

Audited Financial Statements

Champlain Valley Union High School

June 30, 2016



Proven Expertise and Integrity

CHAMPLAIN VALLEY UNION HIGH SCHOOL

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JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Champlain Valley Union High School
Shelburne, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Champlain Valley Union High School as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the High School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Champlain Valley Union High School as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 10 and 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Champlain Valley Union High School's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Departmental Operations – General Fund, combining financial statements, and capital asset schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Departmental Operations – General Fund, combining financial statements and capital asset schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2016 on our consideration of Champlain Valley Union High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Champlain Valley Union High School's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
October 17, 2016

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

(UNAUDITED)

The following management's discussion and analysis of the Champlain Valley Union High School's financial performance provides an overview of the High School's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the High School's financial statements.

Financial Statement Overview

The High School's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the High School's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the High School's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

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

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have one column for the type of High School activities. The type of activities presented for the High School are:

- *Governmental activities* – The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). Most of the School District's basic services are reported in regular instruction, special education, support services – student based, administrative support services, buildings and grounds, transportation, food service, and unclassified services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The High School, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the High School can be classified into two categories: governmental funds and fiduciary funds.

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

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

The High School presents three columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The High School's three major funds are the general fund, the food service fund and the capital projects funds. There are no nonmajor funds.

The general fund is the only fund for which the High School legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Champlain Valley Union High School. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the High School's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Fiduciary Net Position.

Required Supplementary Information

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

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining schedules provide information in regards to capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the High School's governmental activities. The High School's total net position for governmental activities decreased by \$97,246 from \$18,531,230 to \$18,433,984.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling

legislation, or other legal requirements - decreased for governmental activities to a balance of \$543,776 at the end of this year.

Table 1
Champlain Valley Union High School
Net Position
June 30,

	Governmental Activities	
	2016	2015 (Restated)
Assets:		
Current Assets	\$ 1,703,875	\$ 1,743,595
Capital Assets	24,429,069	24,897,042
Total Assets	<u>\$ 26,132,944</u>	<u>\$ 26,640,637</u>
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	\$ 435,272	\$ 142,851
Total Deferred Outflows of Resources	<u>\$ 435,272</u>	<u>\$ 142,851</u>
Liabilities:		
Current Liabilities	\$ 1,506,422	\$ 1,209,382
Long-term Debt Outstanding	6,474,939	6,590,368
Total Liabilities	<u>\$ 7,981,361</u>	<u>\$ 7,799,750</u>
Deferred Inflows of Resources		
Deferred Revenue	\$ 151,403	\$ 166,107
Deferred Inflows Related to Pensions	1,468	286,401
Total Deferred Inflows of Resources	<u>\$ 152,871</u>	<u>\$ 452,508</u>
Net Position:		
Net Investment in Capital Assets	\$ 17,777,833	\$ 17,514,907
Restricted for: Capital Projects Fund	112,375	221,741
Unrestricted	543,776	794,582
Total Net Position	<u>\$ 18,433,984</u>	<u>\$ 18,531,230</u>

Revenues and Expenses

Revenues for the Champlain Valley Union High School's governmental activities decreased by 0.24%, while total expenses increased by 2.50%. The biggest decreases in revenues were in charges for services and operating grants and contributions. The largest increase in the High School's expenses were in regular instruction and related services.

Table 2
Champlain Valley Union High School
Changes in Net Position
For the Years Ended June 30,

	Governmental Activities	
	2016	2015
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 1,562,995	\$ 1,769,703
Operating grants and contributions	3,982,356	4,112,347
<i>General Revenues:</i>		
Act 68 state aid	17,953,328	17,619,043
Miscellaneous	136,812	192,025
Total Revenues	<u>23,635,491</u>	<u>23,693,118</u>
Expenses		
Regular instruction and related services	10,293,055	10,051,054
Special education and related services	3,990,136	3,861,963
Support services - student based	2,601,057	2,614,942
Administrative support services	1,870,284	1,784,862
Buildings and grounds	1,850,791	1,893,512
Transportation	648,695	819,108
Interest on long-term debt	327,521	380,780
Food service	966,876	907,593
On-behalf payments	973,953	839,306
Capital outlay	210,369	-
Total Expenses	<u>23,732,737</u>	<u>23,153,120</u>
Change in Net Position	(97,246)	539,998
Net Position - July 1	<u>18,531,230</u>	<u>17,991,232</u>
Net Position - June 30	<u>\$ 18,433,984</u>	<u>\$ 18,531,230</u>

Financial Analysis of the High School's Fund Statements

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

Table 3
Champlain Valley Union High School
Fund Balances - Governmental Funds
June 30,

	<u>2016</u>	<u>2015</u>
Major Funds:		
General Fund:		
Nonspendable	\$ 285	\$ 560
Committed	15,000	15,000
Assigned	<u>687,979</u>	<u>798,856</u>
Total General Fund	<u><u>\$ 703,264</u></u>	<u><u>\$ 814,416</u></u>
Food Service Fund:		
Nonspendable	\$ 16,873	\$ 39,778
Unassigned	<u>(16,873)</u>	<u>(39,778)</u>
Total Food Service Fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Capital Projects Fund:		
Restricted	\$ 112,375	\$ 221,741
Committed	<u>319,881</u>	<u>343,426</u>
Total Capital Projects Fund	<u><u>\$ 432,256</u></u>	<u><u>\$ 565,167</u></u>

The general fund total fund balance decreased by \$111,152 from the prior fiscal year. The food service fund total fund balances had no change from the prior fiscal year. The capital projects fund total fund balances decreased by \$132,911 from the prior fiscal year.

Budgetary Highlights

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

The general fund actual revenues were in excess of budgeted revenues by \$72,511 primarily due to charges for services and miscellaneous revenues being received in excess of budgeted amounts.

The general fund actual expenditures were lower than budgeted amounts by \$30,337. Support services – student based, administrative support services, buildings and grounds, and debt service - interest categories finished within budget while regular instruction and related services, transportation, debt service - principal, and transfers to other funds expenditure categories exceeded the budget.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2016, the High School capital assets decreased by \$467,973. This decrease was due to current year capital additions of \$417,691 less net disposals of \$54,024 and current year depreciation of \$831,640.

Table 4
Champlain Valley Union High School
Capital Assets (Net of Depreciation)
June 30,

	<u>2016</u>	<u>2015</u> <u>(Restated)</u>
Land	\$ 125,000	\$ 125,000
Construction in progress	64,663	51,338
Buildings and improvements	23,170,827	23,631,987
Furniture, equipment and vehicles	1,068,579	1,088,717
Total	<u>\$ 24,429,069</u>	<u>\$ 24,897,042</u>

Debt

At June 30, 2016, the High School had \$6,651,236 in bonds and notes payable versus \$7,382,135 in the prior fiscal year. Other long-term obligations include accrued compensated absences, accrued severance payable and net pension liability. Refer to Note 6 of the Notes to Financial Statements for detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The 2016-2017 budget was prepared using information on enrollment, the state of the economy and the overall impact that budget increases would have on local tax rates.

Contacting the High School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the High School's finances and to show the High School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the High School at 5420 Shelburne Road, Suite 300, Shelburne, Vermont 05482.

CHAMPLAIN VALLEY UNION HIGH SCHOOL

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,502,801
Accounts receivable (net of allowance for uncollectibles)	2,159
Due from other governments	181,757
Inventory	16,873
Prepaid items	285
Total current assets	<u>1,703,875</u>
Non-current assets:	
Land, infrastructure, and other assets not being depreciated	189,663
Buildings, building improvements and other assets net of accumulated depreciation	<u>24,239,406</u>
Total non-current assets	<u>24,429,069</u>
TOTAL ASSETS	<u>26,132,944</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>435,272</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>435,272</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 26,568,216</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 8,525
Accrued expenses	169,425
Due to other governments	239,002
Accrued interest payable	36,427
Current portion of long-term obligations	<u>1,053,043</u>
Total current liabilities	<u>1,506,422</u>
Non-current liabilities:	
Bonds payable	5,374,725
Notes payable	362,412
Accrued severance payable	15,850
Net pension liability	<u>721,952</u>
Total non-current liabilities	<u>6,474,939</u>
TOTAL LIABILITIES	<u>7,981,361</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	151,403
Deferred inflows related to pensions	<u>1,468</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>152,871</u>
NET POSITION	
Net investment in capital assets	17,777,833
Restricted: capital projects fund	112,375
Unrestricted	<u>543,776</u>
TOTAL NET POSITION	<u>18,433,984</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 26,568,216</u>

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental activities:					
Regular instruction and related	\$ 10,293,055	\$ 700,307	\$ 440,796	\$ -	\$ (9,151,952)
Special education and related	3,990,136	-	2,065,314	-	(1,924,822)
Support services - student based	2,601,057	-	-	-	(2,601,057)
Administrative support services	1,870,284	-	-	-	(1,870,284)
Buildings and grounds	1,850,791	-	-	-	(1,850,791)
Transportation	648,695	-	375,636	-	(273,059)
Interest on long-term debt	327,521	-	-	-	(327,521)
Food service	966,876	752,252	126,657	-	(87,967)
On-behalf payments	973,953	-	973,953	-	-
Capital outlay	210,369	110,436	-	-	(99,933)
Total government	<u>\$ 23,522,368</u>	<u>\$ 1,562,995</u>	<u>\$ 3,982,356</u>	<u>\$ -</u>	<u>(18,187,386)</u>

STATEMENT B (CONTINUED)
CHAMPLAIN VALLEY UNION HIGH SCHOOL

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(18,187,386)</u>
General revenues:	
Grants and contributions not restricted to specific programs	17,953,328
Miscellaneous	<u>136,812</u>
Total general revenues	<u>18,090,140</u>
Change in net position	(97,246)
NET POSITION - JULY 1, RESTATED	<u>18,531,230</u>
NET POSITION - JUNE 30	<u><u>\$ 18,433,984</u></u>

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2016

	General Fund	Food Service Fund	Capital Projects Fund	Totals Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,194,307	\$ -	\$ 308,494	\$ 1,502,801
Accounts receivable (net of allowance for uncollectibles)	1,668	491	-	2,159
Due from other governments	45,021	24,362	112,374	181,757
Inventory	-	16,873	-	16,873
Prepaid items	285	-	-	285
Due from other funds	24,876	-	20,000	44,876
TOTAL ASSETS	<u>\$ 1,266,157</u>	<u>\$ 41,726</u>	<u>\$ 440,868</u>	<u>\$ 1,748,751</u>
LIABILITIES				
Accounts payable	\$ 8,525	\$ -	\$ -	\$ 8,525
Accrued expenses	143,963	25,462	-	169,425
Due to other governments	239,002	-	-	239,002
Due to other funds	20,000	16,264	8,612	44,876
TOTAL LIABILITIES	<u>411,490</u>	<u>41,726</u>	<u>8,612</u>	<u>461,828</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	151,403	-	-	151,403
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>151,403</u>	<u>-</u>	<u>-</u>	<u>151,403</u>
FUND BALANCES				
Nonspendable	285	16,873	-	17,158
Restricted	-	-	112,375	112,375
Committed	15,000	-	319,881	334,881
Assigned	687,979	-	-	687,979
Unassigned	-	(16,873)	-	(16,873)
TOTAL FUND BALANCES	<u>703,264</u>	<u>-</u>	<u>432,256</u>	<u>1,135,520</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,266,157</u>	<u>\$ 41,726</u>	<u>\$ 440,868</u>	<u>\$ 1,748,751</u>

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 1,135,520
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	24,429,069
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	435,272
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(36,427)
Bonds payable	(6,154,000)
Notes payable	(497,236)
Accrued compensated absences	(73,059)
Accrued severance payable	(15,850)
Net pension liability	(787,837)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(1,468)</u>
Net position of governmental activities	<u><u>\$ 18,433,984</u></u>

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Food Service Fund	Capital Projects Fund	Totals Governmental Funds
REVENUES				
Intergovernmental revenues	\$ 21,809,027	\$ 126,657	\$ -	\$ 21,935,684
Charges for services	700,307	752,252	110,436	1,562,995
Interest income	71,854	-	1,480	73,334
Miscellaneous revenues	59,778	3,700	-	63,478
TOTAL REVENUES	<u>22,640,966</u>	<u>882,609</u>	<u>111,916</u>	<u>23,635,491</u>
EXPENDITURES				
Current:				
Regular instruction and related	10,141,440	-	-	10,141,440
Special education and related	3,990,136	-	-	3,990,136
Support services - student based	2,601,057	-	-	2,601,057
Administrative support services	1,870,284	-	-	1,870,284
Buildings and grounds	1,356,499	-	-	1,356,499
Transportation	681,792	-	-	681,792
Food service	-	949,146	-	949,146
On-behalf payments	973,953	-	-	973,953
Debt service:				
Principal	897,899	-	-	897,899
Interest	327,521	-	-	327,521
Capital outlay	-	-	256,827	256,827
TOTAL EXPENDITURES	<u>22,840,581</u>	<u>949,146</u>	<u>256,827</u>	<u>24,046,554</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(199,615)</u>	<u>(66,537)</u>	<u>(144,911)</u>	<u>(411,063)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from note issuance	-	-	167,000	167,000
Transfers in	175,000	66,537	65,000	306,537
Transfers (out)	(86,537)	-	(220,000)	(306,537)
TOTAL OTHER FINANCING SOURCES (USES)	<u>88,463</u>	<u>66,537</u>	<u>12,000</u>	<u>167,000</u>
NET CHANGE IN FUND BALANCES	(111,152)	-	(132,911)	(244,063)
FUND BALANCES - JULY 1	<u>814,416</u>	<u>-</u>	<u>565,167</u>	<u>1,379,583</u>
FUND BALANCES - JUNE 30	<u>\$ 703,264</u>	<u>\$ -</u>	<u>\$ 432,256</u>	<u>\$ 1,135,520</u>

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (244,063)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset purchases capitalized	366,353
Depreciation expense	<u>(831,640)</u>
	<u>(467,973)</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	<u>(167,000)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	<u>897,899</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	<u>292,421</u>
Deferred inflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	<u>284,933</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	628
Accrued interest	3,464
Net pension liability	<u>(695,905)</u>
	<u>(691,813)</u>
Accrued severance payable is not recognized as an expense in governmental funds since it is not due and payable with current financial resources.	<u>(1,650)</u>
Change in net position of governmental activities (Statement B)	<u>\$ (97,246)</u>

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	<u>Agency Funds</u> Student Activities	<u>Private- Purpose Funds</u> Trust Funds
ASSETS		
Cash	\$ 344,662	\$ 222,340
Investments	-	7,794
TOTAL ASSETS	<u>\$ 344,662</u>	<u>\$ 230,134</u>
LIABILITIES		
Deposits held for others	\$ 344,662	\$ -
TOTAL LIABILITIES	<u>\$ 344,662</u>	<u>\$ -</u>
NET POSITION		
Held in trust for special purposes		<u>\$ 230,134</u>

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Private- Purpose Funds</u> Trust Funds
ADDITIONS	
Contributions	\$ 34,626
Investment income, net of unrealized gains/(losses)	(2,451)
Interest	661
Total additions	<u>32,836</u>
DEDUCTIONS	
Distributions	<u>12,073</u>
Total deductions	<u>12,073</u>
Change in net position	20,763
NET POSITION - JULY 1	<u>209,371</u>
NET POSITION - JUNE 30	<u>\$ 230,134</u>

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The High School is organized, according to State law, under the governance of the Board of School Directors to provide public high school education for the Charlotte, Hinesburg, Shelburne, and Williston Town School Districts. The High School is governed by an eleven member elected board.

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

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

Implementation of New Accounting Standards

During the year ended June 30, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 72, "*Fair Value Measurement and Application*". The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*". This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize primary activities as governmental. All of the High School's activities are categorized as governmental.

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The High School's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The High School first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the High School's functions (instruction, administration, etc.). The functions are also supported by general government revenues (support from the High School, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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

The High School does not allocate indirect costs. All costs are charged directly to the corresponding departments.

The government-wide focus is more on the sustainability of the High School as an entity and the change in the High School's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following fund types are used by the High School:

1. Governmental Funds:

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

Major Funds

- a. The General Fund is the general operating fund of the High School. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Food Service Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for the food service program.
- c. The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities.

2. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the High School's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

The High School's fiduciary funds are presented in the fiduciary fund financial statements by type (agency and private purpose). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in the governmental activity category. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

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

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues per budgetary basis	\$ 21,842,013
Add: On-behalf payments	<u>973,953</u>
Total GAAP basis	<u>\$ 22,815,966</u>
Expenditures per budgetary basis	\$ 21,953,165
Add: On-behalf basis	<u>973,953</u>
Total GAAP basis	<u>\$ 22,927,118</u>

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

1. The School Board approves a preliminary budget by early January for the following fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is approved at the annual district meeting by the member Towns' voters.
3. The High School is not legally required to adopt a budget for the Food Service Fund.

Deposits and Investments

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

It is the High School's policy to value investments at fair value. None of the High School's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The High School Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

The Champlain Valley Union High School has no formal investment policy but instead follows the State of Vermont Statutes.

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). Inventory of the Food Services Fund consists of food and supplies.

Prepaid Items

Certain insurance and other payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

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

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2016.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds and notes payable, accrued compensated absences, accrued severance payable and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) and the Vermont Municipal Employees' Retirement System (VMERS) Plans and additions to/deductions from the VSTRS and VMERS Plans' fiduciary net position have been determined on the same basis as they are reported by the VSTRS and VMERS Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the High School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

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

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

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

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

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the School Board.

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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

The High School has adopted a set of financial policies to guide the financial operation of the High School. Included in the policies will be guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

Deferred Outflows and Inflows of Resources

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

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

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

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the High School will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The High School does not have a policy covering custodial credit risk.

At June 30, 2016, the High School's cash balance of \$2,069,803 was comprised of bank deposits of \$2,099,580. Of these bank deposits, \$311,737 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$1,787,843 was collateralized with securities held by the financial institution in the High School's name.

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 1,787,843
Money market accounts	311,737
	<u>\$ 2,099,580</u>

Investments:

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

At June 30, 2016, the High School's had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>
Equities	\$ 7,794	\$ -		\$ 7,794
	<u>\$ 7,794</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,794</u>

The High School's investments of \$7,794 were covered by the Securities Investor Protection Corporation (SIPC).

Credit risk – Statutes for the State of Vermont authorize the High School to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The High School does not have an investment policy on credit risk. Generally, the High School invests excess funds in savings accounts and various insured certificates of deposit.

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2016 consisted of the following individual fund receivables and payables:

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General Fund	\$ 24,876	\$ 20,000
Food Service Fund	-	16,264
Capital Projects Fund	20,000	8,612
	<u>\$ 44,876</u>	<u>\$ 44,876</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	<u>Balance, 7/1/15 (Restated)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, 6/30/16</u>
<u>Governmental activities:</u>				
Non-depreciated assets:				
Land	\$ 125,000	\$ -	\$ -	\$ 125,000
Construction in progress	51,338	64,663	(51,338)	64,663
	<u>176,338</u>	<u>64,663</u>	<u>(51,338)</u>	<u>189,663</u>
Depreciated assets:				
Buildings/improvements	31,222,723	33,133	-	31,255,856
Furniture & equipment	2,266,887	144,283	(29,930)	2,381,240
Vehicles	1,829,354	175,612	-	2,004,966
	<u>35,318,964</u>	<u>353,028</u>	<u>(29,930)</u>	<u>35,642,062</u>
Less: accumulated depreciation	<u>(10,598,260)</u>	<u>(831,640)</u>	<u>27,244</u>	<u>(11,402,656)</u>
	<u>24,720,704</u>	<u>(478,612)</u>	<u>(2,686)</u>	<u>24,239,406</u>
Net capital assets	<u>\$ 24,897,042</u>	<u>\$ (413,949)</u>	<u>\$ (54,024)</u>	<u>\$ 24,429,069</u>
<u>Current year depreciation</u>				
Regular instruction				\$ 183,697
Building and grounds				494,292
Transportation				142,515
Food service				11,136
Total depreciation expense				<u>\$ 831,640</u>

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - SHORT-TERM DEBT

On July 1, 2015, the High School issued a tax anticipation note through People's United Bank in anticipation of tax revenues to meet its operating obligations during the fiscal year. The note, a line of credit, allowed principal draws up to \$4,825,000 at an interest rate of 1.14% with a maturity date of June 30, 2016.

Short-term debt activity for the year ended June 30, 2016, was as follows:

	Balance, 7/1/15	Additions	Reductions	Balance, 6/30/16
Tax anticipation note	\$ -	\$ 4,825,000	\$ (4,825,000)	\$ -
Totals	<u>\$ -</u>	<u>\$ 4,825,000</u>	<u>\$ (4,825,000)</u>	<u>\$ -</u>

On June 30, 2016 the note was paid in full. Interest expense for the note during the fiscal year totaled \$54,852.

NOTE 6 - LONG TERM DEBT

A summary of long-term debt is as follows for the year ended June 30, 2016:

	Balance, 7/1/15	Additions	Deletions	Balance, 6/30/16	Current Portion
Bonds payable	\$ 6,909,000	\$ -	\$ (755,000)	\$ 6,154,000	\$ 779,275
Notes payable	473,135	167,000	(142,899)	497,236	134,824
Accrued compensated absences	73,687	-	(628)	73,059	73,059
Accrued severance payable	14,200	1,650	-	15,850	-
Net pension liability	91,932	1,561,716	(865,811)	787,837	65,885
	<u>\$ 7,561,954</u>	<u>\$ 1,730,366</u>	<u>\$ (1,764,338)</u>	<u>\$ 7,527,982</u>	<u>\$ 1,053,043</u>

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 - LONG TERM DEBT (CONTINUED)

The following is a description of the outstanding bonds and notes payable:

\$14,220,000, 2004 General Obligation bond due to Vermont Municipal Bond Bank in annual principal installments of \$640,000 to \$780,000 through 2024. The interest rate varies from 1.87% to 5.09% per annum.	\$ 5,785,000
\$2,100,000, 2002 General Obligation bond due to Vermont Municipal Bond Bank in annual principal installments of \$85,000 to \$95,000 through 2017. The interest rate varies from 4.5% to 5.125% per annum.	170,000
\$249,000, 2013 General Obligation bond due to Vermont Municipal Bond Bank in annual principal installments of \$25,000 with a final principal installment of \$24,000 in 2023. The interest rate varies from .804% to 3.634% per annum.	<u>199,000</u>
Total bonds payable	<u>6,154,000</u>
Note payable to Green Mountain Power, monthly principal payments of \$1,310, no interest is charged, maturity is in September of 2017.	20,100
Bus note payable to Peoples United Bank, interest is charged at a rate of 2.95%, principal and interest due July 1, 2016.	17,987
Bus note payable to Peoples United Bank, interest is charged at a rate of 2.25%, principal and interest due July 2, 2017.	35,447
Bus note payable to Peoples United Bank, interest is charged at a rate of 2.25%, principal and interest due July 15, 2018.	121,124
Bus note payable to Community National Bank, interest is charged at a rate of 1.50%, principal and interest due July 15, 2020.	167,000
Bus note payable to Peoples United Bank, interest is charged at a rate of 1.95%, principal and interest due July 15, 2019.	<u>135,578</u>
Total notes payable	<u>497,236</u>
Total bonds and notes payable	<u>\$ 6,651,236</u>

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bond and note principal and interest requirements for the fiscal years ending June 30:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 914,099	\$ 282,979	\$ 1,197,078
2018	884,774	246,298	1,131,072
2019	777,669	211,577	989,246
2020	737,295	178,771	916,066
2021	703,400	146,338	849,738
2022-2026	2,633,999	261,321	2,895,320
	<u>\$ 6,651,236</u>	<u>\$ 1,327,284</u>	<u>\$ 7,978,520</u>

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ending June 30, 2016 was \$327,521.

NOTE 7 - NONSPENDABLE FUND BALANCES

At June 30, 2016, the High School had the following nonspendable fund balances:

General fund:	
Prepaid items	\$ 285
Food service fund:	
Inventory	16,873
	<u>\$ 17,158</u>

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2016, the High School had the following restricted fund balances:

Capital projects fund:	
Construction of capital assets	<u>\$ 112,375</u>

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 - COMMITTED FUND BALANCES

At June 30, 2016, the High School had the following committed fund balances:

General fund:		
Compensated absences and healthcare liability	\$	15,000
Capital projects fund:		
Capital assets		319,881
	\$	<u>334,881</u>

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2016, the High School had the following assigned fund balances:

General fund:		
Revenue for FY2017 budget	\$	214,000
Revenue for budgets after FY2017		473,979
	\$	<u>687,979</u>

NOTE 11- OVERSPENT APPROPRIATIONS

At June 30, 2016, the High School had the following overspent appropriations:

Regular instruction and related services	\$	6,442
Debt service - principal		8,075
Transfers to other funds		66,537
	\$	<u>81,054</u>

NOTE 12 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the High School participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2016, the retirement system consisted of 288 participating employers.

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The plan was established effective July 1, 1947, and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the Secretary of Education (ex-officio); the State Treasurer (ex-officio), the Commissioner of Financial Regulation (ex-officio); two members and one alternate elected by active members of the System under rules adopted by the Board; and one retired member and one alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance & Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Normal service retirement eligibility (no reduction)	Age 60 or 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula – normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC, 2.0% after attaining 20 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%, minimum of 1% after 12 months of normal retirement or age 65
Earl Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pays full premium	Members pays full premium	Members pays full premium

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the High School but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the High School has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the High School's employees included in the teacher's retirement plan which approximates \$973,953 or 12.84% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Employee Contributions	2.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

Employee contributions totaled \$387,204 during the year and were paid by the High School to the State of Vermont. The High School has no other liability under the plan. The High School's total payroll for all employees covered under this plan was \$7,585,305 for the year ended June 30, 2016.

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. Employees of the School other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year.

The general administration and responsibility for formulating administrative policy and procedures of the Retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Schools and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance & Management website at:

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided

The pension plan is divided into four membership groups:

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

The High School participates in Groups A, B and C. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

VMERS	Group A	Group B	Group C	Group D
Normal service retirement eligibility	Age 65 with 5 years of service, or age 55 with 35 years of service	Age 62 with 5 years of service, or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 55 with 20 years of service

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VMERS	Group A	Group B	Group C	Group D
Early Retirement Eligibility	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

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

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

Contributions

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

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.5% of gross salary	4.75% of gross salary to 6/30/15; 4.875% of gross salary after 7/1/15	9.625% of gross salary to 12/31/14; 9.75% of gross salary to 6/30/15; 9.875% of gross salary after 7/1/15	11.125% of gross salary to 6/30/15; 11.35% of gross salary after 7/1/15
Employer Contributions	4% of gross salary	5.375% of gross salary to 6/30/15; 5.50% of gross salary after 7/1/15	6.875% of gross salary to 12/31/14; 7% of gross salary to 6/30/15; 7.125% of gross salary after 7/1/15	9.75% of gross salary to 6/30/15; 9.85% of gross salary after 7/1/15

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Employee contributions are withheld pre income tax by the High School and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2016, 2015 and 2014 totaled \$102,832, \$143,952 and \$128,662, respectively. The High School contributed \$96,913, \$142,851 and \$129,935 for the years ended June 30, 2016, 2015, and 2014, respectively. The High School's total payroll for the year ended June 30, 2016 for all employees covered under this plan was \$1,616,190.

Pension Liabilities

VSTRS Plan

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the High School does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2016. The State's portion of the collective net pension liability that was associated with the High School was as follows:

High School's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the High School	<u>14,420,308</u>
Total	<u>\$ 14,420,308</u>

The State of Vermont's proportionate share of the net pension liability associated with the High School is equal to the collective net pension liability, actuarially measured as of June 30, 2015, multiplied by the High School's proportionate share percentage. The High School's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2015, the High School's proportion was 1.2154% which was a decrease of 0.1936% from its proportion measured as of June 30, 2014.

VMERS Plan

At June 30, 2016, the High School reported a liability of \$787,837 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The High School's proportion of the net pension liabilities were based on a projection

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

of the High School's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2015, the High School's proportion was 1.0219% for VMERS, which was an increase of 0.0146% from its proportion measured as of June 30, 2014 for VMERS.

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

For the year ended June 30, 2016, the High School recognized total pension expense \$865,811 and revenue of \$865,811 for support provided by the State of Vermont for the VSTRS plan. In the same period, the High School recognized pension expense of \$216,181. At June 30, 2016, the High School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 24,904	\$ -
Changes of assumptions	-	-	156,898	-
Net difference between projected and actual earnings on pension plan investments	-	-	152,205	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	4,352	3,328
Contributions subsequent to the measurement date	-	-	96,913	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,272</u>	<u>\$ 3,328</u>

\$96,913 reported as deferred outflows of resources related to pensions resulting from High School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	VSTRS	VMERS
Year ended June 30:		
2016	\$ -	\$ 65,885
2017	-	65,885
2018	-	65,885
2019	-	138,512
2020	-	-
Thereafter	-	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five year period ending June 30, 2010:

VMERS:

Inflation	3.00% to 3.25% per year
Salary increases	5.00%, per year, including inflation
Investment rate of return	7.95% per annum. Through July 1, 2014, a select-and-ultimate interest rate set was used, as specified below. The interest rate set was restarted every year:

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Age	Annual Rate of Salary Increase
25	8.40%
30	7.05%
35	6.15%
40	5.45%
45	4.95%
50	4.60%
55	4.35%
60	4.25%
64	4.25%

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

Deaths After Retirement: For the VSTRS plan, the 1995 Buck Mortality Tables are used, with a three-year set-back for males and one-year for females, for retirees, terminated vested members and beneficiaries; the RP-2000 Disabled Life Table with projection to 2016 using Scale AA for disabled retirees. The tables used contain a margin to reflect anticipated mortality improvement after the valuation date.

Mortality rates for active participants in the VMERS plan were based on 50% of the probabilities in the 1995 Buck Mortality Tables for males and females, non-disabled retirees and terminated vested participants were based on the 1995 Buck Mortality Tables with no set-back for males and a one-year set-back for females, disabled retirees were based on the RP-2000 Disabled Life Tables, and the 1995 Buck Mortality Tables for males and females was applied to beneficiaries.

Spouse's age assumptions used in the June 30, 2015 valuation set a husband's age at three years greater than their wives.

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

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

A smoothing *asset valuation method* was used for funding purposes, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

The *long-term expected rate of return* on the VMERS plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Equity	8.61%
Fixed income	1.91%
Alternative	6.93%
Multi-strategy	4.88%

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.95% for the VSTRS plan and 7.95% for the VMERS plan. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current VMERS System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the High School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the High School's proportionate share of the net pension liability calculated using the discount rate of 7.95% for both the VSTRS and VMERS plans, as well as what the High School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.95%) or 1 percentage point higher (8.95%) than the current rate:

VSTRS:

	1% Decrease	Discount Rate	1% Increase
Discount rate	6.95%	7.95%	8.95%
High School's proportionate share of the net pension liability	\$ -	\$ -	\$ -

VMERS:

	1% Decrease	Discount Rate	1% Increase
Discount rate	6.95%	7.95%	8.95%
High School's proportionate share of the net pension liability	\$ 1,573,652	\$ 787,837	\$ 129,099

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the Vermont State Teacher's Retirement System (VSTRS) and the Vermont Municipal Employees' Retirement System (VMERS) or its participating employers. VSTRS and VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance & Management website at:

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

NOTE 13 - RISK MANAGEMENT

The High School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The High School maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the High School. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

In addition, the High School is a member of Vermont School Boards' Association Insurance Trust, Inc. (VSBIT) Medical Benefits Program. VSBIT is a nonprofit corporation formed in 1978 to provide insurance and risk management programs for Vermont Supervisory Unions and is owned by the participating districts.

To provide health insurance coverage, VSBIT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield. A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. The pooling agreement does not permit the pool to make additional assessments to its members.

NOTE 14 - CONTINGENCIES

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

The High School participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the High School's compliance with applicable grant

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - CONTINGENCIES (CONTINUED)

requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 15 - RELATED ORGANIZATION

The High School has an ongoing financial responsibility to Chittenden South Supervisory Union as defined in GASB 14, paragraph 71. Through Chittenden South Supervisory Union's assessment process, the High School's assessment can be increased to cover a share of any prior year deficits and decreased to share in any prior year surpluses. Separate financial statements on Chittenden South Supervisory Union are available from Chittenden South Supervisory Union.

NOTE 16 - SUBSEQUENT EVENTS

On July 1, 2016, the High School issued a tax anticipation note through People's United Bank in anticipation of tax revenues to meet its operating obligations during the fiscal year. The note, a line of credit, allowed principal draws up to \$5,136,000 at an interest rate of 1.25% with a maturity date of June 30, 2017.

On July 20, 2016, the High School issued a general obligation bond through Vermont Municipal Bond Bank for building improvements. The bond in the amount of \$540,000 at an interest rate varying from 1.491% to 2.861% with a maturity date of November 1, 2031.

On July 15, 2016, the High School issued a note through Merchants Bank for two buses. The note, in the amount of \$199,698 at an interest rate of 1.60% with a maturity date of July 15, 2021.

NOTE 17 – RESTATEMENT

The beginning net position for the governmental activities has been restated as of July 1, 2015. This balance was restated to correct the capital asset balance. The governmental activities were restated by (\$21,751).

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information

CHAMPLAIN VALLEY UNION HIGH SCHOOL

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 814,416	\$ 814,416	\$ 814,416	\$ -
Resources (Inflows):				
Intergovernmental:				
Act 68 state aid	17,972,859	17,972,859	17,953,328	(19,531)
Other	2,926,244	2,926,244	2,881,746	(44,498)
Charges for services	602,430	602,430	700,307	97,877
Investment income	72,869	72,869	71,854	(1,015)
Miscellaneous	20,100	20,100	59,778	39,678
Transfers from other funds	175,000	175,000	175,000	-
Amounts Available for Appropriation	<u>22,583,918</u>	<u>22,583,918</u>	<u>22,656,429</u>	<u>72,511</u>
Charges to Appropriations (Outflows):				
Current:				
Regular instruction and related services	10,134,998	10,134,998	10,141,440	(6,442)
Special education and related services	3,990,136	3,990,136	3,990,136	-
Support services - student based	2,659,820	2,659,820	2,601,057	58,763
Administrative support services	1,895,587	1,895,587	1,870,284	25,303
Buildings and grounds	1,415,418	1,415,418	1,356,499	58,919
Transportation	649,589	649,589	681,792	(32,203)
Debt service:				
Principal	889,824	889,824	897,899	(8,075)
Interest	328,130	328,130	327,521	609
Transfers to other funds	20,000	20,000	86,537	(66,537)
Total Charges to Appropriations	<u>21,983,502</u>	<u>21,983,502</u>	<u>21,953,165</u>	<u>30,337</u>
Budgetary Fund Balance, June 30	<u>\$ 600,416</u>	<u>\$ 600,416</u>	<u>\$ 703,264</u>	<u>\$ 102,848</u>
Utilization of assigned fund balance	<u>\$ 214,000</u>	<u>\$ 214,000</u>	<u>\$ -</u>	<u>\$ (214,000)</u>

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>			
Proportion of the net pension liability	0.00%	0.00%	0.00%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	<u>14,420,308</u>	<u>13,504,328</u>	<u>\$ 13,850,962</u>
Total	<u>\$ 14,420,308</u>	<u>\$ 13,504,328</u>	<u>\$ 13,850,962</u>
Covered-employee payroll	\$ 7,585,305	\$ 7,343,010	\$ 8,428,646
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.22%	64.02%	60.59%
	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VMERS:</u>			
Proportion of the net pension liability	1.02%	1.01%	1.02%
Proportionate share of the net pension liability	\$ 787,837	\$ 91,932	\$ 370,393
Covered-employee payroll	1,616,190	2,511,955	2,432,888
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	48.75%	3.66%	15.22%
Plan fiduciary net position as a percentage of the total pension liability	87.42%	98.32%	92.71%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,559,207	\$ 7,343,010	\$ 8,428,646
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%
	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VMERS:</u>			
Contractually required contribution	\$ 96,913	\$ 142,851	\$ 129,935
Contributions in relation to the contractually required contribution	<u>(96,913)</u>	<u>(142,851)</u>	<u>(129,935)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,616,190	\$ 2,511,955	\$ 2,432,888
Contributions as a percentage of covered-employee payroll	6.00%	5.69%	5.34%

* The amounts presented for each fiscal year are for those years for which information is available.

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Changes of Assumptions

The discount rate used to measure the net pension liability was lowered from 8.15% to 7.95%, due to the adoption by the Board of Trustees of a 7.95% expected future rate of return on assets for funding purposes.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Departmental Operations – General Fund
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

CHAMPLAIN VALLEY UNION HIGH SCHOOL

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Regular instruction and related services:				
Regular program	\$ 317,079	\$ 317,079	\$ 258,143	\$ 58,936
Freshman program	31,926	31,926	36,402	(4,476)
Art	410,188	410,188	397,581	12,607
Business program	227,002	227,002	221,866	5,136
English program	1,467,031	1,467,031	1,447,729	19,302
Foreign language	897,852	897,852	901,733	(3,881)
Wellness	591,191	591,191	590,740	451
Family & consumer sciences	113,962	113,962	116,229	(2,267)
Design & technology	154,112	154,112	179,105	(24,993)
Mathematics	1,120,208	1,120,208	1,124,356	(4,148)
Music	221,274	221,274	225,958	(4,684)
Science	1,263,657	1,263,657	1,277,809	(14,152)
Social studies	1,125,372	1,125,372	1,116,352	9,020
Driver education	104,944	104,944	104,652	292
Life program	257,957	257,957	263,265	(5,308)
Direction center	208,491	208,491	215,598	(7,107)
Tech center/school choice	819,453	819,453	829,341	(9,888)
Athletics	583,970	583,970	619,874	(35,904)
Co-curricular activities	219,329	219,329	214,707	4,622
	<u>10,134,998</u>	<u>10,134,998</u>	<u>10,141,440</u>	<u>(6,442)</u>
Special education and related services	<u>3,990,136</u>	<u>3,990,136</u>	<u>3,990,136</u>	<u>-</u>
Support services - student based:				
Guidance	782,084	782,084	766,755	15,329
Health	165,259	165,259	163,477	1,782
House offices	593,417	593,417	570,717	22,700
Instructional improvements	358,423	358,423	348,589	9,834
Education media services	379,382	379,382	370,824	8,558
Other instructional support	381,255	381,255	380,695	560
	<u>2,659,820</u>	<u>2,659,820</u>	<u>2,601,057</u>	<u>58,763</u>

SCHEDULE A (CONTINUED)
CHAMPLAIN VALLEY UNION HIGH SCHOOL

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Administrative support services:				
Board of Education	33,246	33,246	27,706	5,540
Executive administrative services	410,324	410,324	410,324	-
Other support services	86,172	86,172	87,776	(1,604)
Office of Principal	392,607	392,607	391,123	1,484
Other school administrative services	71,000	71,000	70,305	695
Fiscal services	233,628	233,628	243,474	(9,846)
Information services	668,610	668,610	639,576	29,034
	<u>1,895,587</u>	<u>1,895,587</u>	<u>1,870,284</u>	<u>25,303</u>
Buildings and grounds:				
Operations & maintenance of plant	<u>1,415,418</u>	<u>1,415,418</u>	<u>1,356,499</u>	<u>58,919</u>
Transportation				
	<u>649,589</u>	<u>649,589</u>	<u>681,792</u>	<u>(32,203)</u>
Debt service:				
Principal	889,824	889,824	897,899	(8,075)
Interest	272,672	272,672	272,669	3
Tax anticipation note interest	55,458	55,458	54,852	606
	<u>1,217,954</u>	<u>1,217,954</u>	<u>1,225,420</u>	<u>(7,466)</u>
Transfers to Other Funds:				
Food Service	-	-	66,537	(66,537)
Capital Projects	20,000	20,000	20,000	-
	<u>20,000</u>	<u>20,000</u>	<u>86,537</u>	<u>(66,537)</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 21,983,502</u></u>	<u><u>\$ 21,983,502</u></u>	<u><u>\$ 21,953,165</u></u>	<u><u>\$ 30,337</u></u>

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

General Capital Assets

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2016

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Regular instruction	\$ -	\$ -	\$ 2,205,159	\$ -	\$ 2,205,159
Building and grounds	64,663	31,255,856	-	-	31,320,519
Transportation	-	-	2,004,966	-	2,004,966
Food service	-	-	176,081	-	176,081
District wide	125,000	-	-	-	125,000
Total General Capital Assets	189,663	31,255,856	4,386,206	-	35,831,725
Less: Accumulated Depreciation	-	(8,085,029)	(3,317,627)	-	(11,402,656)
Net General Capital Assets	\$ 189,663	\$ 23,170,827	\$ 1,068,579	\$ -	\$ 24,429,069

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

CHAMPLAIN VALLEY UNION HIGH SCHOOL

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2016

	General Capital Assets 7/1/15 (Restated)	Additions	Deletions	General Capital Assets 6/30/16
Regular instruction	\$ 2,084,212	\$ 144,283	\$ (23,336)	\$ 2,205,159
Building and grounds	31,274,061	97,796	(51,338)	31,320,519
Transportation	1,829,354	175,612	-	2,004,966
Food service	182,675	-	(6,594)	176,081
District wide	125,000	-	-	125,000
Total General Capital Assets	35,495,302	417,691	(81,268)	35,831,725
Less: Accumulated Depreciation	<u>(10,598,260)</u>	<u>(831,640)</u>	<u>27,244</u>	<u>(11,402,656)</u>
Net General Capital Assets	<u>\$ 24,918,793</u>	<u>\$ (413,949)</u>	<u>\$ (54,024)</u>	<u>\$ 24,429,069</u>

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



Proven Expertise and Integrity

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

Board of School Directors
Champlain Valley Union High School
Shelburne, Vermont

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Champlain Valley Union High School, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Champlain Valley Union High School's basic financial statements, and have issued our report thereon dated October 17, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
October 17, 2016