Franklin Central Supervisory Union

BASIC FINANCIAL STATEMENTS

June 30, 2017

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KBS
Kittell Branagan & Sargent
Certified Public Accountants
Vermont License # 167

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Franklin Central Supervisory Union
St. Albans, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Central Supervisory Union as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the 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 Franklin Central Supervisory Union, as of June 30, 2017, 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, Budgetary Comparison Schedule – General Fund on page 30, and Schedule of Proportionate Share of the Net Pension Liability – VMERS and VSTRS on pages 31-32, 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 Franklin Central Supervisory Union's basic financial statements. The Combining Statement of Revenues, Expenditure and Changes in Fund Balance – Special Revenue Funds is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Combining Statement of Revenues, Expenditure and Changes in Fund Balance – Special Revenue Funds and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion of provide any assurance on them.

Going Concern

As disclosed in Note 14, the voters of Franklin Central Supervisory Union, St. Albans City School District, St. Albans Town School District, Bellows Free Academy Union High School District #48, and Fairfield Town School District authorized the creation of a Unified School District, encompassing each of the districts. The pre-existing school districts will halt governance operations and cease to exist upon the close of business on June 30, 2017. All assets, debts, and liabilities of each district were transferred to the Unified School District as of June 30, 2017.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2017, on our consideration of the Franklin Central Supervisory Union'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 Franklin Central Supervisory Union's internal control over financial reporting and compliance.

Kittell Branagan & Sargent

St. Albans, Vermont
November 6, 2017

Franklin Central Supervisory Union
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

Our discussion and analysis of the Franklin Central Supervisory Union's financial performance is intended to provide a narrative introduction and overview of the District's financial activities for the fiscal year ended June 30, 2017. Please use it in conjunction with the District's financial statements.

Brief Explanation of the Basic Financial Statements

This annual report consists of financial presentations on all the various activities of the District. The District-Wide Financial Statements include presentations on the Statement of Net Assets and a Statement of Activities. These statements provide a perspective of the District as whole and present information on a longer-term basis. The District-Wide Financials are followed by Fund Financial Statements for governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the District-Wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefits of activities within the District.

Reporting the District-Wide Financials

One of the most important questions asked 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 Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. The Statements are prepared similar to private sector companies including all the assets and liabilities using the accrual basis of accounting. Under this basis of accounting all of the current year's revenues and expenses are reported when earned or incurred regardless of when cash is paid or received.

The Statement of Net Assets is used to report all that the entity owns (assets) and owes (liabilities). The difference between assets and liabilities is reported as Net Assets. This classification of Net Assets is broken into three categories, the first being the portion invested in capital assets nets of the related debt to indicate that this amount is not really accessible for other purposes. A second portion of Net Assets reflects resources not accessible for general use because their use is subject to restrictions enforceable by third parties. Any remaining Net Assets are classified as unrestricted. The Statement of Activities is used to report all changes in a District's net assets from one year to another. The Statement is presented using a net cost format designed to highlight the portion of each functional activity that must be financed from the District's own resources. The Statement first reports all direct costs associated with each functional activity, then reports dedicated outside resources (program revenues) as a direct reduction to arrive at the programs net cost to the District.

Reporting the District's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State Law and by bond covenants. The District's Board of Directors may establish other funds to help them control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. This District uses only one type of fund – Governmental Funds.

> Governmental Funds - Most of our operations are reported in the section on Governmental Funds, these funds place their focus on near-term financing needs. The Balance Sheet only reports financial assets associated with governmental activities. Financial Assets include cash as well as other assets that will convert to cash in the course of their ordinary lives. Governmental Funds do not report capital assets; because such assets will be used in operations rather than converted to cash and therefore are not spendable.

District as Trustee

The District serves as trustee or fiduciary for various Grant Accounts. These activities are reported in separate Statements of Special Revenue Fund. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Condensed Financial Information

District – Wide Financials

The following analysis focuses on the Net Position, and the changes in Net Position of the District as a whole. The total Net Position of the District decreased $86,965 from $58,728 to -$28,237.

The following is a schedule of our District-Wide Net Assets:

	2017	2016
ASSETS AND DEFERRED OUTFLOWS		
Current and Other Assets	$ 1,374,590	$ 2,260,209
Capital Assets	54,070	46,649
Deferred Outflows	256,496	139,292
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 1,685,156	$ 2,446,150
LIABILITIES AND DEFERRED OUTFLOWS		
Current Liabilities	$ 1,327,623	$ 2,154,704
Long Term Liabilities – Net Pension	379,187	22,929
Deferred Inflows	6,583	9,789
TOTAL LIABILITIES AND DEFERRED OUTFLOWS	$ 1,713,393	$ 2,387,422
NET POSITION		
Invested in Capital Assets, Net of Related Debt	$ 54,070	$ 46,649
Unrestricted	(82,307)	12,079
TOTAL NET POSITION	$ (28,237)	$ 58,728

District-Wide Statement of Activities Resources

	2017	2016
Functions/Programs		
Governmental Activities Expenses	$ 15,983,779	$ 14,116,105
Charges for Services	(8,010,018)	(6,913,075)
Operating Grants and Revenues	(7,844,268)	(7,051,572)
Net (Expense) Revenue and Changes in Net Assets	(129,493)	(151,458)

General Revenues		
Unrestricted investment earnings	1,403	1,170
Miscellaneous	41,125	16,319
Total General Revenues	42,528	17,489
Change in Net Assets	(86,965)	(133,969)
Net Position, Beginning	58,728	192,697
Net Position, Ending	$ (28,237)	$ 58,728

Governmental Fund Balances and Transactions

Most decisions involving governmental (assessment supported) activities are made in the context of the annual appropriated operating budget, where the focus is on meeting the near-term financing needs of a government. Governmental funds, with their distinctive emphasis on inflows and outflows of spendable resources provide information useful for making decisions in a budgetary context. The original budgeted amount was not amended during the year.

The Unrestricted Fund Balance – the part of net assets that can be used to finance day-to-day operation without constraints established by debt covenants, enabling legislation or other legal requirements – is $46,967 at June 30, 2017.

Expenditures for fiscal year 2016-2017 increased over fiscal year 2014-2015 by $1,287,123 at the Supervisory Union mainly because of increased costs in Special Education Services and Student Transportation. Revenues had a comparable increase to account for the assessments from the member school districts for providing the aforementioned services.

FUND FINANCIAL STATEMENTS
BALANCE SHEET – GOVERNMENTAL FUNDS

	General Fund	
	2017	2016
ASSETS		
TOTAL ASSETS	$ 968,413	$ 920,038
LIABILITIES AND FUND BALANCES		
TOTAL LIABILITIES	$ 921,446	$ 814,533
FUND BALANCES		
Unrestricted	23,449	105,505
Non-spendable (pre-paid)	23,518	0
TOTAL FUND BALANCES	46,967	105,505
TOTAL LIABILITIES AND FUND BALANCES	$ 968,413	$ 920,038

FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS

	General Fund	
	2017	2016
REVENUES	$ 9,941,560	$ 8,587,010
EXPENDITURES	10,000,098	8,712,975
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(58,538)	(125,965)
FUND BALANCE – July 1,	105,505	231,470
FUND BALANCE – June 30,	$ 46,967	$ 105,505

Capital Assets

To be in compliance with the New Governmental Financial Reporting Model (GASB 34) the District is reporting its Capital Assets as part of the Financial Statements. We have researched and documented the estimated historical costs of the various assets owned by the district, and applied appropriate charges against the cost to record depreciation. This information is presented below.

The following is a schedule of our Capital Assets:

Description	Cost	Accumulated Depreciation	Net Book Value
28 Catherine Street			
Furniture, Computers & Equipment	$ 483,713	$ (429,643)	$ 54,070

Retirement

In compliance with the 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. See Note 7, starting on page 12 for detailed information regarding Franklin Central Supervisory Union's proportional share of the overall amounts of the Vermont State Teachers' Retirement System (VSTRS). During the year ended June 30, 2017, the State of Vermont contributed $553,931 on behalf of the Franklin Central Supervisory Union.

In compliance with the 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. See Note 8, starting on page 19 for detailed information regarding Franklin Central Supervisory Union's proportional share of the overall amounts of the Vermont Municipal Employee Retirement System (VMERS). All eligible support staff employees of the Franklin Central Supervisory Union are enrolled in Group B.

Unified School District

On March 1, 2016, the voters of Franklin Central Supervisory Union, Bellows Free Academy Union High School District #48, Fairfield Town School District, St. Albans City School District, and St. Albans Town School District authorized the creation of a Unified School District, encompassing each of the districts. The pre-existing school districts halted governance operations and cease to exist upon the close of business on June 30, 2017. All assets, debts, and liabilities of each district were transferred to the Maple Run Unified School District upon the close of business on June 30, 2017.

Requests for Information

This financial report is designed to provide a general overview of the Supervisory Union's finances for all of its citizens, taxpayers, customers and creditors. Questions concerning any of the information provided in the report or requests for additional information should be sent to Maple Run Unified School District office, 28 Catherine St., St. Albans, VT 05478.

Franklin Central Supervisory Union
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
June 30, 2017

ASSETS AND DEFERRED OUTFLOWS

	Governmental Activities
CURRENT ASSETS	
Cash	$ 231,280
Receivables	407,111
Due from inter district	712,681
Prepaid expenses	23,518
TOTAL CURRENT ASSETS	1,374,590
CAPITAL ASSETS, net of depreciation	54,070
DEFERRED OUTLFOWS	256,496
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 1,685,156

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	$ 52,620
Accrued salaries and benefits	11,092
Unearned revenue	1,263,911
TOTAL CURRENT LIABILITIES	1,327,623
LONG-TERM LIABILITIES	
Net Pension Liability	379,187
DEFERRED INFLOWS	6,583
NET POSITION (DEFICIT)	
Net investment in capital assets	54,070
Unrestricted	(82,307)
TOTAL NET DEFICIT	(28,237)
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET DEFICIT	$ 1,685,156

See Accompanying Notes to Basic Financial Statements.

Franklin Central Supervisory Union
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Charges for Services	Program Revenues: Operating Grants and Revenues	Program Revenues: Capital Grants and Revenues	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental activities:					
Superintendent Services	$ 430,798	$ 757,897	$ -	$ -	$ 327,099
Human Resources	242,994	114,150	-	-	(128,844)
Fiscal Services	506,869	344,711	-	-	(162,158)
WAN - IT	171,767	62,870	-	-	(108,897)
Curriculum Coordination	114,020	60,861	32,435	-	(20,724)
ELL Services	136,106	132,350	-	-	(3,756)
Special Education Administration	7,255,615	6,502,713	752,892	-	(10)
Grant Administration	103,080	31,266	13,225	-	(58,589)
Student Support	5,284,523	3,200	5,205,168	-	(76,155)
Staff Support	342,600	-	363,437	-	20,837
Student Transportation	1,001,955	-	1,094,676	-	92,721
Preschool Development	382,435	-	382,435	-	-
Capital Projects	2,289	-	-	-	(2,289)
Depreciation - unallocated	8,728	-	-	-	(8,728)
Total governmental activities	$ 15,983,779	$ 8,010,018	$ 7,844,268	$ -	(129,493)
General revenues:					
Unrestricted investment earnings					1,403
Miscellaneous					41,125
					42,528
Change in net position					(86,965)
Net position, beginning					58,728
Net position, ending					$ (28,237)

See Accompanying Notes to Basic Financial Statements.

Franklin Central Supervisory Union
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

ASSETS

	General	Special Revenue	Total
ASSETS			
Cash	$ 231,280	$ -	$ 231,280
Accounts receivable	934	406,177	407,111
Prepaid expenses	23,518	-	23,518
Due from inter district	712,681	-	712,681
Due from Special Revenue Fund	-	872,115	872,115
TOTAL ASSETS	$ 968,413	$ 1,278,292	$ 2,246,705

LIABILITIES AND FUND BALANCE

LIABILITIES			
Accounts payable	$ 38,239	$ 14,381	$ 52,620
Accrued expenses	11,092	-	11,092
Unearned revenue	-	1,263,911	1,263,911
Due to General Fund	872,115	-	872,115
TOTAL LIABILITIES	921,446	1,278,292	2,199,738
FUND BALANCES			
Nonspendable	23,518	-	23,518
Unrestricted	23,449	-	23,449
TOTAL FUND BALANCE	46,967	-	46,967
TOTAL LIABILITIES AND FUND BALANCE	$ 968,413	$ 1,278,292	$ 2,246,705

See Accompanying Notes to Basic Financial Statements.

Franklin Central Supervisory Union
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

Total fund balances - governmental funds	$ 46,967
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Capital Assets	483,713
Accumulated Depreciation	(429,643)
Long-term liabilities, including bonds payable, are not due and payable in current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Net Pension Liability	(379,187)
Deferred outflows of resources represent the consumption of net assets that is applicable to a future reporting period and therefore not reported as assets in the funds.	256,496
Deferred inflows of resources represent the acquisition of net assets applicable to a future reporting period and therefore are not reported as liabilities in the funds.	(6,583)
Net deficit of governmental activities	$ (28,237)

See Accompanying Notes to Basic Financial Statements.

Franklin Central Supervisory Union
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Special Revenue	Total
REVENUES			
Town of Fairfield Assessment	$ 122,607	$ -	$ 122,607
Town of St. Albans Assessment	371,623	-	371,623
City of St. Albans Assessment	401,707	-	401,707
BFA Union High School Assessment	576,902	-	576,902
Transportation	1,001,878	-	1,001,878
Special Education Services	6,502,713	-	6,502,713
Grant Administration	828,803	-	828,803
Miscellaneous Grant Reimbursement	41,126	-	41,126
General Instruction	92,798	-	92,798
Interest Income	1,403	-	1,403
Grants	-	5,958,497	5,958,497
TOTAL REVENUES	9,941,560	5,958,497	15,900,057
EXPENDITURES			
Superintendent's Office	338,570	-	338,570
Supervisory Union Board	92,228	-	92,228
Human Resources	207,146	-	207,146
Fiscal Services	506,869	-	506,869
IT (WAN)	171,767	-	171,767
Curriculum Coordination	114,020	-	114,020
Special Education Services	7,320,200	-	7,320,200
General Instruction	92,798	-	92,798
Student Transportation	1,001,955	-	1,001,955
ELL Services	136,106	-	136,106
Capital Expenditures	18,439	-	18,439
Early Childhood Programs	-	1,664,855	1,664,855
Pre IDEA-B & IDEA-B	-	785,819	785,819
Title I	-	725,849	725,849
Title II-A	-	342,600	342,600
Title IV-B	-	124,450	124,450
Preschool Development	-	382,435	382,435
Other	-	1,932,489	1,932,489
TOTAL EXPENDITURES	10,000,098	5,958,497	15,958,595
NET CHANGE IN FUND BALANCE	(58,538)	-	(58,538)
FUND BALANCE, Beginning	105,505	-	105,505
FUND BALANCE, Ending	$ 46,967	$ -	$ 46,967

See Accompanying Notes to Basic Financial Statements.

Franklin Central Supervisory Union
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF CHANGES IN NET POSITION

Total net change in fund balances - governmental funds	$ (58,538)
Amounts reported for governmental activities in the statement of changes in net position are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Depreciation Expense	(8,728)
Capital Outlays	16,149
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:	
Net Pension Expense	(35,848)
Change in net position of governmental activities	$ (86,965)

See Accompanying Notes to Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

All operations of the Supervisory Union are controlled by a twelve member Board of Directors, three from each member School District, who are responsible for all of the Supervisory Union's activities. The financial statements include all of the Supervisory Union's operations controlled by the Board of Directors. Based on criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments), the Supervisory Union is considered to be an independent reporting entity and has no component units. Members of the Supervisory Union are the Fairfield Town School District, the St. Albans Town School District, the City of St. Albans, Department of Public Schools and the Bellows Free Academy Union School District #48, which included the Northwest Technical Center and Collins Perley Sports Complex.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the Supervisory Union. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement focus, basis of accounting, and financial statement presentation

The 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Supervisory Union considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Supervisory Union reports the following major governmental funds:

* The special revenue fund accounts for various state and federal grants

* The general fund is the Supervisory Union's primary operating fund. It accounts for all financial resources of the Supervisory Union, except those required to be accounted for in another fund.

Private-sector standards of accounting, and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to members and grants for material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

When both restricted and unrestricted resources are available for use, it is the Supervisory Union's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Data

Budgets are presented on the modified accrual basis of accounting for the general fund. Budgets are not adopted on a Supervisory Union level for the special revenue fund. All annual appropriations lapse at fiscal yearend with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

* During December of each year, the Supervisory Union Superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.

* Copies of the proposed budget are made available for public inspection and review by the Members of the Supervisory Union.

* The full Supervisory Union Board adopts the Supervisory Union budget during the budget process.

* Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the Superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Vermont State law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.

* Expenditures may not legally exceed budgeted appropriations at the fund level.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Deposits
The Supervisory Union's cash and cash equivalents are considered to be cash on hand and demand deposits.

Receivables and Payables
Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current portion of inter-fund loans) or "advances from/to other funds" (i.e., the non-current portion of inter-fund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital Assets
Capital assets are property owned by the Supervisory Union and include computers, computer equipment, software, and peripherals and equipment such as machinery, copiers, and office equipment.

General capital assets should be capitalized and recorded when all of the following criteria are met:

(1) The asset is tangible and complete.
(2) The asset is used in the operation of the Supervisory Union's activities.
(3) The asset has a value and useful life at the date of acquisition that meets or exceeds the following:

- $5,000 value a useful life of one or more years

All general capital assets must be recorded at either historical cost or estimated historical cost. Assets acquired through donation will be recorded at their estimated fair market value on the date of donation. In addition to purchase price or construction cost, costs of capitalization may include incidental costs, such as bond interest and issuance cost, insurance during transit, freight, duties, title search, title registration, installation, and breaking-in costs.

The straight line depreciation method will be used with lives as recommended by the Association of School Business Officials (ASBO).

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Wide Net Position
Government-wide Net Position is divided into the following components:

Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position – consist of net assets that are restricted by the District's creditors, by enabling legislation, by grantors (both federal and state), and / or by contributors.

Unrestricted – all other net assets reported in this category

Governmental Fund Balance
In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts that can be spent only for specific purposes because of laws, regulations, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by the School Board.

Assigned – Amounts that are designated by management for a particular purpose.

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

Unassigned – All amounts not included in other classifications.

NOTE 2 CASH

The cash deposits in the Supervisory Union accounts as of June 30, 2017 consisted of the following:

	Book Balance	Bank Balance
Insured	$ 231,280	$ 250,000
Collateralized	-	542,495
TOTAL	$ 231,280	$ 792,495

The difference between the book balance and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

NOTE 3 ACCRUED EXPENSES

Accrued expenses consist of salaries due at June 30, 2017 but not disbursed until July and August of 2017.

NOTE 4 CAPITAL ASSETS

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

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Furniture, computers, & equip.	$ 467,564	$ 16,149	$ -	$ 483,713
Accumulated depreciation for Furniture, computers & equip.	(420,915)	(8,728)	-	(429,643)
Governmental activities capital assets, net	$ 46,649	$ 7,421	$ -	$ 54,070

NOTE 5 UNEARNED REVENUE

Unearned revenue consists of the following at June 30, 2017:

Special Revenue Fund:	
Medicaid	$ 1,119,741
EPSDT	36,807
Various Grants	107,363
Total Special Revenue Fund	$ 1,263,911

NOTE 6 NONSPENDABLE FUND BALANCE

Nonspendable Fund Balance as June 30, 2017 is as follows:

General Fund:	
Prepaid Expenses	$ 23,518

NOTE 7 TEACHERS RETIREMENT - VSTRS

Information Required Under GASB Statement No. 68

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 Franklin Central Supervisory Union's proportional share of the overall amounts of the Vermont State Teachers' Retirement System (VSTRS) plan. Franklin Central Supervisory Union's portion has been allocated based on its proportional share of employer contributions to the total contributions to VSTRS during the fiscal year.

Reporting Date, Measurement Date, and Valuation Date

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the Franklin Central Supervisory Union's reporting date (June 30th) and for the Franklin Central Supervisory Union's reporting period June 30, 2017 These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). The year ended June 30, 2016 as the measurement period.

GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2017, the State has chosen to use the end of the prior fiscal year (June 30, 2016) as the measurement date, and the year ended June 30, 2016 as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2015, to the measurement date of June 30, 2016.

Schedule A – Employers' Allocation as of June 30, 2015

Fiscal Year Ended June 30, 2015					
Reported Salaries	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Deferred Outflows
$ 122,413	.16790%	$ 4,767,687	$ 2,775,561	$ 1,992,126	$ 221,350

Fiscal Year Ended June 30, 2015		
Total Deferred Inflows	Net Pension Liability 1% Decrease (7.15% Discount Rate)	Net Pension Liability 1% Increase (9.15% Discount Rate)
$ (22,594)	$ 2,529,641	$ 1,541,199

NOTE 7 TEACHERS RETIREMENT – VSTRS (continued)

Schedule B – Employers' Allocation as of June 30, 2016

Fiscal Year Ended June 30, 2016					
Portion of State Contribution	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Deferred Outflows
$ 507,781	.69345%	$ 20,321,079	$ 11,240,162	$ 9,080,917	$ 5,463,733

Fiscal Year Ended June 30, 2016		
Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Discount Rate)	Net Pension Liability 1% Increase (8.95% Discount Rate)
$ (52,633)	$ 11,363,238	$ 7,165,454

Schedule C – Employers' Allocation of Pension Amounts as of June 30, 2016

Deferred Outflows of Resources							
Employer Proportion	Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Differences Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
.69345%	$ 9,080,917	$ 88,145	$ 199,328	$ -	$ 877,785	$ 4,298,474	$ 5,463,733

Deferred Inflows of Resources					
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 Inflows
$ -	$ (37,570)	$ -	$ -	$ (15,063)	$ (52,633)

NOTE 7 TEACHERS RETIREMENT – VSTRS (continued)

Pension Expense Recognized		
Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total
$ 942,389	$ 1,441,838	$ 2,384,227

Schedule D – Employers' Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2016

Fiscal Year					
2017	2018	2019	2020	2021	Thereafter
$ 1,757,760	$ 1,732,944	$ 1,768,510	$ 151,886	$ -	$ -

Schedule E – Covered Payroll

FY 2016	FY 2015	FY 2014
$ 4,492,167	$ 936,385	$ 967,976

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

http://finance.vermont.gov/reports and publications/cafr

Plan Description

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

NOTE 7 TEACHERS RETIREMENT – VSTRS (continued)

The plan was created in 1947, and is governed by Title 16, V.S.A. Chapter 55.

Management of the plan is vested in the VSTRS Board of Trustees, which consists of the Secretary of Education (ex-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the system under rules adopted by the Board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

The Pension Plan is divided into the following membership groups:

- 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 – 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

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, and are summarized below:

NOTE 7 TEACHERS RETIREMENT – VSTRS (continued)

VSTRS	GROUP A	GROUP C - GROUP #1*	Group C - Group #2++
Normal service retirement eligibility (no reduction)	Age 60 or 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula - normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC, 2.0% after attaining 20 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%, minimum of 1% after 12 months of normal retirement or age 65
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction
Disability Benefits	Unreduced, accrued benefit with minimum	Unreduced, accrued benefit with minimum	Unreduced, accrued benefit with minimum
Dental	benefit with minimum	Member pays full premium	Member pays full premium
Death-in-service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently

* Group #1 are members who were within 5 years of normal retirement (age 62 or 30 years of service) on June 30, 2010

++ Group #2 are members who were less than 57 years of age or had less than 25 years of service on June 30, 2010

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

NOTE 7 TEACHERS RETIREMENT – VSTRS (continued)

Significant Actuarial Assumptions and Methods

The total pension liability as of June 30, 2016 was determined by rolling forward the total pension liability as of June 30, 2015 to June 30, 2016 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five year period ending June 30, 2014. The recommended assumption changes based on this experience study were adopted by the Board at its October 29, 2015 Board meeting, and were effective for the actuarial valuation made as of June 30, 2015. The 7.95% assumed rate of return on assets was adopted by the Board at a meeting on July 27, 2015.

Interest Rate: 7.95% per annum.

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

Age	Annual Rate of Salary Increase
25	8.15%
30	6.84%
35	5.97%
40	5.29%
45	4.80%
50	4.46%
55	4.22%
60	4.12%
64	4.12%

Deaths after Retirement: The RP2000 Mortality Tables projected to 2029 for retirees, terminated vested members and beneficiaries; The RP2000 Disabled Life Table with projection to 2020 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. Solely for the June 30, 2016 valuation, this percentage was reduced to 332.5% in recognition of the impact of the school district consolidation program on the demographics of the inactive population.

NOTE 7 TEACHERS RETIREMENT – VSTRS (continued)

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.

Asset Valuation Method: The amount of the assets for valuation purposes equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

Member Data: 315 members terminated on June 30, 2016 and retired on July 1, 2016 were included with a valuation status as members receiving benefits. 536 members who were active on June 30, 2016 and terminated on July 1, 2016, were included with a valuation status as inactive. For those terminated members with at least five years of service, the system will automatically vest them six years after their termination if they do not withdraw.

Health and Medical Benefits for Retirees: Not included in this valuation.

Long-term expected rate of return

The long-term expected rate of return on System investments was determined using best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

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:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Equity	32.00%	8.54%
Fixed Income	35.00%	2.36%
Alternatives	17.00%	8.35%
Multi-strategy	16.00%	4.90%

NOTE 7 TEACHERS RETIREMENT – VSTRS (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that contributions continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

During the year ended June 30, 2017, the State of Vermont contributed $553,931 on behalf of the Franklin Central Supervisory Union.

NOTE 8 RETIREMENT - VMERS

Information Required Under GASB Statement No. 68

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 Franklin Central Supervisory Union's proportional share of the overall amounts of the VMERS plan. Franklin Central Supervisory Union's portion has been allocated based on Franklin Central Supervisory Union's proportional share of employer contributions to the total contributions to VMERS during the fiscal year.

Reporting Date, Measurement Date, and Valuation Date

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the Franklin Central Supervisory Union's reporting date (June 30th) and for the Franklin Central Supervisory Union's reporting period June 30, 2017 These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2017, the State has chosen to use the end of the prior fiscal year (June 30, 2016) as the measurement date, and the year ended June 30, 2016 as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2015, to the measurement date of June 30, 2016.

NOTE 8 RETIREMENT – VMERS (continued)

Schedule A – Employers' Allocation as of June 30, 2015

Fiscal Year Ended June 30, 2015				
Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
$ 40,420	0.28916%	$ 1,772,540	$ 1,549,611	$ 222,929

Fiscal Year Ended June 30, 2015			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Decrease (8.95% Disc Rate)
$ 94,512	$ (9,789)	$ 445,286	$ 36,530

Schedule B – Employers' Allocation as of June 30, 2016

Fiscal Year Ended June 30, 2016				
Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
$ 44,780	0.29464%	$ 1,990,892	$ 1,611,706	$ 379,187

Fiscal Year Ended June 30, 2016			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Decrease (8.95% Disc Rate)
$ 193,461	$ (6,583)	$ 629,486	$ 169,611

NOTE 8 RETIREMENT – VMERS (continued)

Schedule C – Employers' Allocation of Pension Amounts as of June 30, 2016

Deferred Outflows of Resources							
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 Proportional Share of Contributions and Proprtionate Share of Contributions	Total Deferred Outflows
0.29464%	$ 379,187	$ 7,790	$ 60,896	$ -	$ 122,950	$ 1,825	$ 193,461

Deferred Inflows of Resources					
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 Proprtionate Share of Contributions	Total Deferred Inflows
$ -	$ -	$ -	$ -	$ (6,583)	$ (6,583)

Pension Expense Recognized		
Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total
$ 101,480	$ (2,597)	$ 98,883

NOTE 8 RETIREMENT – VMERS (continued)

Schedule D – Employers' Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2016

Fiscal Year Ending June 30,					
2017	2018	2019	2020	2021	Thereafter
$ 47,300	$ 47,300	$ 71,063	$ 21,214	$ -	$ -

Schedule E – Contribution History for Fiscal Years 2014-2016

FY 2016	FY 2015	FY 2014
$ 44,780	$ 40,420	$ 39,988

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

Plan Description

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. During the year ended June 30, 2016, the retirement system consisted of 441 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

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

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

NOTE 8 RETIREMENT – VMERS (continued)

Summary of System Provisions

Membership	Full time employees of participating municipalities. Municipality elects coverage under Groups A, B, C or D provisions.
Creditable service	Service as a member plus purchased service.
Average Final Compensation (AFC)	Group A – average annual compensation during highest 5 consecutive years. Groups B and C – average annual compensation during highest 3 consecutive years. Group D – average annual compensation during highest 2 consecutive years.
Service Retirement Allowance	
Eligibility	Group A – The earlier of age 65 with 5 years of service or age 55 with 35 years of service. Group B – The earlier of age 62 with 5 years of service or age 55 with 30 years of service. Groups C and D – Age 55 with 5 years of service.
Amount	Group A – 1.4% of AFC x service Group B – 1.7% of AFC x service as Group B member plus percentage earned as Group A member x AFC Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC Group D – 2.5% of AFC x service as a Group D member plus percentage earned as a Group A, B or C member x AFC Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. The above amounts include the portion of the allowance provided by member contributions.
Early Retirement Allowance	
Eligibility	Age 55 with 5 years of service for Groups A and B; age 50 with 20 years of service for Group D.

NOTE 8 RETIREMENT – VMERS (continued)

Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Group A and B member, and payable without reduction to Group D members.
Vested Retirement Allowance	
Eligibility	5 years of service.
Amount	Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on "Post-Retirement Adjustments" described below.
Disability Retirement Allowance	
Eligibility	5 years of service and disability as determined by Retirement Board.
Amount	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.
Death Benefit	
Eligibility	Death after 5 years of service.
Amount	For Groups A, B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as a date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.
Optional Benefit and Death after Retirement	For Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint or survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.
Refund of Contribution	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

NOTE 8 RETIREMENT – VMERS (continued)

Post-Retirement Adjustments	Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but not more than 2% for Group A and 3% for Groups B, C and D.
Member Contributions	Group A – 2.5%
	Group B – 4.875%
	Group C – 10.00%
	Group D – 11.35%
Employer Contributions	Group A – 4.0%
	Group B – 5.5%
	Group C – 7.25%
	Group D – 9.85%
Retirement Stipend	$25 per month payable at the option of the Board of retirees.

Significant Actuarial Assumptions and Methods

Interest Rate: 7.95% per annum.

Salary Increases: 5% per year

Deaths:

Groups A, B and C: RP-2000 tables for Employees and Healthy Annuitants projected 10 years from the valuation date with scale BB with a 60% Blue collar and 40% White collar adjustment.

Group D: RP-2000 tables for Employees and Healthy Annuitants projected 10 years from the valuation date with scale BB with a 100% Blue collar adjustment.

The post retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

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

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D.

Actuarial Cost Method: Projected benefit cost method. The unfunded accrued liability is amortized In Installments Increasing by 5% per year.

NOTE 8 RETIREMENT – VMERS (continued)

Actuarial Cost Method: Projected benefit cost method. The unfunded accrued liability is amortized In Installments Increasing by 5% per year.

Asset Valuation Method: Invested assets are reported at fair value.

Note - For funding purposes - A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%. (Not for GASB 68)

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% per year.

Long-term expected rate of return: The long-term expected rate of return on System investments was determined using best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

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:

Asset Class	Target Asset Allocation
Equity	8.54%
Fixed Income	2.36%
Alternatives	8.35%
Multi-strategy	4.90%

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

Discount rate

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

NOTE 8 RETIREMENT – VMERS (continued)

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%):

1% Decrease (6.95%)	Discount Rate (7.95%)	1% Increase (8.95%)
$ 445,286	$ 222,929	$ 36,530

NOTE 9 GRANTS

The Supervisory Union receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the Supervisory Union's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the Supervisory Union administration believes such disallowance, if any, would be immaterial.

NOTE 10 RELATED PARTY TRANSACTIONS

Assessments

The Supervisory Union receives an assessment from each member school district to pay their proportionate share of the Supervisory Union's expenses. The assessments received are as follows:

	Superintendent	Human Resources	Curriculum	IT	ELL Services	Fiscal Services
Fairfield Town School District	$ 32,527	$ 15,954	$ 8,506	$ -	$ 11,267	$ 54,353
City of Saint Albans, Department of Public Schools	103,995	51,008	27,196	32,658	36,023	150,827
St. Albans Town School District	96,207	47,188	25,159	30,212	33,326	139,531
Bellows Free Academy Union High School # 48	525,168	-	-	-	51,734	-
	$ 757,897	$ 114,150	$ 60,861	$ 62,870	$ 132,350	$ 344,711

Transportation

The Supervisory Union receives reimbursements from each member school district for their share of transportation expenses. The Supervisory Union received $1,001,955 of transportation revenue during the year ended June 30, 2017.

Special Education

The Supervisory Union receives reimbursements from each member school district for their share of Special Education expenses. The Supervisory Union received $6,502,713 of Special Education revenue during the year ended June 30, 2017.

NOTE 11 OPERATING LEASE

The school district has entered into various contracts to lease office space. The contract amounts are due as follows:

FY18	$ 145,812
FY19	134,292
FY20	114,252
FY21	8,300

NOTE 12 INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual fund interfund receivable and payable balances are as follows at June 30, 2017:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ -	$ 872,115
Special Revenue - Hot Lunch Fund	872,115	-
	$ 872,115	$ 872,115

Franklin Central Supervisory Union generally maintains one cash account in the General Fund to pay expenditures and receive payments for efficiency. All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) repayments between funds are made.

NOTE 13 EXCESS OF EXPENDITURES OVER BUDGET

Expenditures exceeded budgeted amount in the General Fund by $383,832. The excess was offset by current year revenues in excess of budgeted amounts in the amount of $395,294.

NOTE 14 UNIFIED DISTRICT

On March 1, 2016, the voters of Franklin Central Supervisory Union, Bellows Free Academy Union High School District # 48, Fairfield Town School District, St. Albans City School District and St. Albans Town School District authorized the creation of a Unified School District, encompassing each of the districts. The pre-existing school districts halted governance operations and cease to exist upon the close of business on June 30, 2017. All assets, debts, and liabilities of each district were transferred to the Unified School District upon the close of business on June 30, 2017.

NOTE 15 SUBSEQUENT EVENTS

In accordance with professional accounting standards, the School District has evaluated subsequent events through November 6, 2017, which is the date the financial statement was available to be issued. All events requiring recognition as of June 30, 2017 have been included in the financial statement herein.

REQUIRED SUPPLEMENTARY INFORMATION

Franklin Central Supervisory Union
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Town of Fairfield Assessment	$ 122,608	$ 122,608	$ 122,607	$ (1)
Town of St. Albans Assessment	371,624	371,624	371,623	(1)
City of St. Albans Assessment	401,707	401,707	401,707	-
BFA Union High School Assessment	576,901	576,901	576,902	1
Transportation	1,052,866	1,052,866	1,001,878	(50,988)
Special Education Services	6,208,468	6,208,468	6,502,713	294,245
Grant Administration	779,407	779,407	828,803	49,396
Miscellaneous Grant Reimbursement	2,500	2,500	41,126	38,626
General Instruction	29,685	29,685	92,798	63,113
Interest Income	500	500	1,403	903
TOTAL REVENUES	9,546,266	9,546,266	9,941,560	395,294
EXPENDITURES				
Superintendent's Office	342,876	342,876	338,570	4,306
Supervisory Union Board	62,250	62,250	92,228	(29,978)
Human Resources	198,709	198,709	207,146	(8,437)
Fiscal Services	521,028	521,028	506,869	14,159
Curriculum Coordination	129,309	127,309	114,020	13,289
Special Education Services	6,957,727	6,957,727	7,320,200	(362,473)
General Instruction	29,685	29,685	92,798	(63,113)
Student Transportation	1,052,866	1,052,866	1,001,955	50,911
ELL Services	138,333	140,333	136,106	4,227
Capital Expenditures	-	-	18,439	(18,439)
IT (WAN)	183,483	183,483	171,767	11,716
TOTAL EXPENDITURES	9,616,266	9,616,266	10,000,098	(383,832)
NET CHANGE IN FUND BALANCE	(70,000)	(70,000)	(58,538)	11,462
FUND BALANCE, beginning of year	105,505	105,505	105,505	-
FUND BALANCE, end of year	$ 35,505	$ 35,505	$ 46,967	$ 11,462

See Accompanying Notes to Basic Financial Statements.

Franklin Central Supervisory Union
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - VMERS
For the Year Ended June 30, 2017

	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.2946%	0.2892%	.2915%	.3331%
District's proportionate share of the net pension liablity (asset)	$ 379,187	$ 222,929	$ 37,598	$ 121,286
District's covered-employee payroll	$ 814,185	$ 755,618	$ 733,609	$ 799,761
District's propportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.57%	29.50%	5.13%	15.17%
Plan fiduciary net position as a percentage of the total pension liability	80.95%	87.42%	98.32%	92.71%

Significant Actuarial Assumptions and methods are described in Note 8 to the financial statements. There were no changes in methods or assumptions during the year ended June 30, 2017.

See Accompanying Notes to Basic Financial Statements.

Franklin Central Supervisory Union
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - VSTRS
For the Year Ended June 30, 2017

	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	.69345%	.16790%	.1708%	.1609%
District's proportionate share of the net pension liablity (asset)	$ -	$ -	$ -	$ -
State's proportionate share of the net pension liability (asset) associated with the District	9,080,917	1,992,126	1,636,646	1,627,143
Total	$ 9,080,917	$ 1,992,126	$ 1,636,646	$ 1,627,143
District's covered-employee payroll	$ 4,492,167	$ 936,385	$ 967,976	$ 907,111
District's propportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	55.31%	58.22%	64.02%	60.59%

Significant Actuarial Assumptions and methods are described in Note 7 to the financial statements. There were no changes in methods or assumptions during the year ended June 30, 2017.

See Accompanying Notes to Basic Financial Statements.

OTHER SUPPLEMENTARY INFORMATION

Franklin Central Supervisory Union
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUND
For the Year Ended June 30, 2017

	Early Childhood Program	Pre IDEA-B & IDEA-B	Title I	Title II-A	Title IV-B & Open Doors	Preschool Development	Other	Total
REVENUE								
Grants	$ 1,664,855	$ 785,819	$ 725,849	$ 342,600	$ 124,450	$ 382,435	$ 1,932,489	$ 5,958,497
TOTAL REVENUE	1,664,855	785,819	725,849	342,600	124,450	382,435	1,932,489	5,958,497
EXPENDITURES								
Program Services	1,664,855	785,819	725,849	342,600	124,450	382,435	1,932,489	5,958,497
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-	-	-
FUND BALANCE-Beginning	-	-	-	-	-	-	-	-
FUND BALANCE-Ending	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Franklin Central Supervisory Union

ADDITIONAL REPORTS REQUIRED BY
THE SINGLE AUDIT ACT
June 30, 2017

Franklin Central Supervisory Union
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
Child Nutrition Cluster				
U.S Department of Agriculture				
Passed through State of Vermont Department of Education				
School Breakfast Program	10.553	4452-S023-17-00	$ 194,316	$ 194,316
National School Lunch Program	10.555	4450-S023-17-00	508,223	508,223
Passed through State of Vermont				
Summer Food Service Program for Children	10.559	4455-S023-17-00	59,788	59,788
Total Child Nutrition Cluster			762,327	762,327
Special Education Cluster				
U.S. Department of Education				
Passed through State of Vermont Department of Education				
Special Education_Grants to States	84.027	4226-S023-17-01-02	770,667	-
Special Education_Preschool Grants	84.173	4228-S023-17-01-02	15,152	-
Total Special Education (IDEA) Cluster			785,819	-
Other Programs				
U.S. Department of Energy				
Passed through State of Vermont				
PreK-3 First School Grant	84.412	4506-S023-17-01	6,540	-
U.S. Department of Education				
Passed through State of Vermont Department of Education				
Title I Grants to Local Educational Agencies	84.010	CFP-S023-17-01	725,849	624,084
Education for Homeless Children and Youth	84.196	4265-S023-17-01	45,624	-
Twenty-First Century Community Learning Centers	84.287	4611-S023-17-01	71,250	-
Improving Teacher Quality State Grants	84.367	CFP-S023-17-01	342,600	169,977
Preschool Development Grants	84.419	4505-S023-17-01	382,435	150,935

Franklin Central Supervisory Union
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services				
Passed through State of Vermont Department of Health				
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.283	4249-S023-17-01	5,397	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	03420-A17035S	40,000	40,000
U.S. Department of Agriculture				
Passed through State of Vermont Department of Education				
Child and Adult Care Food Program	10.558	4454-S023-17-00	26,869	26,869
Emergency Food Assistance Program (Food Commodities)	10.569	4453-S023-17-00	1,956	1,956
Fresh Fruit and Vegetable Program	10.582	4449-S023-17-00 SAC	49,299	49,299
Fresh Fruit and Vegetable Program	10.582	4449-S023-17-00 FF	8,448	8,448
Total Fresh Fruit and Vegetable Program			57,747	57,747
TOTAL			$ 3,254,413	$ 1,833,895

NOTE A BASIS OF PRESENTATION

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

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Franklin Central Supervisory Uniont has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance because no indirect costs were allowed under the federal awards.

KBS
Kittell Branagan & Sargent
Certified Public Accountants
Vermont License # 167

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 Board of Directors
Franklin Central Supervisory Union
St. Albans, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin Central Supervisory Union, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Franklin Central Supervisory Union's basic financial statements, and have issued our report thereon dated November 6, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Kittell Branagan & Sargent

St. Albans, Vermont
November 6, 2017

KBS
Kittell Branagan & Sargent
Certified Public Accountants
Vermont License # 167

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

Board of Directors
Franklin Central Supervisory Union
St. Albans, Vermont 05478

Report on Compliance for Each Major Federal Program

We have audited Franklin Central Supervisory Union's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of Franklin Central Supervisory Union's major federal programs for the year ended June 30, 2017. Franklin Central Supervisory Union's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance.

Accordingly, this report is not suitable for any other purpose.

Kittell Branagan & Sargent

St. Albans, Vermont
November 6, 2017

Franklin Central Supervisory Union
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Franklin Central Supervisory Union

2. There were no significant deficiencies disclosed during the audit of the financial statements of Franklin Central Supervisory Union

3. No instances of noncompliance material to the financial statements of the Franklin Central Supervisory Union were disclosed during the audit.

4. There were no significant deficiencies disclosed during the audit of major federal award programs.

5. The auditor's report on compliance for the major federal award programs for the Franklin Central Supervisory Union expresses an unmodified opinion.

6. There were no audit findings relative to the major federal award programs for Franklin Central Supervisory Union

7. The programs tested as major programs were:

	CFDA #
Title I Grants to Local Educational Agencies	84.010
Special Education - Grants to States	84.027
Special Education - Preschool Grants	84.173

8. The threshold for distinguishing Types A and B programs was $750,000.

9. Franklin Central Supervisory Union was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

There were no findings related to the financial statements audit.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings or questioned costs related to the major federal award programs.