\$1,348,330)	\$1,606,236

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 C 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 of VSTRS 5 years or less 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).

Lincoln Town School District
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - Defined Contribution Pension plan (continued)

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the VSTRS or its participating employers. VSTRS 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: www.finance.vermont.gov/reportsandpublications/cafr. Total wages paid for the District during the fiscal year was \$860,014, and covered payroll for the plan was \$719,563.

The District provides for certain support staff employees working at least 1,000 hours annually a retirement benefit of 5% of gross wages in matching contributions. The District paid \$2,426 for this benefit for the fiscal year ended June 30, 2017. Vesting occurs upon reaching 2 years of creditable service for defined contribution plans.

NOTE 7 - Concentration of Support

The District's General Fund receives approximately 86% of its revenue from the Education Spending grant. The amount of Education Spending received by the School District is equal to the budgeted expenditures, approved by the voters less expected other revenues for the year. Education Spending is funded with statewide property taxes. The State uses a common level of appraisal to equalize property values between communities. In addition to Education Spending, the School District receives grants from the State of Vermont for special education, transportation and other programs.

NOTE 8 - Commitments & Contingencies

The District 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 District could be liable for a proportionate share of the Fund's liabilities. The District 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 9 - Subsequent Events

On July 1, 2016, the District entered into a \$510,266 tax anticipation line of credit with a 2.75% interest rate due to be paid in full on June 30, 2018.

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 effective July 1, 2018.

Therefore, the Lincoln Town School District will then merge with the other member town school districts of Bristol, Monkton, New Haven, Starksboro and the Supervisory Union to form a new District and will cease operations as an independent entity.

Jeffrey R. Bradley CPA, P.C.

~ Member ~

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

To the Executive Committee of Addison Northeast Supervisory Union and its Superintendent

Lincoln Town School District

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 Lincoln Town School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Lincoln Town School District's basic financial statements, and have issued our report thereon dated December 20, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in red ink that reads "Jeffrey R. Bradley CPA, P.C.".

Jeffrey R. Bradley CPA, P.C.

Essex Junction, Vermont

December 20, 2017

**LINCOLN TOWN SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Revenues:</i>			
Education Spending	\$ 1,876,285	\$ 1,876,285	\$ -
State Miscellaneous Grants	46,036	26,746	(19,290)
Special Education	233,548	230,942	(2,606)
Interest Income	7,933	11,067	3,134
Miscellaneous	10,000	5,102	(4,898)
Total Revenues	2,173,802	2,150,141	(23,661)
<i>Expenditures:</i>			
Debt Service	136,967	146,078	(9,112)
Regular Instruction	957,886	947,482	10,404
Cocurricular	4,833	1,096	3,737
Guidance Services	22,600	25,481	(2,881)
Health Services	16,896	12,991	3,905
School Based Clinician	20,000	18,766	1,234
Educational Media Services	63,120	61,761	1,359
Board of Education, Treasurer & Professional Services	24,509	13,306	11,203
Supervisory Union Assessment	152,868	152,868	-
Principal's Office	167,370	177,128	(9,758)
Plant Operations	123,642	110,823	12,819
Student Transportation	64,923	64,592	331
Special Education	444,989	450,259	(5,270)
Food Service	15,520	15,520	-
Total Expenditures	2,216,122	2,198,151	17,971
Excess (Deficiency) of Revenues Over Expenditures	(42,320)	(48,010)	(5,690)
<i>Operating Transfers In (Out)</i>	-	(3,000)	(3,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ (42,320)	\$ (51,010)	\$ (8,690)

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

LINCOLN TOWN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE A - Employers' Allocation of Pension Amounts as of June 30, 2015

	Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	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)
6/30/2015	\$ 95,711	0.13127%	\$ 3,727,710	\$ 2,170,127	\$ 1,557,583	\$ 346,723	\$ (79,961)	\$ 1,977,850	\$ 1,205,017

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

	Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	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	\$ 77,454	0.10578%	\$ 3,099,681	\$ 1,714,521	\$ 1,385,160	\$ 319,385	\$ (253,063)	\$ 1,733,294	\$ 1,092,984

SCHEDULE C - Employer's Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2016

	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 Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions
6/30/2016	0.10578%	\$ 1,385,160	\$ 13,455	\$ 30,405	\$ -	\$ 133,893	\$ 141,642

LINCOLN TOWN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportionate Share and Difference between Employer Contribution and Proportionate Share of Contribution	Total Deferred Inflows	Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Changes in Proportionate Share and Difference Between Employer Contributions and Proportionate Share of Contribution	Total
\$ (5,731)	\$ -	\$ -	\$ (247,332)	\$ (253,063)	\$ 143,748	\$ (38,277)	\$ 105,471

SCHEDULE D - Employer's Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2016

	2017	\$ 9,913
	2018	\$ 49,893
	2019	\$ (16,651)
	2020	\$ 23,168
	Thereafter	\$ -
For the measurement period ended June 30,		
	<u>2016</u>	<u>2015</u>
Proportionate share of the net pension liability (asset)	0.1058%	0.13127%
Proportionate share of the net pension liability (asset)	\$ 1,385,160	\$ 1,557,583
Covered-employee payroll	\$ 578,217	\$ 575,194
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	239.56%	270.79%
Plan fiduciary net position as a percentage of the total pension liability	123.78%	139.33%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Significant Actuarial Assumptions and Methods:

The total pension liability as of June 30, 2017 was determined by rolling forward the total pension liability as of June 30, 2015 to June 30, 2016 using the actuarial assumptions outlined below.

Except for the expected rate of return on assets, these assumptions were selected on the basis of the experience study that was performed for the five-year period ending June 30, 2014. The 7.95% expected rate of return on assets was adopted by the Board at a meeting on July 27, 2015.

Interest Rate: 7.95% per annum. Through June 30, 2016, a select-and-ultimate interest rate set was used.

Salary Increases: Representative values of the assumed annual rates of future salary increases were projected to the estimate.

Deaths After Retirement: the RP-2000 Disabled Life Table with projection to 2029 using Scale AA for disabled retirees. The tables used contain a margin to reflect anticipated mortality improvement after the valuation date.

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

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments: 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).

Inactive Members: A liability equal to 350% of accumulated contributions of inactive members is included in the valuation liabilities.

Actuarial Cost Method: The individual entry age normal actuarial cost method was used. For actuarial valuations prior to June 30, 2006, the entry age normal method with frozen initial liability was used.

Long-term expected rate of return:

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Equity	32.00%	8.61%
Fixed Income	35.00%	1.91%
Alternatives	17.00%	6.93%
Multi-strategy	16.00%	4.88%

**LINCOLN TOWN SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017 and 2016**

	<i>Private Purpose</i>			
	<i>Agency Fund</i>	<i>Trust Funds</i>		
	Student Activities	Lincoln Fund	June 30, 2017 Totals	June 30, 2016 Totals
ASSETS				
Cash and Investments	\$ 6,662	\$ 28,802	\$ 35,465	\$ 33,623
TOTAL ASSETS	\$ 6,662	\$ 28,802	\$ 35,465	\$ 33,623
LIABILITIES AND NET POSITION				
<i>Liabilities:</i>				
Due to Student Groups/Deferred Revenue	\$ 6,662	\$ -	\$ 6,662	\$ 6,618
Total Liabilities	6,662	-	6,662	6,618
<i>Net Position:</i>				
Restricted for Trust Purposes	-	28,802	28,802	27,005
TOTAL LIABILITIES & FUND BALANCES	\$ 6,662	\$ 28,802	\$ 35,465	\$ 33,623

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITON
FOR THE FISCAL YEAR ENDED JUNE 30, 2017 AND 2016**

	Student Activities	Lincoln Fund	June 30, 2017 Totals	June 30, 2016 Totals
Additions:				
Net Investment Income	\$ -	\$ 1,797	\$ 1,797	\$ 1,244
Net Position - Beginning	-	27,005	27,005	25,761
Net Position - Ending	\$ -	\$ 28,802	\$ 28,802	\$ 27,005

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