

ARLINGTON TOWN SCHOOL DISTRICT

FINANCIAL & COMPLIANCE REPORTS

JUNE 30, 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Select Board

Arlington Town School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arlington Town School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Arlington Town School District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Arlington Town School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 22-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2018, on our consideration of the Arlington Town School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Arlington Town School District's internal control over financial reporting and compliance.



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January 19, 2018

## ARLINGTON TOWN SCHOOL DISTRICT

### Management's Discussion and Analysis

The following discussion and analysis of the Arlington Town School District's (the District) financial performance provides an overview of the District's financial activities as of and for the fiscal year ended June 30, 2017. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which follow this section.

#### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

#### Fund Financial Statements

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

#### Financial Analysis of the District as a Whole

The District presents its financial statements under the reporting model required by the Governmental Accounting Standards Board (GASB). The government-wide financial statements (pages 7 & 8) report information about the District as a whole using accounting methods similar to those used by private-sector companies. An important question one could ask about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The District adopts an annual appropriated budget for its general fund, a budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 9-13 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-19 of this report. Other information - The combining statements referred to earlier in connection with non-major governmental funds can be found immediately following the footnotes.

## FINANCIAL HIGHLIGHTS

- The School District's net position (assets minus liabilities) from governmental activities increased \$1,000 as a result of this year's operations.
- The District's investment in capital assets increased \$34,384, or 0.4% in the current fiscal year.
- At the close of the current fiscal year, the School District's governmental funds reported total ending fund balances of \$392,082 [an increase of \$17,427 (4.65%)].
- Key factors in the General Fund favorable outcome of \$139,374 due to greater than anticipated grant receipts.

A portion of the District's net assets (\$3,837,750) reflects investments in capital assets (e.g., land, buildings, structures, systems, machinery, equipment, infrastructure, and intangible assets), net of any related debt used to acquire those assets that is still outstanding. The School District uses assets to provide services to citizens; consequently, these assets are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. A larger portion of the School District's net position (\$185,359) represents resources that are subject to internal and external restrictions on how they can be used.

Government-wide total unrestricted net position decreased (\$1,437) during the fiscal year.

Governmental Activities - The most significant revenues of the governmental activities are: the Vermont Education Spending Grant (82%) and Federal, State and Local grant revenue (10%) and tuition receipts (8%).

Instructional and related support service costs are the most significant (62%), followed by Special Education (13%), plant operations and transportation (16%), and administration (9%).

Governmental revenues increased 1.7% in the current year due primarily to the growth in tuition and special education reimbursements. Governmental activities expenses also increased (0.7%) in the current year.

- There were not any other programs with significant or unusual changes.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

- Governmental funds. The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.
- 60% of the total ending fund balances (\$185,359) constituted restricted fund balances, which are considered unavailable for appropriation for general operations. Prior year restricted fund balance totaled \$307,306.
- At the close of the current fiscal year, the School District's general fund reported ending fund balances of \$123,195, an increase of \$139,374.

## Management's Discussion and Analysis (continued)

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Expenditures in the General Fund are budgeted to decrease 5.7% from \$7,256,495 to \$6,842,994 as compared to fiscal year 2017, due primarily to an expected reduction in elementary costs. The School District has added no major new major programs or initiatives to the fiscal year 2018 budget. If these estimates are realized, the School District's budgetary general fund balance is not expected to decrease by the close of fiscal year 2018.

As required by the Vermont Legislature, the District formed a merger study committee in order to implement the consolidation of local school districts and supervisory Districts into certain unified districts with a single governance structure.

While the District has completed the study, there has not been a decision regarding merger scenarios as of January 19, 2018. When a potential scenario has been determined by the designated committee, the voters of the District will be required to ratify its decision.

In light of the preceding, there is substantial doubt that the District will exist as an independent entity as of July 1, 2019.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School District's finances for all those interested in governmental finance. Questions concerning any information in the report or requests for additional information should be addressed to Arlington Town School District, 530A East Arlington Road, Arlington, VT 05250.

**COMPARATIVE FINANCIAL INFORMATION:** The following schedules detail the changes in the Statement of Net Position and Statement of Activities for the fiscal years ended June 30, 2017 and 2016:

## STATEMENT OF NET POSITION

	2017	2016
Current Assets	\$ 475,848	\$ 377,789
Deferred Outflows	239,004	216,229
Capital Assets	4,387,750	4,622,144
Total Assets & Deferred Outflows	5,102,603	5,216,162
Current Liabilities	360,455	259,822
Noncurrent Liabilities	806,269	803,467
Total Liabilities	1,166,723	1,063,289
Deferred Inflows	20,785	-
Nonspendable General Fixed Assets	3,837,750	3,952,144
Restricted Net Position	185,359	307,306
Unassigned Net Position	(108,014)	(106,577)
Total Net Position (As adjusted)	3,915,095	4,152,873
Total Liabilities, Deferred Inflows & Net Position	\$ 5,102,603	\$ 5,216,162

## STATEMENT OF ACTIVITIES

	2017	2016
<i>Program Revenues:</i>		
Operating Grants and Charges for Services	\$ 2,580,785	\$ 2,242,836
<i>General Revenues:</i>		
Education Spending & Other State Grants	5,812,825	5,803,749
Interest Earnings	11,999	11,955
Miscellaneous	19,954	(19,219)
Total General Revenues	5,844,778	5,796,485
Total Revenues	8,425,563	8,039,321
<i>Programs:</i>		
Instructional & Operating Costs	5,384,180	4,716,436
Special Education	1,150,865	1,226,291
General Administration	797,556	815,175
Food Service	69,238	25,000
Plant Operations and Transportation	957,847	921,710
Interest Expense	34,878	41,428
Depreciation	268,778	263,866
Total Expenses	8,663,341	8,009,906
Change in Net Position	(237,778)	29,415
Net Position - Beginning (As adjusted)	4,152,874	4,123,459
Net Position - Ending	\$ 3,915,095	\$ 4,152,874

**ARLINGTON TOWN SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
	<i>Governmental Activities</i>	<i>Governmental Activities</i>
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 382,401	\$ 374,801
Accounts Receivable	93,447	2,988
<b>Total Current Assets</b>	<b>475,848</b>	<b>377,789</b>
<i>Noncurrent Assets:</i>		
Property, Plant & Equipment, net of applicable depreciation	4,387,750	4,622,144
<i>Deferred Outflows of Resources:</i>		
Proportional Share of Multi-Employer Defined Benefit Pension Plan	239,004	216,229
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS</b>	<b>\$ 5,102,603</b>	<b>\$ 5,216,162</b>
<b>LIABILITIES, DEFERRED ITEMS AND NET POSITION</b>		
<i>Current Liabilities:</i>		
Accrued Expenses	\$ 80,633	\$ -
Deferred Revenue	3,134	3,134
Accrued Interest Payable	3,160	3,160
Due from Other Governments	83,528	83,528
Early Retirement Incentives	20,000	-
Current Portion of Bond, Notes and Capital Lease Liabilities	170,000	170,000
<b>Total Current Liabilities</b>	<b>360,455</b>	<b>259,822</b>
<i>Noncurrent Liabilities:</i>		
Bonds, Notes and Capital Lease Liabilities	380,000	500,000
Net Pension Liability - Municipal Retirement Defined Benefit Plan	426,269	303,467
<b>Total Noncurrent Liabilities</b>	<b>806,269</b>	<b>803,467</b>
<b>Total Liabilities</b>	<b>1,166,723</b>	<b>1,063,289</b>
<i>Deferred Inflows of Resources:</i>		
Proportional Share of Multi-Employer Pension Plan	20,785	-
<i>Net Position:</i>		
Nonspendable General Fixed Assets	3,837,750	3,952,144
Restricted For Special Purposes	185,359	307,306
Unassigned (Deficit)	(108,014)	(106,577)
<b>Total Net Position</b>	<b>3,915,095</b>	<b>4,152,873</b>
<b>TOTAL LIABILITIES, DEFERRED ITEMS &amp; NET POSITION</b>	<b>\$ 5,102,603</b>	<b>\$ 5,216,162</b>

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

**ARLINGTON TOWN SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**Fiscal Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Government	
				June 30, 2017 Totals	June 30, 2016 Totals
<i>Governmental Activities:</i>					
Regular Instruction	\$ 4,496,063	\$ 643,113	\$ 1,170,869	\$ (2,682,081)	\$ (2,540,001)
Vocational Education	51,538	-	-	(51,538)	(18,643)
Cocurricular & After School Activities	203,511	-	-	(203,511)	(188,023)
Curriculum Development	19,134	-	-	(19,134)	(24,352)
Drivers' Education	12,111	-	-	(12,111)	(12,842)
Guidance Services	233,305	-	-	(233,305)	(194,538)
Health Services	111,504	-	-	(111,504)	(105,933)
Educational Media Services	106,412	-	-	(106,412)	(107,049)
Technology	150,602	-	-	(150,602)	(152,191)
Board of Education, Fiscal & Administrative Services	384,438	-	-	(384,438)	(423,042)
Special Education	1,150,865	-	707,732	(443,133)	(481,681)
Principal's Office	413,118	-	-	(413,118)	(392,133)
Plant & Grounds Operations	778,464	-	-	(778,464)	(653,179)
Student Transportation	179,383	-	59,072	(120,311)	(143,169)
Interest Expense	34,878	-	-	(34,878)	(41,427)
Food Service	69,238	-	-	(69,238)	(25,000)
Depreciation	268,778	-	-	(268,778)	(263,866)
<i>Total governmental activities</i>	<u>8,663,341</u>	<u>643,113</u>	<u>1,937,672</u>	<u>(6,082,556)</u>	<u>(5,767,071)</u>
<i>General revenues:</i>					
				5,812,825	5,803,749
				11,999	11,955
				19,954	(19,219)
				<u>5,844,778</u>	<u>5,796,485</u>
				(237,778)	29,414
				4,152,873	4,123,459
				<u>\$ 3,915,095</u>	<u>\$ 4,152,873</u>

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

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

	<i>Governmental Fund Types</i>		<b>Totals June 30, 2017</b>	<b>Totals June 30, 2016</b>
	<b>General Fund</b>	<b>Other Governmental Funds</b>		
<b>ASSETS</b>				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 127,059	\$ 255,342	\$ 382,401	374,801
Accounts Receivable	93,447	-	93,447	2,988
Due from Other Funds	59,081	-	59,081	81,398
<b>TOTAL ASSETS</b>	<b>\$ 279,587</b>	<b>\$ 255,342</b>	<b>\$ 534,929</b>	<b>\$ 459,187</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 72,864	\$ 7,768	\$ 80,633	\$ -
Due from Other Governments	83,528	-	83,528	83,528
Deferred Revenue	-	3,134	3,134	103,134
Due to Other Funds	-	59,081	59,081	81,398
<b>Total Liabilities</b>	<b>156,392</b>	<b>69,983</b>	<b>226,375</b>	<b>268,060</b>
<i>Fund Balances:</i>				
Restricted For Specific Purposes	-	185,359	185,359	207,306
Unassigned (As adjusted)	123,195	-	123,195	(16,179)
<b>Total Fund Balances</b>	<b>123,195</b>	<b>185,359</b>	<b>308,554</b>	<b>191,127</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 279,587</b>	<b>\$ 255,342</b>	<b>\$ 534,929</b>	<b>\$ 459,187</b>

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

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

Fund Balances - Governmental Funds Balance Sheet	\$	308,554
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		4,387,750
Deferred outflows and deferred inflows of resources are reported as governmental activities, but are not current financial resources, or uses, and are not reported in the fund financials.		(208,049)
Accrued Interest Payable is recognized on the government wide financial statements, but is recognized when paid on the governmental fund financial statements.		(3,160)
Early Retirement Incentives & Compensated Absences are recognized when incurred on the Government Wide statements, but are recognized when paid in the Governmental Fund Financial Statements.		(20,000)
Long Term Debt is not recorded in the fund financial statements. However, the government wide financial statements require the inclusion of long term debt.		<u>(550,000)</u>
Net Position - Government-Wide Financial Statements	\$	<u><u>3,915,095</u></u>

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

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

	<i>Governmental Fund Types</i>		TOTAL June 30, 2017	TOTAL June 30, 2016
	General Fund	Governmental Funds		
<i>Revenues:</i>				
Education Spending Support Grant	\$ 5,812,825	\$ -	\$ 5,812,825	\$ 5,803,749
State Miscellaneous Grants	9,813	-	9,813	2,409
Special Education	707,732	-	707,732	744,610
Early Education	31,064	-	31,064	27,496
Transportation Receipts	59,072	-	59,072	125,362
Tuition Receipts	643,113	-	643,113	600,374
Federal and State Subgrants	85,508	-	85,508	-
Interest Income	10,225	1,774	11,999	11,955
On-behalf Retirement System Contributions	1,044,484	-	1,044,484	742,585
Miscellaneous	(46)	20,000	19,954	(19,219)
<i>Total Revenues</i>	<u>8,403,789</u>	<u>21,774</u>	<u>8,425,563</u>	<u>8,039,320</u>
<i>Expenditures:</i>				
<i>Early Education Services:</i>				
Regular Instruction	\$ 312,454	\$ -	\$ 312,454	\$ 247,287
<i>Elementary Education:</i>				
Regular Instruction	1,770,569	-	1,770,569	1,603,506
Cocurricular & After School Activities	48,784	6,727	55,511	34,696
Guidance Services	75,615	-	75,615	65,077
Health Services	75,581	-	75,581	71,574
Curriculum Development	786	-	786	-
Educational Media Services	38,103	-	38,103	39,482
Technology	57,906	-	57,906	51,331
Board of Education, Fiscal & Administrative Services	165,467	-	165,467	181,113
Special Education	617,309	-	617,309	652,954
Principal's Office	212,302	-	212,302	195,657
Plant & Grounds Operation	295,255	-	295,255	283,570
Transportation	71,753	-	71,753	74,748
<i>Middle School Program:</i>				
Regular Instruction	896,480	-	896,480	856,430

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>TOTAL June 30, 2017</b>	<b>TOTAL June 30, 2016</b>
Cocurricular Activities	40,892	-	40,892	31,593
Guidance Services	54,758	-	54,758	52,737
<i>Middle School Program:</i>				
Health Services	13,288	-	13,288	13,579
Curriculum Development	10,823	-	10,823	-
Educational Media Services	25,905	-	25,905	25,292
Technology	27,038	-	27,038	29,133
Board of Education, Fiscal & Administrative Services	5,767	-	5,767	79,053
Special Education	-	-	-	251,467
Principal's Office	67,919	-	67,919	70,564
Plant & Grounds Operation	45,932	-	45,932	55,183
Transportation	-	-	-	37,374
<i>Secondary Education:</i>				
Regular Instruction	1,421,267	-	1,421,267	1,190,795
Vocational Education	51,538	-	51,538	18,643
Cocurricular Activities	107,108	-	107,108	121,734
Drivers' Education	12,111	-	12,111	12,842
Guidance Services	102,931	-	102,931	76,724
Health Services	22,635	-	22,635	20,780
Curriculum Development	19,134	-	19,134	24,352
Educational Media Services	42,404	-	42,404	42,275
Technology	50,462	-	50,462	44,940
Board of Education, Fiscal & Administrative Services	213,204	-	213,204	162,876
Special Education	533,556	-	533,556	321,870
Principal's Office	132,897	-	132,897	125,913
Plant & Grounds Operations	284,109	53,168	337,277	300,246
Transportation	107,630	-	107,630	73,715
<i>Shared Expenditures:</i>				
Roof Repairs	-	3,588	3,588	143,808

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

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>TOTAL June 30, 2017</b>	<b>TOTAL June 30, 2016</b>
School Bus Purchase	-	-	-	82,694
Technology	-	34,384	34,384	73,856
Textbook Purchases	-	4,481	4,481	29,220
Debt Service	204,878	-	204,878	161,427
Food Service	69,238	-	69,238	25,000
<i>Total Expenditures</i>	<u>8,305,787</u>	<u>102,349</u>	<u>8,408,136</u>	<u>8,057,111</u>
Excess (Deficiency) of Revenues Over Expenditures	98,001	(80,574)	17,427	(17,790)
<i>Other Financial Sources (Uses):</i>				
Operating Transfers In	41,373	-	41,373	-
Operating Transfers Out	-	(41,373)	(41,373)	-
<i>Total Other Financial Sources (Uses)</i>	<u>41,373</u>	<u>(41,373)</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	139,374	(121,947)	17,427	(17,790)
Fund Balances (Deficit) - Beginning (As adjusted)	(16,179)	307,306	291,127	208,917
Fund Balances - Ending	<u>\$ 123,195</u>	<u>\$ 185,359</u>	<u>\$ 308,554</u>	<u>\$ 191,127</u>

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

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

Net change in fund balances - Governmental Funds Financial Statements	17,427
Changes in Early Retirement liability are not reported in the Governmental Funds Financial Statements.	(20,000)
Changes in Net Pension Liability and deferred items for the District's proportionate share of its defined benefit plan are recognized when incurred in the Government Wide financial statements, but are not recognized in the Governmental Funds Financial Statements.	(120,811)
In the Statement of Activities, the cost of fixed assets is allocated over their estimated useful lives and reported as depreciation expense annually.	(234,394)
Repayment of bond or note principal is not an expense in the Statement of Activities	120,000
Change in Net Position - Statement of Activities	<u>\$ (237,778)</u>

## Arlington Town School District NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - Summary of significant accounting policies** - The Arlington Town School District (the District) provides administrative and educational services to the citizens of Arlington, Vermont. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units.

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

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

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

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

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

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

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

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

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

*Budgets and budgetary accounting* - The District approves a budget for the General Fund at an annual District Meeting. The accounting method used for budgetary presentation is the same method used for the financial presentation of operations under U.S. GAAP. Formal budgetary integration is employed as a management control during the year for the General Fund. The District does not legally adopt budgets for other governmental funds. The Board is authorized to transfer budgets between departments under their jurisdiction to another. All budgeted amounts lapse at year end.

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

*Risk management* - The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; environmental liability; and natural disasters. The District manages these risks through participation in the Vermont League of Cities and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.

*Cash, cash equivalents and investments* - The District considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

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

*Compensated absences* - Employees are entitled to certain compensated absences based on their length of employment. Sick leave accumulates and is paid upon illness during employment and the cumulative liability is not included in these financial statements. Vacation accrues for annual use. *Postretirement Benefits* - In addition to providing pension benefits, the District offers health insurance coverage and survivor benefits for retired employees and their survivors. The respective retirees pay for this coverage with no additional expense recognized by the District.

*Fund Balances/Net Position* - In the fund financial statements, governmental funds may report five categories of fund balances: non-spendable, restricted, committed, assigned and unassigned. *Non-spendable* fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. *Committed* fund balance includes amounts that can be used only for specific purposes determined

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

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

by the District's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Meetings. *Assigned* fund balance includes amounts that are intended to be used by the District for specific purposes, as authorized by the Select Board. *Unassigned* fund balance is the Fund and includes all spendable amounts not contained in another classification. Deficits are also classified as unassigned. The District's policy is to apply expenditures to fund balance in the order of restricted, committed, assigned and unassigned. The District maintains separate governmental funds to account for donor specified amounts (restricted), voter approved amounts (committed), and amounts set aside by management. Any residual fund balance amounts are reported as unassigned fund balance in the General Fund.

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

**NOTE 2 - Deposits and investments**

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

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

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

<i>Transfers from General Fund (to) from Other Governmental Funds</i>	
Technology Fund	(\$46,127)
Plant Maintenance Fund	88,000
Totals	\$41,373

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

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

<i>Due (To) From Other Funds</i>	General Fund	Other Governmental/Trust Funds
Capital Improvement Fund	\$37,519	(\$37,519)
Student Activity Fund	18,000	(18,000)
Technology Fund	3,939	(3,939)
Private Grants	(377)	377
Totals	\$59,081	(\$59,081)

**NOTE 4 - Fixed Assets and Depreciation**

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

	Balance - July 1, 2016	Net Activity	Depreciation	Beginning Accumulated Depreciation	Net Asset Value - June 30, 2017
Buildings & Improvements	\$6,406,447	\$0	(\$121,525)	(\$2,198,918)	\$4,086,004
Furniture & Equipment	2,030,356	34,384	(142,341)	(1,351,875)	536,140
Totals	\$8,436,803	\$34,384	(\$263,866)	(\$3,550,793)	\$4,622,144

**NOTE 5 - Deferred (Unearned) Revenue**

The following is a schedule of grant revenues received, but not spent at June 30, 2017:

Private Grants	\$3,134
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**NOTE 6 - Long Term Debt**

<b>Bonds &amp; Notes Payable</b>	
Vermont Municipal Bond Bank, issued 2003, original amount \$2,370,000 with interest cost of 2.8% to 5.18%, currently \$120,000 principal paid annually to December 2020.	\$450,000
Bank of Bennington, to finance roof repairs, original amount \$150,000, current interest cost 2.15%, currently \$50,000 principal paid annually through December 2017.	\$50,000

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

Fiscal Year Ending	Principal	Interest	Total
2018	\$170,000	\$22,675	\$192,675
2019	120,000	15,000	135,000
2020	120,000	8,370	128,370
2021	90,000	2,520	92,520
TOTAL	\$500,000	\$48,565	\$548,565

## Arlington Town School District NOTES TO FINANCIAL STATEMENTS

### NOTE 7 – Defined Benefit & Contribution Pension Plans

#### *Vermont Teachers' Retirement System*

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

Total wages paid for the District during the current fiscal year was \$3,272,626. On-behalf benefit of \$1,044,484 was recorded regarding the District's proportionate share of VSTRS's total pension expenditure required.

#### *Vermont Municipal Employees' Retirement System*

Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions requires employers participating in a cost-sharing, multiple-employer defined benefit pension plan to recognize their proportional share of total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The schedules below have been prepared to provide the proportional share of the overall amounts of the VMERS plan. The full report containing the schedules of all employers in the VMERS plan is available on the State of Vermont Treasurer's website at: <http://www.vermonttreasurer.gov/retirement/muni-financial-reports>

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 Municipal Employees' Retirement System (VMERS) or its participating employers. 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](http://finance.vermont.gov/reports_and_publications/cafr) Employees of Battenkill Valley Supervisory Union are members of the District's employer account, and their amounts are reported in these financial statements.

The Vermont Municipal Employees' Retirement System is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. 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. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125. 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. Defined Benefit Plan members are required to contribute 2.5% (Group A), 4.625% (Group B) of their annual covered salary, and the District is required to contribute 4% (Group A),

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

**NOTE 7 – Defined Benefit & Contribution Pension Plans (continued)**

5.125% (Group B). Defined Contribution Plan members are required to contribute 5% of their annual covered salary and the Town is required to contribute an equal dollar amount. The following is a discussion of the significant assumptions employed in the measurement of the net pension liability: employee salary increases are estimated at 5% per year; cost of living adjustments are made 1.5% for Group A members and 1.8% for Groups B, C & D. Inflation rates are consistent with stated assumptions for investment return, salary increases and cost of living adjustments are consistent with a 3% to 3.25% per year. The following is a schedule of employers contributions made for the preceding 3 fiscal years:

FY2016	FY2015	FY2014
\$50,340.54	\$55,022.56	\$31,883.53

The discount rate used to measure the total pension liability was 7.95%. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68. The following presents the net pension liability, calculated using the discount rate of 7.95%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%) than the current rate.

1% Decrease (6.95%)	Discount Rate (7.95%)	1% Increase (8.95%)
\$707,649	\$426,269	\$190,671

**NOTE 8 – Commitments & Contingencies**

The District is exposed to various risks of loss related to torts; theft, damage and destruction of its assets; injuries. Any claims under these policies have not exceeded coverage in any of the immediately preceding three fiscal years. If the insurance funds noted above should ever become insolvent, the District could be liable for a proportionate share of the Fund’s liabilities. The District receives grant support from various State, Local and Federal sources. These programs are subject to financial and compliance audits by these grantors. Management believes that any possible disallowed costs, if any, would be immaterial to these financial statements.

**NOTE 8 – Fund Balance/Net Position Adjustment**

The General Fund Balance was reduced by (\$83,528) as of June 30, 2016 concerning amounts due to Battenkill Valley Supervisory Union (BVSU) for as yet unreimbursed workman’s compensation and general insurance and other operating costs paid by BVSU in prior fiscal years.

**NOTE 9 – Potential Merger**

Battenkill Valley Supervisory Union formed a merger study committee in order to implement the consolidation of local school districts and Districts into certain unified districts with a single governance structure. While the Union has completed the study, there has not been a decision regarding merger scenarios as of the date of these financial statements. When a potential scenario has been determined by the designated committee, the voters of the District will be required to ratify its decision. In light of the preceding, there is substantial doubt that Arlington Town School District will exist as an independent entity as of July 1, 2019.

Jeffrey R. Bradley CPA, P.C.

~ Member ~

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

To the Select Board

Arlington Town School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Arlington Town School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Arlington Town School District's basic financial statements, and have issued our report thereon dated January 19, 2018.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

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

Jeffrey R. Bradley CPA, P.C.

Essex Junction, Vermont

January 19, 2018

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

<i>Revenues:</i>	<i>Original/Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Education Spending Support Grant	\$ 5,812,825	\$ 5,812,825	\$ -
State Miscellaneous Grants	23,641	9,813	(13,828)
Special Education	685,781	707,732	21,951
Early Education	31,064	31,064	-
Transportation Receipts	48,287	59,072	10,785
Tuition Receipts	634,909	643,113	8,204
Federal and State Subgrants	-	85,508	85,508
Interest Income	7,100	10,225	3,125
Miscellaneous	12,888	(46)	(12,934)
<i>Total Revenues</i>	<u>\$ 7,256,495</u>	<u>\$ 7,359,305</u>	<u>\$ 102,810</u>

*Expenditures:*

*Early Education:*

Regular Instruction	301,654	312,454	(10,800)
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*Elementary Education:*

Regular Instruction	1,404,952	1,422,407	(17,455)
Cocurricular & After School Activities	9,303	48,784	(39,481)
Guidance Services	68,027	75,615	(7,588)
Health Services	72,466	75,581	(3,115)
Curriculum Development	10,305	786	9,519
Educational Media Services	42,505	38,103	4,402
Technology	62,786	57,906	4,880

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

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

<i>Expenditures (continued):</i>	<i>Original/Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Board of Education, Fiscal & Administrative Services	176,018	165,467	10,551
Special Education	664,755	617,309	47,446
Principal's Office	215,589	212,302	3,287
Plant & Grounds Operations	328,251	295,255	32,996
Transportation	73,753	71,753	2,000
<i>Middle School Program:</i>			
Regular Instruction	553,712	548,319	5,393
Cocurricular Activities	69,242	40,892	28,350
Guidance Services	54,614	54,758	(144)
<i>Middle School Program:</i>			
Health Services	13,257	13,288	(31)
Curriculum Development	4,115	10,823	(6,708)
Educational Media Services	25,911	25,905	6
Technology	37,979	27,038	10,941
Board of Education, Fiscal & Administrative Services	6,068	5,767	301
Principal's Office	70,268	67,919	2,349
Plant & Grounds Operations	48,157	45,932	2,225
<i>Secondary Education:</i>			
Regular Instruction	912,558	1,073,106	(160,548)
Vocational Education	53,873	51,538	2,335
Cocurricular Activities	99,876	107,108	(7,232)
Drivers' Education	10,525	12,111	(1,586)

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

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

<i>Expenditures:</i>	<i>Original/Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Guidance Services	105,044	102,931	2,113
Health Services	22,837	22,635	202
Curriculum Development	6,170	19,134	(12,964)
Educational Media Services	50,153	42,404	7,749
Technology	46,104	50,462	(4,358)
Board of Education, Fiscal & Administrative Services	229,440	213,204	16,236
Special Education	588,639	533,556	55,083
Principal's Office	126,962	132,897	(5,935)
Plant & Grounds Operations	345,519	284,109	61,410
Transportation	116,178	107,630	8,548
<i>Shared Expenditures:</i>			
Adult Education	1,000	-	1,000
Debt Service	201,430	204,878	(3,448)
Food Service	26,500	69,238	(42,738)
<i>Total Expenditures</i>	<u>7,256,495</u>	<u>7,261,303</u>	<u>(4,808)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	98,001	98,001
Operating Transfers	-	41,373	41,373
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ 139,374</u>	<u>\$ 139,374</u>

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

ARLINGTON TOWN SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION

**DEFINED BENEFIT PLAN**

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

	Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Discount Rate)	Net Pension Liability 1% Increase (8.95% Discount Rate)
6/30/2015	\$ 52,023	0.39362%	\$ 2,412,909	\$ 2,109,442	\$ 303,467	\$ 161,659	\$ -	\$ 606,156	\$ 49,728

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

	Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Discount Rate)	Net Pension Liability 1% Increase (8.95% Discount Rate)
6/30/2016	\$ 50,341	0.31220%	\$ 2,238,100	\$ 1,811,830	\$ 426,270	\$ 239,004	\$ (20,785)	\$ 707,649	\$ 190,671

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

	Employer Proportion	Net Pension Liability	Difference between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions
6/30/2016	0.31220%	\$ 426,270	\$ 8,757	\$ 68,458	\$ -	\$ 138,217	\$ -

ARLINGTON TOWN SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION

Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportionate Share and Difference between Employer Contribution and Proportionate Share of Contribution	Total Deferred Inflows	Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Changes in Proportionate Share and Difference Between Employer Contributions and Proportionate Share of Contribution	Total
\$ -	\$ -	\$ -	\$ (20,785)	\$ (20,785)	\$ 114,081	\$ 2,502	\$ 116,583

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

2017	\$ 58,595
2018	\$ 58,595
2019	\$ 77,181
2020	\$ 23,848
Thereafter	\$ -

For the measurement period ended June 30,

	<u>2016</u>	<u>2015</u>
Town's proportionate share of the net pension liability (asset)	0.3122%	0.39362%
Proportionate share of the net pension liability (asset)	\$ 426,270	\$ 303,467
Covered-employee payroll	\$ 915,279	\$ 899,562
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.57%	33.73%
Plan fiduciary net position as a percentage of the total pension liability	425.04%	695.11%

ARLINGTON TOWN SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION

**DEFINED CONTRIBUTION PLAN**

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

	Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Discount Rate)	Net Pension Liability 1% Increase (8.95% Discount Rate)
6/30/2015	\$ 349,530	0.47910%	\$ 13,613,365	\$ 7,925,169	\$ 5,688,196	\$ 1,009,432	\$ -	\$ 7,222,985	\$ 4,400,647

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

	Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Discount Rate)	Net Pension Liability 1% Increase (8.95% Discount Rate)
6/30/2016	\$ 348,750	0.51724%	\$ 15,157,333	\$ 8,383,948	\$ 6,773,385	\$ 1,456,908	\$ (28,023)	\$ 8,475,749	\$ 5,344,655

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

	Employer Proportion	Net Pension Liability	Difference between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions
6/30/2016	0.51724%	\$ 6,773,385	\$ 65,747	\$ 148,677	\$ -	\$ 654,733	\$ 587,751

ARLINGTON TOWN SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION

Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportionate Share and Difference between Employer Contribution and Proportionate Share of Contribution	Total Deferred Inflows	Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Changes in Proportionate Share and Difference Between Employer Contributions and Proportionate Share of Contribution	Total
\$ (28,023)	\$ -	\$ -		\$ (28,023)	\$ 702,921	\$ 341,563	\$ 1,044,484

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

2017	\$ 577,207
2018	\$ 379,284
2019	\$ 359,103
2020	\$ 113,290
Thereafter	\$ -

For the measurement period ended June 30,

	<u>2016</u>	<u>2015</u>
Town's proportionate share of the net pension liability (asset)	0.5172%	0.47910%
Proportionate share of the net pension liability (asset)	\$ 6,773,385	\$ 5,688,196
Covered-employee payroll	\$ 3,350,672	\$ 2,673,697
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	202.15%	212.75%
Plan fiduciary net position as a percentage of the total pension liability	123.78%	139.33%

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### Significant Actuarial Assumptions and Methods:

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

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

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

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

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

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

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

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

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

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

### Long-term expected rate of return:

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

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

**ARLINGTON TOWN SCHOOL DISTRICT  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2017**

	<i>Agency Funds</i>	<i>Private Purpose</i>	
	<b>Student Activities</b>	<b>Scholarship Funds</b>	<b>Totals</b>
Due From Governmental Funds	\$ 18,000	\$ -	\$ 18,000
Due to Student Groups/Deferred Revenue	(18,000)	-	(18,000)
<i>Net Position:</i>			
Restricted for Scholarships	-	-	-
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<i>Agency Funds</i>	<i>Private Purpose</i>	
	<b>Student Activities</b>	<b>Trust Funds</b>	<b>Totals</b>
<i>Revenues:</i>			
Net Investment Income	\$ -	\$ -	\$ -
<i>Expenditures:</i>			
Transfer to Other External Trustee	-	-	-
Scholarships	-	-	-
Excess of Revenues Over Expenditures	-	-	-
Net Position - Beginning	-	-	-
<b>Net Position - Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>