

ARLINGTON TOWN SCHOOL DISTRICT

FINANCIAL & COMPLIANCE REPORTS

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Governance Committee
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, 2018, 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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–6 and 22–28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Arlington Town School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Arlington Town School District's internal control over financial reporting and compliance.



Jeffrey R. Bradley CPA, P.C.
Mendon, Vermont
VT License No. 92-0000515
December 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, 2018. 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 decreased (\$24,693) as a result of this year's operations.
- The District's investment in capital assets increased \$761,215, or 8.9% primarily due to the ongoing capital improvements at the School.
- At the close of the current fiscal year, the School District's General fund reported a total ending fund balances of \$282,142 [an increase of \$158,866 (129%)].
- Key factors in the General Fund favorable outcome of \$158,866 due to greater than anticipated revenues.

A portion of the District's net assets (\$3,781,198) 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 (\$177,554) represents resources that are subject to internal and external restrictions on how they can be used.

Government-wide total unrestricted net position increased \$39,744 during the fiscal year.

Governmental Activities - The most significant revenues of the governmental activities are: the Vermont Education Spending Grant (89%) and tuition and other receipts (11%).

Instructional and related support service costs are the most significant (68%), followed by plant operations and transportation (14%), administration (11%) and Special Education (7%).

Governmental revenues decreased (7.6%) in the current year due primarily to a decline in special education reimbursements. Governmental activities expenses also decreased (7.7%) 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, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.
- 39% of the total ending fund balances (\$177,554) constituted restricted fund balances, which are considered unavailable for appropriation for general operations. Prior year restricted fund balance totaled \$185,359.

Management's Discussion and Analysis (continued)

Investment in Capital Assets:

	Balance - July 1, 2017	Net Activity	Depreciation	Beginning Accumulated Depreciation	Net Asset Value - June 30, 2018
Buildings & Improvements	\$6,441,221	\$726,441	(\$116,557)	(\$2,441,968)	\$4,609,137
Furniture & Equipment	2,029,966	34,774	(144,769)	(1,641,469)	278,502
Totals	\$8,471,187	\$761,215	(\$261,326)	(\$4,083,437)	\$4,887,639

Long Term Debt:

The following is a schedule detailing the amortization of long term debt over the obligations' terms:

Fiscal Year Ending	Principal	Interest	Total
June 30, 2019	\$ 201,659	\$ 93,392	\$ 295,051
June 30, 2020	201,659	84,341	286,000
June 30, 2021	171,659	73,294	244,953
June 30, 2022	81,659	67,987	149,646
June 30, 2023	81,659	65,066	146,725
Thereafter	1,224,885	577,008	1,801,893
TOTAL	\$ 1,963,180	\$ 961,088	\$ 2,924,268

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Expenditures in the General Fund are budgeted to decrease 4.1% from \$7,256,195 to \$6,955,898 as compared to fiscal year 2018, 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 2019.

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. 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 certain doubt that the District will exist as an independent entity as of July 1, 2021.

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, 2018 and 2017:

STATEMENT OF NET POSITION

	2018	2017
Current Assets	\$ 640,485	\$ 475,848
Deferred Outflows	168,495	239,004
Capital Assets	4,887,639	4,387,750
Total Assets & Deferred Outflows	5,696,618	5,102,603
Current Liabilities	449,963	360,454
Noncurrent Liabilities	1,330,097	806,269
Total Liabilities	1,780,060	1,166,723
Deferred Inflows	26,155	20,785
Nonspendable General Fixed Assets	3,781,198	3,837,750
Restricted Net Position	177,554	185,359
Unassigned Net Position	(68,349)	(108,013)
Total Net Position	3,890,403	3,915,096
 Total Liabilities, Deferred Inflows & Net Position	 \$ 5,696,618	 \$ 5,102,603

STATEMENT OF ACTIVITIES

	2018	2017
<i>Program Revenues:</i>		
Operating Grants and Charges for Services	\$ 1,110,912	\$ 2,580,785
<i>General Revenues:</i>		
Education Spending & Other State Grants	6,047,187	5,812,825
Interest Earnings	15,229	11,999
Miscellaneous	36,061	19,954
Total General Revenues	6,098,477	5,844,778
Total Revenues	7,209,389	8,425,563
<i>Programs:</i>		
Instructional & Operating Costs	4,875,811	5,384,180
Special Education	468,188	1,150,865
General Administration	797,151	797,556
Food Service	47,700	69,238
Plant Operations and Transportation	1,006,752	1,226,625
Interest Expense	38,480	34,878
Total Expenses	7,234,082	8,663,342
Change in Net Position	(24,693)	(237,779)
Net Position - Beginning	3,915,096	4,152,874
Net Position - Ending	\$ 3,890,403	\$ 3,915,096

ARLINGTON TOWN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018 and 2017

	June 30, 2018	June 30, 2017
	<i><u>Governmental Activities</u></i>	<i><u>Governmental Activities</u></i>
ASSETS & DEFERRED OUTFLOWS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 603,231	\$ 382,401
Accounts Receivable	37,253	93,447
Total Current Assets	<u>640,485</u>	<u>475,848</u>
<i>Noncurrent Assets:</i>		
Property, Plant & Equipment, net of applicable depreciation	<u>4,887,639</u>	<u>4,387,750</u>
<i>Deferred Outflows of Resources:</i>		
Proportional Share of Multi-Employer Defined Benefit Pension Plan	168,495	239,004
TOTAL ASSETS & DEFERRED OUTFLOWS	<u><u>\$ 5,696,618</u></u>	<u><u>\$ 5,102,603</u></u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
<i>Current Liabilities:</i>		
Accrued Expenses	\$ 94,208	\$ 80,633
Deferred Revenue	3,134	3,134
Accrued Interest Payable	17,435	3,160
Due to Other Governments	83,528	83,528
Early Retirement Incentives	50,000	20,000
Current Portion of Bond, Notes and Capital Lease Liabilities	201,659	170,000
Total Current Liabilities	<u>449,963</u>	<u>360,454</u>
<i>Noncurrent Liabilities:</i>		
Bonds, Notes and Capital Lease Liabilities	904,782	380,000
Early Retirement Incentives	30,000	-
Net Pension Liability - Municipal Retirement Defined Benefit Plan	395,315	426,269
Total Noncurrent Liabilities	<u>1,330,097</u>	<u>806,269</u>
Total Liabilities	<u>1,780,060</u>	<u>1,166,723</u>
<i>Deferred Inflows of Resources:</i>		
Proportional Share of Multi-Employer Pension Plan	<u>26,155</u>	<u>20,785</u>
<i>Net Position:</i>		
Nonspendable General Fixed Assets	3,781,198	3,837,750
Restricted For Special Purposes	177,554	185,359
Unrestricted (Deficit)	<u>(68,349)</u>	<u>(108,013)</u>
Total Net Position	<u>3,890,403</u>	<u>3,915,096</u>
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	<u><u>\$ 5,696,618</u></u>	<u><u>\$ 5,102,603</u></u>

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Government	
				June 30, 2018 Totals	June 30, 2017 Totals
<i>Governmental Activities:</i>					
Regular Instruction	\$ 3,843,698	\$ 722,629	\$ 388,283	\$ (2,732,786)	\$ (2,682,081)
Vocational Education	78,622	-	-	(78,622)	(51,538)
Cocurricular & After School Activities	157,604	-	-	(157,604)	(203,511)
Curriculum Development	142,591	-	-	(142,591)	(19,134)
Drivers' Education	8,072	-	-	(8,072)	(12,111)
Guidance Services	248,286	-	-	(248,286)	(233,305)
Health Services	114,276	-	-	(114,276)	(111,504)
Educational Media Services	129,761	-	-	(129,761)	(106,412)
Technology	152,900	-	-	(152,900)	(150,602)
Board of Education, Fiscal & Administrative Services	401,536	-	-	(401,536)	(384,438)
Special Education	468,188	-	-	(468,188)	(443,133)
Principal's Office	395,615	-	-	(395,615)	(413,118)
Plant & Grounds Operations	930,356	-	-	(930,356)	(1,047,242)
Student Transportation	76,396	-	-	(76,396)	(120,311)
Interest Expense	38,480	-	-	(38,480)	(34,878)
Food Service	47,700	-	-	(47,700)	(69,238)
<i>Total Governmental Activities</i>	<i>7,234,082</i>	<i>722,629</i>	<i>388,283</i>	<i>(6,123,170)</i>	<i>(6,082,556)</i>

General revenues:

Education Spending	6,047,187	5,812,825
Investment Earnings	15,229	11,999
Miscellaneous	36,061	19,954
Total General Revenues	6,098,477	5,844,778
Change in Net Position	(24,693)	(237,778)
Net Position - Beginning	3,915,096	4,152,874
Net Position - Ending	\$ 3,890,403	\$ 3,915,096

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

**ARLINGTON TOWN SCHOOL DISTRICT
COMBINED BALANCE SHEET -
GOVERNMENTAL FUND TYPES
JUNE 30, 2018 and 2017**

	<i>Governmental Fund Types</i>			
	General	Other	Totals	Totals
	Fund	Governmental	June 30, 2018	June 30, 2017
		Funds		
ASSETS				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 384,590	\$ 218,641	\$ 603,231	382,401
Accounts Receivable	37,253	-	37,253	93,447
Due from Other Funds	27,953	-	27,953	59,081
TOTAL ASSETS	<u>\$ 449,797</u>	<u>\$ 218,641</u>	<u>\$ 668,438</u>	<u>\$ 534,929</u>
LIABILITIES AND FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 84,208	\$ 10,000	\$ 94,208	\$ 80,633
Due from Other Governments	83,528	-	83,528	83,528
Deferred Revenue	-	3,134	3,134	3,134
Due to Other Funds	-	27,953	27,953	59,081
Total Liabilities	<u>167,736</u>	<u>41,087</u>	<u>208,823</u>	<u>226,375</u>
<i>Fund Balances:</i>				
Restricted For Specific Purposes	-	177,554	177,554	185,359
Unassigned	282,061	-	282,061	123,195
Total Fund Balances	<u>282,061</u>	<u>177,554</u>	<u>459,615</u>	<u>308,554</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 449,797</u>	<u>\$ 218,641</u>	<u>\$ 668,438</u>	<u>\$ 534,929</u>

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, 2018**

Fund Balances - Governmental Funds Balance Sheet	\$ 459,615
<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.	4,887,639
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.	(252,975)
Accrued Interest Payable is recognized on the government wide financial statements, but is recognized when paid on the governmental fund financial statements.	(17,435)
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.	(80,000)
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>(1,106,441)</u>
Net Position - Government-Wide Financial Statements	<u><u>\$ 3,890,403</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, 2018 and 2017**

	<i>Governmental Fund Types</i>		TOTAL	TOTAL
	General Fund	Governmental Funds	June 30, 2018	June 30, 2017
<i>Revenues:</i>				
Education Spending Support Grant	\$ 6,047,187	\$ -	\$ 6,047,187	\$ 5,812,825
State Miscellaneous Grants	244	-	244	9,813
Special Education	-	-	-	707,732
Early Education	-	-	-	31,064
Transportation Receipts	-	-	-	59,072
Tuition Receipts	722,629	-	722,629	643,113
Federal and State Subgrants	21,614	-	21,614	85,508
Interest Income	13,218	2,010	15,229	11,999
State Retirement System Contributions	366,425	-	366,425	1,044,484
Miscellaneous	8,480	27,581	36,061	19,954
<i>Total Revenues</i>	<u>7,179,798</u>	<u>29,591</u>	<u>7,209,389</u>	<u>8,425,563</u>
<i>Expenditures:</i>				
<i>Early Education Services:</i>				
Regular Instruction	\$ 296,613	\$ -	\$ 296,613	\$ 312,454
<i>Elementary Education:</i>				
Regular Instruction	1,602,155	-	1,602,155	1,770,569
Cocurricular & After School Activities	15,820	2,622	18,442	55,511
Guidance Services	72,586	-	72,586	75,615
Health Services	77,507	-	77,507	75,581
Curriculum Development	69,671	-	69,671	786
Educational Media Services	42,141	-	42,141	38,103
Technology	61,020	-	61,020	57,906
Board of Education, Fiscal & Administrative Services	169,001	-	169,001	165,467
Special Education	234,094	-	234,094	617,309
Principal's Office	196,442	-	196,442	212,302
Plant & Grounds Operation	308,299	-	308,299	295,255
Transportation	41,791	-	41,791	71,753
<i>Middle School Program:</i>				
Regular Instruction	679,888	-	679,888	896,480

**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, 2018 and 2017**

	General Fund	Other Governmental Funds	TOTAL June 30, 2018	TOTAL June 30, 2017
Cocurricular Activities	43,371	-	43,371	40,892
Guidance Services	61,395	-	61,395	54,758
<i>Middle School Program:</i>				
Health Services	14,120	-	14,120	13,288
Curriculum Development	34	-	34	10,823
Educational Media Services	33,729	-	33,729	25,905
Technology	37,452	-	37,452	27,038
Board of Education, Fiscal & Administrative Services	6,089	-	6,089	5,767
Principal's Office	67,278	-	67,278	67,919
Plant & Grounds Operation	49,647	-	49,647	45,932
<i>Secondary Education:</i>				
Regular Instruction	1,160,082	-	1,160,082	1,421,267
Vocational Education	78,622	-	78,622	51,538
Cocurricular Activities	95,791	-	95,791	107,108
Drivers' Education	8,072	-	8,072	12,111
Guidance Services	114,304	-	114,304	102,931
Health Services	22,649	-	22,649	22,635
Curriculum Development	72,921	-	72,921	19,134
Educational Media Services	53,891	-	53,891	42,404
Technology	54,429	-	54,429	50,462
Board of Education, Fiscal & Administrative Services	226,446	-	226,446	213,204
Special Education	234,094	-	234,094	533,556
Principal's Office	131,895	-	131,895	132,897
Plant & Grounds Operations	311,084	-	311,084	337,277
Transportation	34,605	-	34,605	107,630
<i>Shared Expenditures:</i>				
Capital Building Improvements	-	-	-	3,588
Technology	-	34,774	34,774	34,384
Textbook Purchases	-	-	-	4,481

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, 2018 and 2017**

	General Fund	Other Governmental Funds	TOTAL June 30, 2018	TOTAL June 30, 2017
<i>Shared Expenditures (continued):</i>				
Debt Service	194,205	-	194,205	204,878
Food Service	47,700	-	47,700	69,238
<i>Total Expenditures</i>	<u>7,020,932</u>	<u>37,396</u>	<u>7,058,328</u>	<u>8,408,136</u>
 Excess (Deficiency) of Revenues Over Expenditures	 158,866	 (7,805)	 151,061	 17,427
 Fund Balances - Beginning	 <u>123,195</u>	 <u>185,359</u>	 <u>308,554</u>	 <u>291,127</u>
 Fund Balances - Ending	 <u>\$ 282,061</u>	 <u>\$ 177,554</u>	 <u>\$ 459,615</u>	 <u>\$ 308,554</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	151,061
Changes in Early Retirement liability are not reported in the Governmental Funds Financial Statements.	(60,000)
Changes in Accrued interest is recognized as incurred in the Government Wide Financial Statements, while when paid in the Governmental Funds financial statements.	(14,276)
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.	(44,926)
In the Statement of Activities, the cost of fixed assets is allocated over their estimated useful lives and reported as depreciation expense annually.	(226,552)
Repayment of bond or note principal is not an expense in the Statement of Activities	<u>170,000</u>
Change in Net Position - Statement of Activities	<u>\$ (24,693)</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 considered 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 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, 2018, the District's deposit accounts were fully insured or collateralized. Custodial credit risk deposits and investments - Custodial credit risk is the risk that in the event of a financial institution failure, the District will not be able to recover its deposits or investments or will not be able to recover collateral securities that are in the possession of an outside party. The District addresses this risk by requiring each institution to provide deposit insurance and/or proof of collateralization. The Treasurer is required to determine the types of collateralization after consultation with the Board. *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, 2018, the District does not hold more than 5% of its investments in any one issuer.

Category	Book Balance	Bank Balance
Insured FDIC/SIPC	\$ 250,000	\$ 250,000
Category 2	353,243	369,905
Total Cash	\$ 603,243	\$ 619,905

NOTE 3 - Interfund 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.

Arlington Town School District
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - Interfund receivable and payable balances (continued)

The following is a schedule detailing the ending balances of the interfund borrowings at June 30, 2018:

<i>Due (To) From Other Funds</i>	General Fund	Other Governmental/ Trust Funds
Capital Improvement Fund	\$3,739	(\$3,739)
Student Activity Fund	18,000	(18,000)
Private Grants	6,215	(6,215)
Totals	\$27,953	(\$27,953)

NOTE 4 - Fixed Assets and Depreciation

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

	Balance - July 1, 2017	Net Activity	Depreciation	Beginning Accumulated Depreciation	Net Asset Value - June 30, 2018
Buildings & Improvements	\$6,441,221	\$726,441	(\$116,557)	(\$2,441,968)	\$4,609,137
Furniture & Equipment	2,029,966	34,774	(144,769)	(1,641,469)	278,502
Totals	\$8,471,187	\$761,215	(\$261,326)	(\$4,083,437)	\$4,887,639

NOTE 5 - Deferred (Unearned) Revenue

The following is a schedule of grant revenues received, but not spent at June 30, 2018:

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

The following is a schedule detailing the amortization of the debt over the obligations' terms:

Fiscal Year Ending	Principal	Interest	Total
June 30, 2019	\$ 201,659	\$ 93,392	\$ 295,051
June 30, 2020	201,659	84,341	286,000
June 30, 2021	171,659	73,294	244,953
June 30, 2022	81,659	67,987	149,646
June 30, 2023	81,659	65,066	146,725
Thereafter	1,224,885	577,008	1,801,893
TOTAL	\$ 1,963,180	\$ 961,088	\$ 2,924,268

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 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 (its administrative entity as designed by the Vermont Agency of Education) are members of the District's employer account, and their amounts are reported in these financial statements.

Total wages paid by the District during the current fiscal year was \$2,951,797. On-behalf benefit of \$366,425 was recorded regarding the District's proportionate share of VSTRS's total pension expenditure required in accordance with GASB Statement No. 75.

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 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. 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

Arlington Town School District
NOTES TO FINANCIAL STATEMENTS

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

the District is required to contribute 4% (Group A), 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 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 3% per year. The following is a schedule of employers' contributions made for the preceding 3 fiscal years:

FY2017	FY2016	FY2015
\$48,550.88	\$50,340.54	\$55,022.56

The discount rate used to measure the total pension liability was 7.5%. 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.

NOTE 8 – Commitments & Contingencies

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

NOTE 9 – Vermont School District Consolidation

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. The voters of the District will be required to ratify its decision. In light of the preceding, there is certain doubt that Arlington Town School District will exist as an independent entity as of July 1, 2021.

Jeffrey R. Bradley CPA, P.C.

~ Member ~

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

To the Governance Committee
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, 2018, and the related notes to the financial statements, which collectively comprise Arlington Town School District's basic financial statements, and have issued our report thereon dated December 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 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 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.
Mendon, Vermont
VT License No. 92-0000515
December 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, 2018**

	<i>Original/Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Revenues:</i>			
Education Spending Support Grant	\$ 5,812,825	\$ 6,047,187	\$ 234,362
State Miscellaneous Grants	23,641	244	(23,397)
Special Education	685,781	-	(685,781)
Early Education	31,064	-	(31,064)
Transportation Receipts	48,287	-	(48,287)
Tuition Receipts	634,909	722,629	87,720
Federal and State Subgrants	-	21,614	21,614
Interest Income	7,100	13,218	6,118
Miscellaneous	12,888	8,480	(4,408)
<i>Total Revenues</i>	<u>\$ 7,256,495</u>	<u>\$ 6,813,373</u>	<u>\$ (443,122)</u>
<i>Expenditures:</i>			
<i>Early Education:</i>			
Regular Instruction	301,654	296,613	5,041
<i>Elementary Education:</i>			
Regular Instruction	1,404,952	1,480,013	(75,061)
Cocurricular & After School Activities	9,303	15,820	(6,517)
Guidance Services	68,027	72,586	(4,559)
Health Services	72,466	77,507	(5,041)
Curriculum Development	10,305	69,671	(59,366)
Educational Media Services	42,505	42,141	364
Technology	62,786	61,020	1,766
Board of Education, Fiscal & Administrative Services	176,018	169,001	7,017
Special Education	664,755	234,094	430,661
Principal's Office	215,589	196,442	19,147
Plant & Grounds Operations	328,251	308,299	19,952
Transportation	73,753	41,791	31,962

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, 2018**

	<i>Original/Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Expenditures (continued):</i>			
<i>Middle School Program:</i>			
Regular Instruction	553,712	557,746	(4,034)
Cocurricular Activities	69,242	43,371	25,871
Guidance Services	54,614	61,395	(6,781)
<i>Middle School Program:</i>			
Health Services	13,257	14,120	(863)
Curriculum Development	4,115	34	4,081
Educational Media Services	25,911	33,729	(7,818)
Technology	37,979	37,452	527
Board of Education, Fiscal & Administrative Services	6,068	6,089	(21)
Principal's Office	70,268	67,278	2,990
Plant & Grounds Operations	48,157	49,647	(1,490)
<i>Secondary Education:</i>			
Regular Instruction	912,558	1,037,940	(125,382)
Vocational Education	53,873	78,622	(24,749)
Cocurricular Activities	99,876	95,791	4,085
Drivers' Education	10,525	8,072	2,453
Guidance Services	105,044	114,304	(9,260)
Health Services	22,837	22,649	188
Curriculum Development	6,170	72,921	(66,751)
Educational Media Services	50,153	53,891	(3,738)
Technology	46,104	54,429	(8,325)
Board of Education, Fiscal & Administrative Services	229,440	226,446	2,994
Special Education	588,639	234,094	354,545
Principal's Office	126,962	131,895	(4,933)
Plant & Grounds Operations	345,519	311,084	34,435
Transportation	116,178	34,605	81,573

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, 2018**

	<i>Original/Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Expenditures:</i>			
<i>Shared Expenditures:</i>			
Adult Education	1,000	-	1,000
Debt Service	201,430	194,205	7,225
Food Service	26,500	47,700	(21,200)
<i>Total Expenditures</i>	<u>7,256,495</u>	<u>6,654,507</u>	<u>601,988</u>
Excess (Deficiency) of Revenues Over Expenditures	-	158,866	158,866
Operating Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ 158,866</u>	<u>\$ 158,866</u>

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

ARLINGTON TOWN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

Deferred Benefit Plan

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

	Employer Contributions	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Discount Rate)	Net Pension Liability 1% Increase (8.95% Discount Rate)
6/30/2016	\$ 50,341	0.33122%	\$ 426,269	\$ 239,004	\$ 20,785	707,649.00	\$ 190,671

SCHEDULE B - Employers' Allocation of OPEB Amounts as of June 30, 2017

	State Contributions	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.5% Discount Rate)	Net Pension Liability 1% Increase (8.5% Discount Rate)
6/30/2017	\$ 13,093	0.08020%	\$ 395,315	\$ 168,495	\$ 26,155	173,484.85	\$ 33,873

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

	Employer Proportion	Net Pension Liability	Difference between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
6/30/2017	0.08020%	\$ 395,315	\$ 5,751	\$ 82,759	\$ -	65,842.00	\$ 14,143	\$ 168,495
Changes in Assumptions	Changes in Benefits	Investment Earnings	Difference Between Projected and Actual Contribution Share of	Total Deferred Inflows	Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts Difference Between Employer Contributions and Proportionate Share of Contribution	Total	
\$ 9,786	\$ -	\$ -	\$ 16,369	\$ 26,155	\$ 96,338	1,874.00	\$ 98,212	

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

			For the measurement period ended June 30,	2017	2016
	2018	\$ 666,756	District's proportionate share of the net pension liability (asset)	0.0802%	0.33122%
	2019	\$ 647,433	Proportionate share of the net pension liability (asset)	\$ 395,315	\$ 426,269
	2020	\$ 395,742	Covered-employee payroll	\$ 3,558,194	\$ 3,350,672
	2021	\$ (50,090)	Proportionate share of the net pension liability (asset) as a percentage of payroll	11.11%	12.72%
Thereafter	\$ -				

ARLINGTON TOWN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

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

	Employer Contributions	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Discount Rate)	Net Pension Liability 1% Increase (8.95% Discount Rate)
6/30/2016	\$ 348,750	0.51724%	\$ 6,773,384	\$ 1,456,908	\$ (28,023)	\$ 8,475,749	\$ 5,344,655

SCHEDULE B - Employers' Allocation of OPEB Amounts as of June 30, 2017

	State Contributions	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Discount Rate)	Net Pension Liability 1% Increase (8.95% Discount Rate)
6/30/2017	\$ 3,558,194	0.53846%	\$ 7,982,202	\$ 1,679,290	\$ 19,449	\$ 9,891,098	\$ 6,388,958

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

	Employer Proportion	Net Pension Liability	Difference between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
6/30/2017	0.53846%	\$ 7,982,202	\$ 87,228	\$ 827,936	\$ -	\$ 335,382	\$ 428,744	\$ 1,679,290
Changes in Assumptions	Changes in Benefits	Investment Earnings	Difference Between Employer Contributions and Proportionate Share of Contribution	Total Deferred Inflows	Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts Difference Between Employer Contributions and Proportionate Share of Contribution	Total	
\$ 133,689	\$ -	\$ -	\$ -	\$ 133,689	\$ 268,213	\$ -	\$ 268,213	

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

			For the measurement period ended June 30,	2017	2016
	2018	\$ 666,756	District's proportionate share of the net pension liability (asset)	0.5385%	0.51724%
	2019	\$ 647,433	Proportionate share of the net pension liability (asset)	\$ 7,982,202	\$ 6,773,384
	2020	\$ 395,742	Covered-employee payroll	\$ 3,558,194	\$ 3,350,672
	2021	\$ (50,090)	Proportionate share of the net pension liability (asset) as a percentage of payroll	224.33%	202.15%
Thereafter	\$ -				

***Arlington Town School District
Required Supplementary Information***

The employees of the Supervisory Union are members of the Arlington Town School District's (its member district's employer account) for the Vermont Municipal Retirement System and State Teachers' Retirement System. Amounts are reported in the Arlington Town School District financial statements.

Therefore, specific information regarding the net pension liability for the District's proportionate share of the Vermont Municipal Retirement System underfunded pension liability is not recognized in these financial statements. However, general information related to the plans in general are disclosed herein:

Valuation Highlights

The following key findings were the result of this actuarial valuation:

- The Net Pension Liability (NPL) is equal to the difference between the Total Pension Liability (TPL) and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) on a market value basis. The Plan's Fiduciary Net Position as a percent of the TPL increased from 80.95% to 83.64%.
- The NPL measured as of June 30, 2017, was determined based upon the results of the actuarial valuation as of June 30, 2016, adjusted forward using standard actuarial techniques, and updated to reflect changes in the investment return, inflation, cost of living, and mortality assumptions.
- The discount rates used to determine the TPL and NPL as of June 30, 2017, and June 30, 2016, were 7.50% and 7.95%, respectively.

Actuarial Cost Method

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, is summarized in the following table:

Long-Term Expected Real Rate of Return

US Equity	16.00%	6.07%
Non-US Equity	16.00%	7.42%
Global Equity	9.00%	6.85%
Fixed Income	24.00%	2.41%
Real Estate	8.00%	4.62%
Private Markets	15.00%	7.80%
Hedge Funds	8.00%	3.95%
Risk Parity	4.00%	4.84%

Actuarial assumptions. The total pension liability as of June 30, 2017, was determined by rolling forward the total pension liability as of June 30, 2016, to June 30, 2017, using the following actuarial assumptions:

Inflation 2.50%; Salary increases 5.00% per year

Investment rate of return 7.50%, net of pension plan investment expenses, including inflation

Cost of Living Adjustment 1.15% for Group A members and 1.30% for Group C, B and D members

Mortality

Pre-retirement: Groups A/B/C – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvement

Group D – RP-2014 Blue Collar Employee Table with generational improvement

Healthy Retiree: Groups A/B/C – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational improvement.

Group D – RP-2014 Blue Collar Annuitant Table with generational improvement

Disabled Retiree: RP-2014 Disabled Mortality Table with generational improvement.

The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 43 of GASB 67, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. Our analysis was based on the expectation that employers will continue to contribute at rates set by the Board, which exceed the actuarially determined contribution rate. The actuarially determined contribution rate is comprised of an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<i>Agency Funds</i>	<i>Private Purpose</i>	
	Student Activities	Scholarship Funds	Totals
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	-	-	-
TOTAL LIABILITIES & NET POSITION	\$ -	\$ -	\$ -

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

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