

MONKTON TOWN SCHOOL DISTRICT  
FINANCIAL & COMPLIANCE REPORTS  
JUNE 30, 2018

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Monkton 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 Monkton Town School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Monkton 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 Monkton Town School District, 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.

*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 Monkton 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 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 Monkton Town School District'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 Monkton Town School District's internal control over financial reporting and compliance.



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

# MONKTON TOWN SCHOOL DISTRICT

## Management's Discussion and Analysis

The following discussion and analysis of the Monkton 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, 2018. 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 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 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 21-24.

## **FINANCIAL HIGHLIGHTS**

- The School District's net position (assets minus liabilities and deferred items) from governmental activities decreased by (\$18,129) as a result of this year's operations.
- Capital assets increased \$113,708, or 3.2%, 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 of \$153,497, a decrease of (\$13,209) (-8%).
- The District had budgeted to use operating reserves of (\$99,528) to fund general fund operations during the fiscal year. Therefore, the District outperformed budgetary expectation by \$96,319.
- Key factors in the overall favorable outcome are primarily the less than anticipated instructional and plant operating costs totaling \$109,129. Revenues earned were less than anticipated by (\$12,811).

By the far the largest portion of the School District's net position (\$1,178,527) 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 position (\$16,848) represents resources that are subject to internal and external restrictions on how they can be used.

Overall Government-wide total unrestricted net position decreased (\$56,996).

Governmental Activities - The most significant revenues of the governmental activities are tax revenue from the State of Vermont (99%). Grants and contributions and fees for service account for the remaining 1%. Instructional costs are the most significant (57%), expenses followed by special education (12%) general administration (15%), and plant operations, debt service, depreciation and student transportation (16%).

Governmental revenues decreased (8%) in the current year, with the most significant portion attributable to the decrease in the method in which special education and other costs are reimbursed.

Governmental activities expenses decreased (7.9%) in the current year. The most significant changes in program expenses were as follows:

- Special Education and transportation costs were the primary reason for the decrease.
- 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.

#### ***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 (RED) that will effectively replace the operations of Addison Northeast Supervisory Union effective July 1, 2018.
- Therefore, the ending fund balances 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**

	<b>2018</b>	<b>2017</b>
Current Assets	\$ 154,744	\$ 504,280
Capital Assets	1,238,527	1,232,727
Total Assets	\$ 1,393,271	1,737,007
Current Liabilities	66,321	362,996
Noncurrent Liabilities	31,067	60,000
Total Liabilities	97,388	422,996
Nonspendable General Fixed Assets	1,178,527	1,112,727
Restricted Net Position	16,848	43,780
Other Net Position	100,508	157,504
Total Net Position	1,295,882	1,314,011
Total Liabilities & Net Position	\$ 1,393,271	\$ 1,737,007

**STATEMENT OF ACTIVITIES**

	<b>2018</b>	<b>2017</b>
<i>Program Revenues:</i>		
Operating Grants and Charges for Services	349,683	667,262
<i>General Revenues:</i>		
Education Spending & Other State Grants	2,476,622	2,412,679
Interest Earnings	24,697	20,926
Miscellaneous	(754)	9,085
Total General Revenues	2,500,564	2,442,690
Total Revenues	2,850,247	3,109,952
<i>Programs:</i>		
Instructional & Operating Costs	1,646,840	1,469,628
Special Education	347,634	735,294
General Administration	425,463	427,885
Food Service	22,764	20,336
Plant Operations and Transportation	398,704	442,473
Debt Service	26,971	25,379
Total Expenses	2,868,376	3,120,995
Change in Net Position	(18,129)	(11,043)
Net Position - Beginning	1,314,011	1,325,054
Net Position - Ending	\$ 1,295,882	1,314,011

**MONKTON TOWN SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	<i>Governmental Activities</i>	
	<i>June 30, 2018</i>	<i>June 30, 2017</i>
<b>ASSETS</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 148,354	\$ 437,438
Accounts Receivable	-	57,641
Prepaid Expenses	6,390	9,202
<b>Total Current Assets</b>	<b>154,744</b>	<b>504,281</b>
<i>Noncurrent Assets:</i>		
Property, Plant & Equipment, net of applicable depreciation	1,238,527	1,232,727
<b>TOTAL ASSETS</b>	<b>\$ 1,393,271</b>	<b>\$ 1,737,008</b>
<b>LIABILITIES &amp; NET POSITION</b>		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 6,280	\$ 49,491
Accrued Payroll & Benefits	1,253	95,252
Due to (from) Other Governments	(16,745)	158,253
Current Portion of Early Retirement Obligations	15,533	-
Current Portion of Bond Payable	60,000	60,000
<b>Total Current Liabilities</b>	<b>66,321</b>	<b>362,997</b>
<i>Noncurrent Liabilities:</i>		
Early Retirement Obligations	31,067	-
Bond Payable	-	60,000
<b>Total Liabilities</b>	<b>97,388</b>	<b>422,997</b>
<i>Net Position:</i>		
Nonspendable General Fixed Assets	1,178,527	1,112,727
Restricted For Special Purposes	16,848	43,780
Unrestricted	100,508	157,504
<b>Total Net Position</b>	<b>1,295,882</b>	<b>1,314,011</b>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 1,393,271</b>	<b>\$ 1,737,008</b>

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

**MONKTON TOWN SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**Fiscal Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		June 30, 2017 Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government June 30, 2018 Total	
<b>Primary Government</b>						
<i>Governmental Activities:</i>						
Interest Expense	26,971	\$ -	\$ -	\$ (26,971)	\$ (26,971)	\$ (25,379)
Elementary Instruction & Related Support	1,423,360	-	349,083	(1,074,277)	(1,074,277)	(999,535)
School Based Clinician	13,339	600	-	(12,739)	(12,739)	(8,426)
Guidance Services	72,553	-	-	(72,553)	(72,553)	(74,868)
Health Services	57,528	-	-	(57,528)	(57,528)	(68,151)
Cocurricular	14,030	-	-	(14,030)	(14,030)	(4,766)
Educational Media Services	66,031	-	-	(66,031)	(66,031)	(63,506)
Board of Education, Treasurer & Professional Services	21,454	-	-	(21,454)	(21,454)	(22,554)
Supervisory Union Assessment	205,314	-	-	(205,314)	(205,314)	(200,310)
Principal's Office	198,695	-	-	(198,695)	(198,695)	(205,021)
Plant Operations	334,494	-	-	(334,494)	(334,494)	(357,925)
Student Transportation	64,210	-	-	(64,210)	(64,210)	(42,047)
Special Education	347,634	-	-	(347,634)	(347,634)	(360,910)
Food Service	22,764	-	-	(22,764)	(22,764)	(20,336)
<i>Total Governmental Activities</i>	<u>2,868,376</u>	<u>600</u>	<u>349,083</u>	<u>(2,518,693)</u>	<u>(2,518,693)</u>	<u>(2,453,733)</u>
<i>General Revenues:</i>						
Education Spending				2,476,622	2,476,622	2,412,679
Investment Earnings				24,697	24,697	20,926
Miscellaneous				(754)	(754)	9,085
<b>Total General Revenues</b>				<u>2,500,564</u>	<u>2,500,564</u>	<u>2,442,690</u>
Change in Net Position				(18,129)	(18,129)	(11,043)
Net Position - Beginning				<u>1,314,011</u>	<u>1,314,011</u>	<u>1,325,054</u>
Net Position - Ending				<u>\$ 1,295,882</u>	<u>\$ 1,295,882</u>	<u>\$ 1,314,011</u>

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

**MONKTON TOWN SCHOOL DISTRICT  
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		
<b>ASSETS</b>				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 148,354	\$ -	\$ 148,354	\$ 437,438
Accounts Receivable	-	-	-	57,641
Prepaid Expenses	6,390	-	6,390	9,202
Due from Other Funds	-	10,458	10,458	3,070
<b>TOTAL ASSETS</b>	<b>\$ 154,744</b>	<b>\$ 10,458</b>	<b>\$ 165,202</b>	<b>\$ 507,350</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 6,280	\$ -	\$ 6,280	\$ 49,491
Accrued Payroll & Benefits	1,253	-	1,253	95,252
Due to (from) Other Governments	(16,745)	-	(16,745)	158,253
Due to Other Funds	10,458	-	10,458	3,070
<b>Total Current Liabilities</b>	<b>1,246</b>	<b>-</b>	<b>1,246</b>	<b>306,066</b>
<i>Fund Balances:</i>				
Restricted For Special Purposes	6,390	10,458	16,848	43,780
Committed For Future Year Expenditures	67,178	-	67,178	59,746
Unrestricted	79,930	-	79,930	97,758
<b>Total Fund Balances</b>	<b>153,497</b>	<b>10,458</b>	<b>163,955</b>	<b>201,284</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 154,744</b>	<b>\$ 10,458</b>	<b>\$ 165,202</b>	<b>\$ 507,350</b>

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

**MONKTON TOWN SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2018**

Fund Balances - Governmental Funds Balance Sheet	\$	163,955
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*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.		1,238,527
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Early Retirement Obligations are recognized when incurred in the Government Wide financial statements, and paid in the Governmental Funds financial statements.		(46,600)
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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.		(60,000)
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Net Position - Government-Wide Financial Statements	\$	<u>1,295,882</u>
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*The accompanying notes are an integral part of these financial statements.*

**MONKTON TOWN SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -  
 CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018 AND 2017**

	General Fund	Other Governmental Funds	TOTALS June 30, 2018	TOTALS June 30, 2017
<i>Revenues:</i>				
Education Spending	\$ 2,476,622	-	\$ 2,476,622	\$ 2,412,679
State Transportation Grant	-	-	-	33,550
Special Education	-	-	-	374,384
Support & Subgrants	40,000	15,257	55,257	12,879
Early Education	-	-	-	20,475
Fee For Services	600	-	600	600
State Retirement Contribution	293,826	-	293,826	225,374
Interest Income	24,694	3	24,697	20,926
Miscellaneous	(754)	-	(754)	9,085
<i>Total Revenues</i>	<u>2,834,987</u>	<u>15,260</u>	<u>2,850,247</u>	<u>3,109,952</u>
<i>Expenditures:</i>				
Debt Service	86,971	-	86,971	85,379
Elementary Instruction & Related Support	1,360,152	16,608	1,376,760	1,264,555
School Based Clinician	13,339	-	13,339	9,026
Guidance Services	72,553	-	72,553	74,868
Health Services	57,528	-	57,528	68,151
Cocurricular	14,030	-	14,030	4,766
Educational Media Services	66,031	-	66,031	63,506
Board of Education, Treasurer & Professional Services	21,454	-	21,454	22,554
Supervisory Union Assessment	205,314	-	205,314	200,310
Principal's Office	198,695	-	198,695	205,021
Plant Operations	304,722	35,321	340,044	271,786
Student Transportation	64,210	-	64,210	75,597

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

**MONKTON TOWN SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -  
 CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018 AND 2017**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>TOTALS June 30, 2018</b>	<b>TOTALS June 30, 2017</b>
<i>Expenditures (continued):</i>				
Special Education	347,634	-	347,634	735,294
Food Service	22,764	-	22,764	20,336
<i>Total Expenditures</i>	<u>2,835,396</u>	<u>51,930</u>	<u>2,887,326</u>	<u>3,101,149</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(409)</u>	<u>(36,670)</u>	<u>(37,079)</u>	<u>8,803</u>
<i>Other Financial Sources (Uses):</i>				
Operating Transfers	(12,800)	12,800	-	-
<i>Total Other Financial Sources (Uses)</i>	<u>(12,800)</u>	<u>12,800</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(13,209)</u>	<u>(23,870)</u>	<u>(37,079)</u>	<u>8,803</u>
Fund Balances - Beginning	<u>166,706</u>	<u>34,328</u>	<u>201,034</u>	<u>192,481</u>
Fund Balances - Ending	<u>\$ 153,497</u>	<u>10,458</u>	<u>\$ 163,955</u>	<u>\$ 201,284</u>

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

**MONKTON 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, 2018**

Net Change in Fund Balances - Governmental Fund Financial Statements	\$	(37,079)
 <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.		5,550
Early Retirement Obligations are recognized as incurred in the Government Wide Financial Statements, and recognized as paid in the Government Funds financial statements.		(46,600)
Repayment of bond principal is not an expense in the Statement of Activities		<u>60,000</u>
 <i>Change in Net Position - Statement of Activities</i>	 \$	 <u><u>(18,129)</u></u>

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

## Monkton Town School District NOTES TO FINANCIAL STATEMENTS

**Note 1 - Summary of significant accounting policies** - The Monkton Town School District (the District) provides educational services to the citizens of Monkton, 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 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.

**Monkton 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 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 \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest costs are capitalized on projects during the construction period. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Equipment and furniture	5 - 20 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, 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

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

**Note 1 - Summary of significant accounting policies (continued)**

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, 2018, 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. The cash deposits held at financial institutions and cash on hand can be categorized according to four levels of risk. These four levels of risk are as follows:

- Category 1 Repurchase Agreements -Deposits which are invested in government securities held by the Town or by its agent in the Town’s name.
- Category 2 Collateralized Accounts -Deposits which are collateralized with securities held by the pledging financial institution’s trust department or agent in the Bank’s name.
- Category 3 Letter of Credit -Private commercial insurance protection or letter of credit issued by the financial institution to cover funds in excess of FDIC limits.
- Category 4 Deposits which are not collateralized or insured. (Petty Cash on hand)

Category	Book Balance	Bank Balance
Insured FDIC/SIPC	\$ 149,597	\$ 192,663
Category 2	-	-
Total Cash	\$ 149,597	\$ 192,663

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

**Note 3 - Inter-fund receivable and payable balances**

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

Inter-fund	General Fund	Other Governmental Funds
Capital Projects	(\$10,458)	\$10,458

**Note 4 - Capital Assets & Long Term Debt**

The following schedules is a summary of the District's historical capital improvements and related depreciation:

	Balance - July 1, 2017	Net Activity	Depreciat ion	Beginning Accumulated Depreciation	Net Asset Value - June 30, 2018
Land, Buildings & Equipment	\$3,542,674	\$113,708	(\$108,008)	(\$2,309,847)	\$1,238,527

**Bond Payable**

School Improvement Bond Payable, due December 1, 2018, accrues periodic interest at 4.26 - 5.16%. The following is a schedule detailing the amortization of the remaining balance at June 30, 2018:

Category	Interest	Principal
June 30, 2019	\$ 1,547	\$ 60,000

**Note 5 - 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 a member 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). 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).

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

**Note 5 - Defined Contribution Pension plan (continued)**

The CAFR can be viewed on the State's Department of Finance & Management website at <http://www.finance.vermont.gov/reportsandpublications/cafr>

**Note 6 - Concentration of Support**

The District's General Fund receives approximately 84% 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 determines a different education property tax rate for homestead and non-homestead properties based on statewide information. The tax rate for non-homestead property in the member Districts are not impacted by the amount of Education Spending received. 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 7 - 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 8 - Subsequent Events**

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

Jeffrey R. Bradley CPA, P.C.

~ Member ~

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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**

Board of Directors  
Monkton 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 Monkton Town School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Monkton Town School District'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 Monkton 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 Monkton Town School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Monkton 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 Monkton 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.



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

**MONKTON 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, 2018**

	<i>Original &amp; Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Revenues:</i>			
Education Spending	\$ 2,484,818	\$ 2,476,622	\$ (8,196)
Support & Subgrants	40,000	40,000	
Fee for Services	9,500	600	(8,900)
Interest Income	19,504	24,694	5,190
Miscellaneous	150	(754)	(904)
<i>Total Revenues</i>	<u>2,553,972</u>	<u>2,541,161</u>	<u>(12,811)</u>
<i>Expenditures:</i>			
Debt Service	84,144	86,971	(2,827)
Elementary Instruction	1,139,005	1,066,326	72,679
School Based Clinician	15,375	13,339	2,036
Guidance Services	76,239	72,553	3,686
Health Services	67,586	57,528	10,059
Cocurricular	14,500	14,030	470
Educational Media Services	63,869	66,031	(2,162)
Board of Education, Treasurer & Professional Services	41,704	21,454	20,249
Supervisory Union Assessment	205,314	205,314	-
Principal's Office	202,633	198,695	3,938
Plant Operations	332,746	304,722	28,024
Student Transportation	70,821	64,210	6,611
Special Education	314,001	347,634	(33,633)
Food Service	22,764	22,764	-
<i>Total Expenditures</i>	<u>2,650,700</u>	<u>2,541,570</u>	<u>109,129</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (96,728)</u>	<u>\$ (409)</u>	<u>\$ 96,319</u>
<i>Other Financial Sources (Uses):</i>			
Operating Transfers	<u>(2,800)</u>	<u>(12,800)</u>	<u>(10,000)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ (99,528)</u>	<u>\$ (13,209)</u>	<u>\$ 86,319</u>

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

MONKTON TOWN SCHOOL DISTRICT  
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	\$ 99,471	0.13584%	\$ 1,778,887	\$ 398,569	\$ (258,832)	\$ 2,225,977	\$ 1,403,661

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	\$ 890,093	0.13606%	\$ 2,016,962	\$ 363,577	\$ 172,562	\$ 2,499,306	\$ 1,614,377

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 and Differences Between Employer Contributions and Proportionate Share of Pension Plan Expense	Total Deferred Outflows
6/30/2017	0.13606%	\$ 2,016,962	\$ 22,041	\$ 209,205	\$ -	\$ 84,745	\$ 47,586	\$ 363,577
Changes in Assumptions	\$ 4,914	\$ 167,648	\$ -	\$ 172,562	\$ 252,435	\$ 41,391	\$ 293,826	

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

	2017	2016
2018	\$ 79,319	\$ 79,319
2019	\$ 39,108	\$ 39,108
2020	\$ 85,246	\$ 85,246
2021	\$ (12,657)	\$ (12,657)
Thereafter	\$ -	\$ -
Town's proportionate share of the net pension liability (asset)	0.1361%	0.13584%
Proportionate share of the net pension liability (asset)	\$ 2,016,962	\$ 1,778,887
Covered-employee payroll	<u>899,091</u>	<u>879,984</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>224.33%</u>	<u>202.15%</u>

## 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.

**MONKTON TOWN SCHOOL DISTRICT  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2018**

	<i>Agency Fund</i>	<i>Private Purpose</i>
	<b>Student Activities</b>	<b>Marshall Funds</b>
<b>ASSETS</b>		
Cash and Investments	\$ 1,242	\$ 40,714
<b>TOTAL ASSETS</b>	<b>\$ 1,242</b>	<b>\$ 40,714</b>
<b>LIABILITIES AND NET POSITION</b>		
<i>Liabilities:</i>		
Due to Other Funds	\$ -	\$ -
Due to Student Groups/Deferred Revenue	1,242	-
<i>Net Position:</i>		
Restricted for Trust Purposes	-	\$ 40,714
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 1,242</b>	<b>\$ 40,714</b>

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b>Student Activities</b>	<b>Marshall Funds</b>
<i>Revenues:</i>		
Net Investment Income	\$ -	\$ 1,152
Net Position - Beginning	-	39,562
Net Position - Ending	\$ -	\$ 40,714

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