

**WASHINGTON NORTHEAST SUPERVISORY UNION
PLAINFIELD, VERMONT**

**FINANCIAL STATEMENTS
JUNE 30, 2017
AND
INDEPENDENT AUDITOR'S REPORTS**

WASHINGTON NORTHEAST SUPERVISORY UNION

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

The Superintendent and Board of Education
Washington Northeast Supervisory Union

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Washington Northeast Supervisory Union (the Supervisory Union), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Supervisory Union's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Washington Northeast Supervisory Union, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General Fund 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 schedules 1 and 2 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Supervisory Union's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates 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 accompanying Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2018 on our consideration of the Supervisory Union's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on 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 Supervisory Union's internal control over financial reporting and compliance.

Montpelier, Vermont
February 14, 2018

Mudgett, Kenneth E.
Hugh-Nair, P.C.

**WASHINGTON NORTHEAST SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

This section of the Washington Northeast Supervisory Union's annual financial report presents our discussion and analysis of the Supervisory Union's financial performance during the fiscal year that ended on June 30, 2017. The intent of the Management's Discussion and Analysis is to look at the Supervisory Union's financial performance as a whole. With this in mind, please also refer to the Supervisory Union's financial statements, which immediately follow this section.

Washington Northeast Supervisory Union is an oversight administrative unit organized under Vermont Statute. The Supervisory Union provides assistance to the Cabot Town School District and Twinfield Union School District No. 33 that includes budgeting, accounting, federal and state grant application and administration, special education administration and human resources activities. The Supervisory Union also provides these entities with assistance in curriculum, special services, physical plant maintenance and construction, and policy development.

Financial Statements

The accompanying financial statements include two separate presentations: government-wide financial statements and fund financial statements.

The government-wide financial statements present the financial picture of the Supervisory Union from the economic resources measurement focus using the accrual basis of accounting. The Statement of Net Position presents information on all of the Supervisory Union's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. At this time, the Supervisory Union does not have any long-term debt. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Supervisory Union is improving or deteriorating. The Statement of Activities focuses on the programs of the Supervisory Union and presents information showing how the Supervisory Union's net position changed during the year.

The fund financial statements present financial position and activities by fund using the modified accrual basis of accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The funds of the Supervisory Union can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds primarily focus on near-term inflows and outflows of spendable resources and their balance at the end of the fiscal year. The Supervisory Union's governmental funds are the General Fund, Food Service Fund and Grants Fund.

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. At this time, the Supervisory Union does not have any proprietary funds.

Fiduciary funds are used to account for resources held for the benefit of other parties (in trust or agency funds). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Supervisory Union's own programs. The fiduciary funds reported by the Supervisory Union are the Trust Fund and the Agency Funds.

Government-wide Financial Analysis

The Statement of Net Position shows the total assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Supervisory Union at June 30, 2017. The following is a summary of the comparative information from the Statement of Net Position at June 30, 2016 and 2017:

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2017</u>
Current Assets	\$ 190,837	\$ 125,035
Capital Assets, net	<u>9,974</u>	<u>4,245</u>
Total Assets	<u>200,811</u>	<u>129,280</u>
Deferred Outflows of Resources	<u>34,815</u>	<u>92,171</u>
Current Liabilities	134,231	179,581
Noncurrent Liabilities	<u>58,693</u>	<u>117,313</u>
Total Liabilities	<u>192,924</u>	<u>296,894</u>
Deferred Inflows of Resources	<u>28,170</u>	<u>11,493</u>
Investment in Capital Assets	9,974	4,245
Restricted	45,026	50,385
Unrestricted	<u>(40,468)</u>	<u>(141,566)</u>
Total Net Position	<u>\$ 14,532</u>	<u>\$ (86,936)</u>

The Statement of Net Position shows total net position of the Supervisory Union as of June 30, 2017 of a deficit of \$86,936, a decrease of \$101,468 from last year's net position of \$14,532.

Of the June 30, 2017 total assets, 97% or \$125,035 are current assets (cash, accounts receivable and amounts due from fiduciary funds), as compared to the prior year when 95% or \$190,837 represented current assets.

Noncurrent assets consist of leasehold improvements and equipment, and for the period ended June 30, 2017, these are 3% or \$4,245 as compared to June 30, 2016 when noncurrent assets represented 5% or \$9,974. Net capital assets decreased due to the increase in accumulated depreciation.

Deferred outflows of resources consist of deferred pension expense and total \$92,171 at June 30, 2017 compared to \$34,815 in the prior year.

Total liabilities of the Supervisory Union are \$296,894 as compared to \$192,924 for the prior year. Of the June 30, 2017 total liabilities, 60% or \$179,581 are current liabilities (accounts payable, accrued payroll and amounts due to member districts). This compares to this same period last year of \$134,231 or 70%.

Noncurrent liabilities for the period ended June 30, 2017 are \$117,313 and represent accrued compensated absences and net pension liability, as compared to the prior reporting period of \$58,693 which consisted of accrued compensated absences and net pension liability.

Total deferred inflows of resources are \$11,493 at June 30, 2017 compared to \$28,170 in the prior year. Deferred inflows of resources consist of deferred grant revenues and deferred pension credits.

Net position of the Supervisory Union is a deficit of \$86,936 as of June 30, 2017, in comparison to \$14,532 in

the prior year. \$4,245 represents an investment in capital assets for the period ended June 30, 2017, as compared to the prior year of \$9,974. \$50,385 represents amounts restricted for various grant programs for the period ended June 30, 2017, as compared to the prior year of \$45,026. \$141,566 represents an unrestricted deficit for the period ended June 30, 2017, as compared to an unrestricted deficit of \$40,068 in the prior year.

The comparison between June 30, 2016 and June 30, 2017 for the Statement of Activities is indicated below:

	Governmental Activities			
	2016		2017	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Expenses				
Administration and support	\$ 2,396,185	71.46%	\$ 3,049,941	73.47%
State and federal programs	957,213	28.54%	714,417	17.21%
Food service program	-	0.00%	386,880	9.32%
Total Expenses	<u>3,353,398</u>	<u>100.00%</u>	<u>4,151,238</u>	<u>100.00%</u>
Program Revenues				
Grants and Contributions	1,429,379	98.44%	1,490,061	99.27%
Charges for Services	-	0.00%	10,905	0.73%
Other	22,715	1.56%	-	0.00%
Total Program Revenues	<u>1,452,094</u>	<u>100.00%</u>	<u>1,500,966</u>	<u>100.00%</u>
General Revenues				
Assessments	1,909,014	99.98%	2,548,561	99.99%
Interest	364	0.02%	243	0.01%
Total General Revenues	<u>1,909,378</u>	<u>100.00%</u>	<u>2,548,804</u>	<u>100.00%</u>
Total Revenues	<u>3,361,472</u>		<u>4,049,770</u>	
Change in Net Position	<u>\$ 8,074</u>		<u>\$ (101,468)</u>	

The Statement of Activities reports total expenses for 2017. Government-wide expenses include all governmental fund expenditures plus depreciation of capital assets, and exclude debt principal payments, capital asset purchases and net pension expense. At this time, the Supervisory Union does not have any long-term debt. Program revenues offset expenses as they relate to specific programs. Program revenues are derived from three sources: grants and contributions, charges for services and revenue from other sources.

For the year ended June 30, 2017, the net program costs of \$2,650,272 were more than general revenues of \$2,548,804 and caused a decrease in net position of \$101,468, compared to the year ended June 30, 2016 where the net program costs of \$1,901,304 were less than general revenues of \$1,909,378 which caused an increase in net position of \$8,074. General revenues received by the Supervisory Union consisted of assessments from other districts together with interest and were \$2,548,804 and \$1,909,378 for the years 2017 and 2016, respectively.

Financial Analysis of the Supervisory Union's Funds

Governmental Funds

The General Fund, the principal operating fund of the Supervisory Union, reported fund revenues more than expenditures, which caused an increase in the fund balance of \$1,593.

The Food Service Fund, used to account for the restricted revenues and expenditures for the food services provided at the schools, reported fund expenditures in excess of revenues, which caused a decrease in fund balance of \$80,332.

The Grants Fund, used to account for grants restricted to certain program purposes and not available for general operations, reported fund expenditures in excess of revenues, which caused a decrease in fund balance of \$19,025.

Fiduciary Funds

The Supervisory Union reports fiduciary (trust and agency) funds which account for resources held for the benefit of other parties and are excluded from the government-wide financial statements. During 2017, the Trust Fund of the Supervisory Union did not report any activity. As of June 30, 2017, the Trust Fund had total net position of \$640. As of June 30, 2017, the Supervisory Union also held \$21,391 as an agent.

Capital Assets and Debt Administration

As of June 30, 2017, the Supervisory Union had leasehold improvements and equipment totaling \$93,678 and related accumulated depreciation of \$89,433. The Supervisory Union did not have any long-term debt at June 30, 2017.

General Fund Budgetary Highlights

The Supervisory Union's General Fund budget is prepared according to the requirements of Vermont law. The operating budget includes proposed expenditures and estimated revenues. On-behalf payments for licensed educators' retirement, paid by the state, are not budgeted.

Actual revenues in the General Fund exceeded budgeted revenues by \$35,868. This variance is primarily the result of Intergovernmental - State revenues received in excess of anticipated amounts by \$35,477.

Actual expenditures in the General Fund exceeded budgeted expenditures by \$34,275. Expenditures exceeding budgeted amounts include Special education - pre k by \$51,927, operations and maintenance by \$47,216, School Board and assessments by \$17,348 and special service administration by \$13,834. Expenditures were under budget for special education - secondary by \$55,445, special education - transportation by \$34,006 and curriculum development by \$14,715.

Contacting the Supervisory Union's Financial Management

This financial report is intended to provide our citizens, taxpayers and creditors with a general overview of the Supervisory Union's finances, and to reflect the accountability for the monies it receives. Questions about this report or additional related audit financial information should be directed to Christina Kimball, Business Manager, Washington Northeast Supervisory Union, P. O. Box 470, Plainfield, VT 05667.

**WASHINGTON NORTHEAST SUPERVISORY UNION
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental Activities</u>
ASSETS:	
Current assets -	
Cash	\$ 18,736
Accounts receivable	85,548
Due from fiduciary funds	<u>20,751</u>
Total current assets	<u>125,035</u>
Noncurrent assets -	
Capital assets	93,678
less - accumulated depreciation	<u>(89,433)</u>
Total noncurrent assets	<u>4,245</u>
Total assets	<u>129,280</u>
 DEFERRED OUTFLOWS OF RESOURCES:	
Deferred pension expense	<u>92,171</u>
 LIABILITIES:	
Current liabilities -	
Accounts payable	16,994
Accrued payroll	6,944
Due to member districts, net	<u>155,643</u>
Total current liabilities	<u>179,581</u>
Noncurrent liabilities -	
Accrued compensated absences	3,176
Net pension liability	<u>114,137</u>
Total noncurrent liabilities	<u>117,313</u>
Total liabilities	<u>296,894</u>
 DEFERRED INFLOWS OF RESOURCES:	
Deferred grant revenue	3,654
Deferred pension credits	<u>7,839</u>
Total deferred inflows of resources	<u>11,493</u>
 NET POSITION:	
Investment in capital assets	4,245
Restricted	50,385
Unrestricted	<u>(141,566)</u>
Total net position	\$ <u>(86,936)</u>

The notes to financial statements are an integral part of this statement.

**WASHINGTON NORTHEAST SUPERVISORY UNION
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Grants and Contributions</u>	<u>Charges for Services</u>	<u>Revenue and Change in Net Position</u>
FUNCTIONS/PROGRAMS:				
Governmental activities -				
Administration and support	\$ 3,049,941	\$ 499,026	\$ -	\$ (2,550,915)
State and federal programs	714,417	695,392	-	(19,025)
Food service program	<u>386,880</u>	<u>295,643</u>	<u>10,905</u>	<u>(80,332)</u>
Total governmental activities	\$ <u>4,151,238</u>	\$ <u>1,490,061</u>	\$ <u>10,905</u>	<u>(2,650,272)</u>
GENERAL REVENUES - ASSESSMENTS				2,548,561
- INTEREST INCOME				<u>243</u>
				<u>2,548,804</u>
CHANGE IN NET POSITION				(101,468)
NET POSITION, July 1, 2016				<u>14,532</u>
NET POSITION, June 30, 2017				\$ <u>(86,936)</u>

The notes to financial statements are an integral part of this statement.

WASHINGTON NORTHEAST SUPERVISORY UNION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017
(Page 1 of 2)

	<u>General</u> <u>Fund</u>	<u>Food</u> <u>Service</u> <u>Fund</u>	<u>Grants</u> <u>Fund</u>	<u>Totals</u> <u>Governmental</u> <u>Funds</u>
ASSETS				
Cash	\$ 18,736	\$ -	\$ -	\$ 18,736
Accounts receivable	22,161	23,620	39,767	85,548
Due from other funds	-	-	124,282	124,282
Due from member districts	<u>205,911</u>	<u>-</u>	<u>-</u>	<u>205,911</u>
 Total assets	 \$ <u>246,808</u>	 \$ <u>23,620</u>	 \$ <u>164,049</u>	 \$ <u>434,477</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY				
LIABILITIES:				
Accounts payable	\$ 12,356	\$ 13	\$ 4,625	\$ 16,994
Accrued payroll	6,944	-	-	6,944
Due to other funds	29,299	74,232	-	103,531
Due to member districts	<u>197,513</u>	<u>32,099</u>	<u>131,942</u>	<u>361,554</u>
Total liabilities	<u>246,112</u>	<u>106,344</u>	<u>136,567</u>	<u>489,023</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred grant revenue	<u>-</u>	<u>-</u>	<u>3,654</u>	<u>3,654</u>
FUND EQUITY:				
Fund balances -				
Restricted	-	-	50,385	50,385
Unassigned	<u>696</u>	<u>(82,724)</u>	<u>(26,557)</u>	<u>(108,585)</u>
Total fund balances (deficit)	<u>696</u>	<u>(82,724)</u>	<u>23,828</u>	<u>(58,200)</u>
 Total liabilities, deferred inflows of resources and fund equity	 \$ <u>246,808</u>	 \$ <u>23,620</u>	 \$ <u>164,049</u>	 \$ <u>434,477</u>

The notes to financial statements are an integral part of this statement.

WASHINGTON NORTHEAST SUPERVISORY UNION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017
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**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION:**

Amount reported on Balance Sheet - Governmental Funds - total fund balances	\$ (58,200)
Amounts reported for governmental activities in the Government-wide Statement of Net Position are different because -	
Capital assets used in governmental funds are not financial resources and are therefore not reported in the funds.	
Capital assets	93,678
Accumulated depreciation	(89,433)
Liabilities not due and payable in the current year are not reported in the governmental funds.	
Accrued compensated absences	(3,176)
Balances related to net pension asset or liability and related deferred outflows/ inflows of resources are not reported in the governmental funds.	
Deferred pension expense	92,171
Deferred pension credits	(7,839)
Net pension liability	<u>(114,137)</u>
Net position of governmental activities - Government-wide Statement of Net Position	\$ <u>(86,936)</u>

The notes to financial statements are an integral part of this statement.

**WASHINGTON NORTHEAST SUPERVISORY UNION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Page 1 of 2)**

	General <u>Fund</u>	Food Service <u>Fund</u>	Grants <u>Fund</u>	Totals Governmental <u>Funds</u>
REVENUES:				
Assessments	\$ 2,548,561	\$ -	\$ -	\$ 2,548,561
Intergovernmental -				
State	35,477	13,240	35,283	84,000
State Teachers' Retirement System	463,549	-	-	463,549
Federal	-	282,403	660,109	942,512
Food sales	-	10,905	-	10,905
Interest income	<u>243</u>	<u>-</u>	<u>-</u>	<u>243</u>
Total revenues	<u>3,047,830</u>	<u>306,548</u>	<u>695,392</u>	<u>4,049,770</u>
EXPENDITURES:				
Regular education	5,677	-	7,170	12,847
Special education	1,206,405	-	185,851	1,392,256
Support services -				
Students	125,301	-	4,254	129,555
Instructional staff	44,146	-	73,598	117,744
Central administration	1,139,532	-	19,474	1,159,006
School administration	56,905	-	6,040	62,945
Tuition	4,722	-	-	4,722
Subgrants to member Districts	-	-	418,030	418,030
Food service	-	386,880	-	386,880
State Teachers' Retirement System	<u>463,549</u>	<u>-</u>	<u>-</u>	<u>463,549</u>
Total expenditures	<u>3,046,237</u>	<u>386,880</u>	<u>714,417</u>	<u>4,147,534</u>
EXCESS OF REVENUE OR (EXPENDITURES)/ NET CHANGE IN FUND BALANCES	1,593	(80,332)	(19,025)	(97,764)
FUND BALANCES (DEFICIT), July 1, 2016	<u>(897)</u>	<u>(2,392)</u>	<u>42,853</u>	<u>39,564</u>
FUND BALANCES (DEFICIT), June 30, 2017	\$ <u>696</u>	\$ <u>(82,724)</u>	\$ <u>23,828</u>	\$ <u>(58,200)</u>

The notes to financial statements are an integral part of this statement.

**WASHINGTON NORTHEAST SUPERVISORY UNION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Page 2 of 2)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES:**

Net change in fund balances - total governmental funds	\$ (97,764)
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Amounts reported for governmental activities in the Government-wide Statement of Activities are different because -

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation	(5,729)
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Changes in accrued compensated absences accumulated by employees will increase or decrease the liability reported in the government-wide statements, but are only recorded as an expenditure when paid in the governmental funds.

Decrease (increase) in accrued compensated absences	5,191
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Changes in net pension asset or liability and related deferred outflows/inflows of resources will increase or decrease the amounts reported in the government-wide statements, but are only recorded as an expenditure when paid in the governmental funds.

Net (increase) decrease in net pension obligation	<u>(3,166)</u>
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Change in net position of governmental activities - Government-wide Statement of Activities	\$ <u>(101,468)</u>
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The notes to financial statements are an integral part of this statement.

**WASHINGTON NORTHEAST SUPERVISORY UNION
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u> </u>	Variance Over <u>(Under)</u>
REVENUES:			
Assessments	\$ 2,548,413	\$ 2,548,561	\$ 148
Intergovernmental - State	-	35,477	35,477
Interest income	<u>-</u>	<u>243</u>	<u>243</u>
Total revenues	<u>2,548,413</u>	<u>2,584,281</u>	<u>35,868</u>
EXPENDITURES:			
Regular education	-	5,677	5,677
Special education - secondary	970,105	914,660	(55,445)
Special education - pre k	40,545	92,472	51,927
Special education - transportation	233,279	199,273	(34,006)
Psychological services	30,350	27,318	(3,032)
Speech services	45,008	46,392	1,384
Occupational therapy services	37,764	43,415	5,651
Physical therapy services	9,736	8,176	(1,560)
Tuition	-	4,722	4,722
Curriculum development	58,861	44,146	(14,715)
School Board and assessments	39,557	56,905	17,348
Superintendent	216,949	220,077	3,128
Special service administration	143,382	157,216	13,834
Business office	244,728	236,874	(7,854)
Operations and maintenance	<u>478,149</u>	<u>525,365</u>	<u>47,216</u>
Total expenditures	<u>2,548,413</u>	<u>2,582,688</u>	<u>34,275</u>
EXCESS OF REVENUES OR (EXPENDITURES)/			
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>1,593</u>	\$ <u>1,593</u>

The notes to financial statements are an integral part of this statement.

**WASHINGTON NORTHEAST SUPERVISORY UNION
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017**

	<u>Trust Fund</u>	<u>Agency Funds</u>
ASSETS:		
Accounts receivable	\$ -	\$ 7,845
Due from Cabot Coalition	-	13,546
Due from governmental funds	<u>640</u>	<u>-</u>
Total assets	<u>640</u>	<u>21,391</u>
LIABILITIES:		
Due to governmental funds	<u>-</u>	<u>21,391</u>
NET POSITION:		
Held in trust for specific purposes	\$ <u>640</u>	\$ <u>-</u>

The notes to financial statements are an integral part of this statement.

**WASHINGTON NORTHEAST SUPERVISORY UNION
STATEMENT OF CHANGE IN
NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Trust Fund</u>
ADDITIONS:	
Donations	\$ <u> -</u>
DEDUCTIONS	<u> -</u>
CHANGE IN NET POSITION	-
NET POSITION, July 1, 2016	<u> 640</u>
NET POSITION, June 30, 2017	\$ <u> 640</u>

The notes to financial statements are an integral part of this statement.

WASHINGTON NORTHEAST SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of significant accounting policies:

The Washington Northeast Supervisory Union (the Supervisory Union) is organized according to state law under the governance of the Board of Education (the Board) to provide administrative oversight for its member districts of Cabot Town School District and Twinfield Union School District No. 33.

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

The financial statements of the Supervisory Union have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing *Governmental Accounting and Financial Reporting Standards* which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

- B. 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 nonfiduciary activities of the Supervisory Union. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Supervisory Union has no business-type activities.

In the government-wide Statement of Net Position, the financial position of the Supervisory Union 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. Assessments and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds, if any, are summarized in a single column.

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

WASHINGTON NORTHEAST SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of significant accounting policies (continued):

C. Basis of presentation (continued) -

The Supervisory Union reports the following major governmental funds:

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

Food Service Fund - The Food Service Fund is used to account for the restricted revenues and expenditures for the food services provided at the schools.

Grants Fund - The Grants Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified services.

The Supervisory Union also reports fiduciary funds which are used to account for assets held in a trustee capacity (trust fund) or an agent (agency funds) for the benefit of parties outside the Supervisory Union. The Supervisory Union's fiduciary funds are the Trust Fund and Agency Funds.

D. Measurement focus and basis of accounting - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. 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.

E. Budgets and budgetary accounting - The Supervisory Union adopts an annual budget for the General Fund. The budget is prepared by Supervisory Union administration with direction from the Board. The proposed budget is published in the Annual Report of each member district and the total appropriation for each district is approved by voters at their respective annual meetings. The accounting method used for budget presentation varies from U.S. GAAP as described in note 8. Formal budgetary integration is employed as a management control during the year for the General Fund. The Supervisory Union does not legally adopt budgets for other governmental funds. All budgeted amounts lapse at year end.

F. Use of 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.

WASHINGTON NORTHEAST SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of significant accounting policies (continued):

- G. Risk management - The Supervisory Union is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and others; environmental liability; and natural disasters. The Supervisory Union manages these risks through commercial insurance packages and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Supervisory Union. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.
- H. Cash and cash equivalents - The Supervisory Union 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 and cash equivalents.
- I. Capital assets - Capital assets, which include land, buildings, equipment, vehicles and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the Supervisory Union as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Supervisory Union does not retroactively report infrastructure assets. There have been no infrastructure additions since the implementation of GASB Statement No. 34. Donated capital assets are recorded at fair value at the date of acquisition. 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. Capital assets are depreciated using the straight-line method over the useful lives shown below:

Leasehold improvements	10 years
Equipment	7 years

- J. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources are reported as separate sections in the applicable statement of net position or 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.
- K. Compensated absences - It is the Supervisory Union's policy to permit certain employees to accumulate earned but unused vacation pay benefits based upon their length of employment (subject to certain carryover limitations and time restrictions). Upon retirement, termination or death, employees are compensated for these accrued benefits at their current rates of pay. Compensated absences are reported in the government-wide financial statements. Governmental funds report compensated absences as an expenditure when the benefit is paid.
- L. Long-term obligations - Governmental activities report long-term debt and other long-term obligations as liabilities in the statement of net position. Governmental funds report the amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.

WASHINGTON NORTHEAST SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of significant accounting policies (continued):

M. Fund equity - In the fund financial statements, governmental funds may report five categories of fund balances: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes determined by the Supervisory Union's highest level of decision making authority, the Board, as a result of articles passed at Annual or Special Meetings.

Assigned fund balance includes amounts that are intended to be used by the Supervisory Union for specific purposes as authorized by management. Currently the Supervisory Union has not granted any members of management the authority to make fund balance assignments.

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 Supervisory Union's policy is to apply expenditures to fund balance in the order of restricted, committed, assigned and unassigned unless the Board specifies otherwise.

N. On-behalf payments - The State of Vermont makes payments on behalf of the Supervisory Union's teachers to the State Teachers' Retirement System of Vermont (VSTRS). The Supervisory Union recognizes this net pension expense as intergovernmental grant revenue and education expenditures in the government-wide financial statements and in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. The amounts are not budgeted and have been excluded from the budget basis statement; see note 8 for reconciling details.

WASHINGTON NORTHEAST SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. Deposits:

Custodial credit risk - deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Supervisory Union will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Supervisory Union does not have a policy for custodial credit risk. As of June 30, 2017, the Supervisory Union's depository accounts were fully insured or collateralized.

3. Capital assets:

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets, depreciated:				
Leasehold improvements	\$ 36,147	\$ -	\$ -	\$ 36,147
Equipment	<u>57,531</u>	<u>-</u>	<u>-</u>	<u>57,531</u>
Total capital assets, depreciated	<u>93,678</u>	<u>-</u>	<u>-</u>	<u>93,678</u>
Less accumulated depreciation:				
Leasehold improvements	30,727	3,615	-	34,342
Equipment	<u>52,977</u>	<u>2,114</u>	<u>-</u>	<u>55,091</u>
Total accumulated depreciation	<u>83,704</u>	<u>5,729</u>	<u>-</u>	<u>89,433</u>
Capital assets, net	\$ <u>9,974</u>	\$ <u>(5,729)</u>	\$ <u>-</u>	\$ <u>4,245</u>

Depreciation expense of \$5,729 in the governmental activities was fully allocated to the administration and support function.

4. Interfund receivable and payable balances:

Interfund receivable and payable balances, due to the pooling of cash for cash receipts and disbursements, as of June 30, 2017 are as follows:

	<u>Interfund</u> <u>Receivables</u>	<u>Interfund</u> <u>Payables</u>
Governmental funds -		
General Fund	\$ -	\$ 29,299
Food Service Fund	-	74,232
Grants Fund	<u>124,282</u>	<u>-</u>
	<u>124,282</u>	<u>103,531</u>
Fiduciary funds -		
Trust Fund	640	-
Agency Funds	<u>-</u>	<u>21,391</u>
	<u>640</u>	<u>21,391</u>
	\$ <u>124,922</u>	\$ <u>124,922</u>

**WASHINGTON NORTHEAST SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

5. Related parties:

As described in note 1, the Supervisory Union is the oversight administrative district for its member districts. The member school districts are billed for their appropriate share of expenditures through annual assessments. The Supervisory Union received assessment revenue from Cabot Town School District and Twinfield Union School District No. 33 of \$1,054,156 and \$1,494,405, respectively.

The following are the amounts receivable from and payable to the member districts at June 30, 2017:

	<u>Accounts Receivable</u>	<u>Accounts Payable</u>
Cabot Town School District	\$ 183,245	\$ 32,247
Twinfield Union School District No. 33	<u>22,666</u>	<u>329,307</u>
	<u>\$ 205,911</u>	<u>\$ 361,554</u>

6. Operating lease - lessee:

In November 2007, the Supervisory Union entered into a lease agreement with the Town of Plainfield (the Town) to rent space above the municipal office of the Town which expired November 30, 2010. The parties have verbally agreed to monthly payments of \$1,350 since the expiration of the lease and a new agreement has not been signed. Expenditures under this lease were \$16,200 for the year ended June 30, 2017.

7. Deficit Fund Balances:

As of June 30, 2017, the Food Service Fund has a deficit fund balance of \$82,724. Management intends to recover this deficit through transfers from the General Fund.

As of June 30, 2017, the Title I Fund, included in the Grants Fund, has a deficit fund balance of \$24,278. Management intends to recover this deficit through transfers from the General Fund.

As of June 30, 2017, the IDEA-B Preschool Fund, included in the Grants Fund, has a deficit fund balance of \$461. Management intends to recover this deficit through transfers from the General Fund.

As of June 30, 2017, the Medicaid Fund, included in the Grants Fund, has a deficit fund balance of \$1,818. Management intends to recover this deficit through transfers from the General Fund.

WASHINGTON NORTHEAST SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

8. Budgetary basis of accounting:

These financial statements include totals for General Fund revenues and expenditures on the Supervisory Union's budgetary basis of accounting, which vary from the totals of revenues and expenditures recognized on the basis of accounting prescribed by U.S. GAAP, as follows:

	<u>Revenues</u>	<u>Expenditures</u>
U.S. GAAP basis	\$ 3,047,830	\$ 3,046,237
On-behalf payments - VSTRS net pension expense	<u>(463,549)</u>	<u>(463,549)</u>
Budget basis	\$ <u>2,584,281</u>	\$ <u>2,582,688</u>

9. Pension plans:

State Teachers' Retirement System of Vermont -

Plan description: The Supervisory Union participates in the State Teachers' Retirement System of Vermont (the System or the plan), a cost-sharing multiple-employer defined benefit public employee retirement system with a special funding situation in which the State of Vermont contributes to the plan on behalf of the participating employers. The plan was created in 1947, and is governed by Title 16, V.S.A. Chapter 55. It covers nearly all teachers and school administrators in schools supported by the state. The general administration and responsibility for the proper operation of the System is vested in a Board of Trustees consisting of eight members. The System issues annual financial information which is available and may be reviewed at the System's office, 109 State Street, Montpelier, Vermont, 05609-6200, by calling (802) 828-2305 or online at <http://www.vermonttreasurer.gov>.

Benefits provided: The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on the number of years of creditable service and are determined as a percentage of average final compensation in the three highest consecutive years of service. Eligibility for benefits requires five years of service.

Contributions: Member teachers are required to contribute 5.5% (Group A); or 5.0% (Group C if member has five or more years of service at July 1, 2014); otherwise 6.0% (Group C) of their annual covered salary and the state contributes the balance of an actuarially determined rate. The state is a nonemployer contributor to the plan and is required by statute to make all actuarially determined employer contributions on behalf of member employers. The Supervisory Union's teachers contributed \$48,903 and \$50,412 to the system in 2017 and 2016, respectively.

Pension liabilities and pension expense: The Supervisory Union does not contribute directly to the plan; therefore, no net pension liability needs to be recorded by the Supervisory Union. However, the Supervisory Union is required to report the Supervisory Union's portion of the following items as calculated by the system.

WASHINGTON NORTHEAST SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

9. Pension plans (continued):

State Teachers' Retirement System of Vermont (continued) -

Supervisory Union's share of	
VSTRS net pension liability	\$ 1,955,739
VSTRS net pension expense	\$ 463,549

Vermont Municipal Employees' Retirement System -

Plan description: The Supervisory Union contributes to the Vermont Municipal Employees' Retirement System (VMERS) a cost-sharing multiple-employer public employee retirement system with defined benefit and defined contribution plans, administered by the State of Vermont. The state statutory provisions, found in Title 24, Chapter 125, of the V.S.A., govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the proper operation of VMERS is vested in the Board of Trustees consisting of five members. VMERS issues annual financial information which is available and may be reviewed at the VMERS' office, 109 State Street, Montpelier, Vermont, 05609-6200, by calling (802) 828-2305 or online at <http://www.vermonttreasurer.gov>.

Benefits provided: VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits do vary between the groups included in the plan, but are determined for the members of each group as a percentage of average compensation in a certain number of the highest consecutive years of service. Eligibility for benefits requires five years of service.

Contributions: Defined Benefit Plan members are required to contribute 2.5% (Group A), 4.875% (Group B), 10.0% (Group C) or 11.35% (Group D) of their annual covered salary, and the Supervisory Union is required to contribute 4.0% (Group A), 5.5% (Group B), 7.25% (Group C) or 9.85% (Group D) of the employees' compensation. Defined Contribution Plan members are required to contribute 5.0% of their annual covered salary and the Supervisory Union is required to contribute an equal dollar amount. The contribution requirements of plan members and the Supervisory Union are established and may be amended by the Board of Trustees. The Supervisory Union's contributions to VMERS for the years ended June 30, 2017, 2016, and 2015, were \$40,169, \$13,479, and \$9,125, respectively. The amounts contributed were equal to the required contributions for each year.

Pension liabilities, deferred outflows of resources, deferred inflows of resources: These financial statements include the Supervisory Union's proportionate share of the VMERS' net pension liability, deferred outflows of resources for pension expense, deferred inflows of resources from investment earnings and contributions, and the related effects on government-wide net position and activities. The State of Vermont has provided the following information to all employers participating in VMERS, which is based on their calculation of the Supervisory Union's 0.0887% proportionate share of the VMERS Defined Benefit Plan.

Supervisory Union's share of VMERS net pension liability	\$ 114,137
Deferred outflows of resources - Deferred pension expense	\$ 92,171
Deferred inflows of resources - Deferred pension credits	\$ 7,839

WASHINGTON NORTHEAST SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

9. Pension plans (continued):

Vermont Municipal Employees' Retirement System (continued) -

Additional information: VMERS obtains an annual actuarial valuation for the pension plan. Detailed information is provided in that report for actuarial assumptions of inflation rates, salary increases, investment rates of return, mortality rates, discount rates, and the calculations used to develop annual contributions and the VMERS net position.

The Supervisory Union adopted GASB Statement No 68 in FY 2015 and is developing the ten years of required supplementary information in schedules 1 and 2. This historical pension information includes the Supervisory Union's Proportionate Share of Net Pension Liability of VMERS and Supervisory Union's Contributions to VMERS.

WASHINGTON NORTHEAST SUPERVISORY UNION

**SCHEDULE OF SUPERVISORY UNION'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY**

Schedule 1

**VMERS
JUNE 30, 2017**

	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
Supervisory Union's proportion of the net pension liability	0.0887%	0.0653%	0.0822%
Supervisory Union's proportionate share of the net pension liability	\$ 114,137	\$ 50,326	\$ 7,501
Supervisory Union's covered payroll	\$ 730,346	\$ 245,075	\$ 169,764
Supervisory Union's proportionate share of the net pension liability as a percentage of its covered payroll	15.628%	20.535%	4.418%
VMERS net position as a percentage of the total pension liability	80.95%	87.42%	98.32%

**SCHEDULE OF SUPERVISORY UNION'S CONTRIBUTIONS
VMERS**

Schedule 2

JUNE 30, 2017

	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
Contractually required contribution	\$ 40,169	\$ 13,479	\$ 9,125
Contributions in relation to the contractually required contribution	<u>40,169</u>	<u>13,479</u>	<u>9,125</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Supervisory Union's covered payroll	\$ 730,346	\$ 245,075	\$ 169,764
Contributions as a percentage of covered payroll	5.500%	5.500%	5.375%

**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***

The Superintendent and Board of Education
Washington Northeast Supervisory Union

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Washington Northeast Supervisory Union (the Supervisory Union) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Supervisory Union's basic financial statements, and have issued our report thereon dated February 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Montpelier, Vermont
February 14, 2018

Mudgett, Jennett &
Shush-Mun, J.C.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

The Superintendent and Board of Education
Washington Northeast Supervisory Union

Report on Compliance for Each Major Federal Program

We have audited Washington Northeast Supervisory Union's (the Supervisory Union) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Supervisory Union's major federal programs for the year ended June 30, 2017. The Supervisory Union's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Montpelier, Vermont
February 14, 2018

Mudgett Bennett
George-Nisar P.C.

**WASHINGTON NORTHEAST SUPERVISORY UNION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-through Grantor <u>Program Title</u>	Federal CFDA <u>Number</u>	Pass-Through Entity Identifying <u>Number</u>	Passed Through to <u>Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Education:				
Passed through Vermont Agency of Education -				
Elementary and Secondary Education Act (ESEA), as amended:				
Title I Grants to Local Educational Agencies				
	84.010	4250-SO41-1701	\$ <u>361,624</u>	\$ <u>364,950</u>
Supporting Effective Instruction State Grant				
	84.367	4651-SO41-1701	<u>9,160</u>	<u>85,759</u>
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster				
Grants to States (IDEA, Part B)				
	84.027	4226-SO41-1701	-	180,144
Preschool Grants (IDEA, Preschool)				
	84.173	4228-SO41-1701	-	<u>5,707</u>
Special Education Cluster total				
			<u>-</u>	<u>185,851</u>
Total U.S. Department of Education			<u>370,784</u>	<u>636,560</u>
U.S. Department of Agriculture:				
Passed through Vermont Agency of Education -				
Child Nutrition Cluster				
School Breakfast Program				
	10.553	4452-S041-1701	-	<u>80,855</u>
Summer Food Service Program for Children				
	10.559	4455-S041-1600	-	<u>28,374</u>
National School Lunch Program				
	10.555	4448-S041-1701	-	456
National School Lunch Program				
	10.555	4450-S041-1701	-	<u>130,296</u>
National School Lunch Total				
			<u>-</u>	<u>130,752</u>
Child Nutrition Cluster total				
			<u>-</u>	<u>239,981</u>
Emergency Food Assistance Program (Food Commodities)				
	10.569	4456-S041-1701	-	<u>16,172</u>
(Cash in Lieu of Commodities)				
	10.558	4453-S041-1700	-	<u>402</u>
Child Care and Adult Food				
	10.558	4454-S041-1700	-	<u>5,890</u>
Fresh Fruit and Vegetable Program				
	10.582	4449-S041-1701	-	<u>19,958</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>282,403</u>
Total federal award expenditures			\$ <u>370,784</u>	\$ <u>918,963</u>

The accompanying notes are an integral part of this schedule.

**WASHINGTON NORTHEAST SUPERVISORY UNION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

1. Basis of presentation:

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

2. Summary of significant accounting policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Supervisory Union has elected to not use the 10 percent de minimis indirect cost rate as allowed in the Uniform Guidance.

3. Subrecipients:

The Supervisory Union provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Cabot Town School District</u>	<u>Twinfield Union School District No. 33</u>	<u>Totals</u>
84.010	\$ 112,594	\$ 249,030	\$ 361,624
84.367	<u>3,480</u>	<u>5,680</u>	<u>9,160</u>
	\$ <u>116,074</u>	\$ <u>254,710</u>	\$ <u>370,784</u>

**WASHINGTON NORTHEAST SUPERVISORY UNION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

A. Summary of Auditor's Results:

Financial Statements -

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None reported*

Noncompliance material to financial statements noted? *No*

Federal Awards -

Internal control over major programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None reported*

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? *No*

Identification of major programs:

- *U.S. Department of Education:
CFDA 84.010 - Title I Grants to Local Educational Agencies*

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

Auditee qualified as low-risk auditee? *Yes*

B. Audit Findings - Financial Statements:

There were no audit findings identified for the year ended June 30, 2017.

C. Audit Findings - Federal Awards:

There were no audit findings identified for the year ended June 30, 2017.

**STATUS OF PRIOR AUDIT FINDINGS
AS OF JUNE 30, 2017**

There were no audit findings identified for the year ended June 30, 2016.