

**CHARLOTTE TOWN SCHOOL DISTRICT**  
**AUDIT REPORT AND FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**TABLE OF CONTENTS**

Page #

**INDEPENDENT AUDITOR'S REPORT**

1 - 2

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

3 - 9

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Statement of Net Assets

Exhibit A

10

Statement of Activities

Exhibit B

11

**FUND FINANCIAL STATEMENTS**

Balance Sheet – Governmental Funds

Exhibit C

12

Reconciliation of the Governmental Funds

Balance Sheet to the Statement of Net Assets

Exhibit D

13

Statement of Revenues, Expenditures

and Changes in Fund Balances -

Governmental Funds

Exhibit E

14 - 15

Reconciliation of the Governmental Funds

Statement of Revenues, Expenditures and

Changes in Fund Balance to the Statement of Activities

Exhibit F

16

Statement of Revenues, Expenditures

and Changes in Fund Balance Compared

to Budget - General Fund

Exhibit G

17 - 18

Statement of Fiduciary Net Assets

and Statement of Changes in Fiduciary Net Assets

Exhibit H

19

**NOTES TO FINANCIAL STATEMENTS**

20 – 31

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*

32 - 33

# FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA  
Michael L. Segale, CPA  
Sheila R. Valley, CPA  
Teresa H. Kajenski, CPA  
Jane M. Burroughs, CPA  
Donald J. Murray, CPA

## INDEPENDENT AUDITOR'S REPORT

September 13, 2011

To the Board of School Directors  
Charlotte Town School District  
Charlotte, Vermont

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlotte Town School District, as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 School District, as of June 30, 2011, and the respective changes in financial position, thereof and the budget comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2011, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Respectfully submitted,

*Fothergill Segale & Valley CPAs*  
FOTHERGILL SEGALE & VALLEY, CPAs  
Vermont Public Accountancy License #110

CHARLOTTE TOWN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

Our discussion and analysis of Charlotte Town School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the School District's financial statements.

**Financial Highlights**

- The School District's net assets from governmental activities increased by \$234,137. (Exhibit B)
- The cost of all of the School District's programs was \$7,203,225 this year compared to \$7,469,713 in the prior year. (Exhibit B)
- The General Fund reported a net increase in fund balance this year of \$77,111, which was \$77,111 better than what was budgeted. (Exhibit G)
- The unassigned fund balance for the General Fund was \$288,423 as of June 30, 2011. This amount represents the amount of funds available for future budgets. The committed fund balance was \$5,000 and is committed funds for future compensated absences. The nonspendable fund balance was \$902 and is prepaids for fiscal year 2012 expenditures. (Exhibit C)
- The Food Service Fund reported \$2,522 cumulative Fund Deficit as of June 30, 2011. Revenues and other sources were less than expenditures by \$2,855 for the year. (Exhibit C & E)
- The Capital Projects Fund reported expenditures in excess of revenues and other sources this year of \$2,466,906. The fund balance as of June 30, 2011 was \$86,399. (Exhibit E)
- The Debt Service Fund reported a fund balance of \$149,094 which included a transfer from the General Fund of \$145,000 to establish a bond sinking fund. This fund was set up in FY11 to meet the requirements of a bond with the Merchants Bank. (Exhibit C & E)

**Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits A and B) provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund financial statements start on Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the School District's operations in more detail than the government-wide statements by providing information about the School District's most significant funds. The remaining statements provide financial information about activities for which the School District acts solely as a trustee or agent for the benefit of those outside the government.

*Reporting the School District as a Whole*

The government-wide financial statements of the School District are reflected on Exhibits A and B. One of the most important questions asked about the School District's finances is, "Is the School 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 School District as a whole and about 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

CHARLOTTE TOWN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011  
(Continued)

private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. You can think of the School District's net assets – the difference between assets and liabilities – as one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the School District's property tax base and the condition of the School District's capital assets, to assess the overall health of the School District.

All of the School District's basic services are governmental activities. They include regular and special education for Pre Kindergarten through 8th grade, support services, administrative services, transportation, interest on long-term debt and other activities. Property taxes and state grants finance most of these activities.

*Reporting the School District's Most Significant Funds*

The financial statements of the School District's major governmental funds are reflected on Exhibit C through Exhibit E. These fund financial statements provide detailed information about the most significant funds – not the School District as a whole. The School Board establishes the funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money (like grants received from the State of Vermont Department of Education).

*Governmental Funds*

All of the School District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs.

*The School District as Agent*

The School District is the fiscal agent for funds held for various school related activities. The School District's fiduciary activities are Private-Purpose Trust or Agency Funds and are reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets at Exhibit H. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CHARLOTTE TOWN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011  
(Continued)

**The School District as a Whole**

The School District's combined net assets increased by \$234,137 from a year ago – increasing from \$3,350,491 to \$3,584,628. In contrast, last year net assets increased by \$44,648. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the School District's governmental activities.

Table 1  
Net Assets

	Governmental Activities		Net Change
	2011	2010	
Current and other assets	\$ 721,925	\$ 2,925,123	\$(2,203,198)
Capital assets	6,526,836	4,117,276	2,409,560
Total assets	<u>7,248,761</u>	<u>7,042,399</u>	<u>206,362</u>
Other liabilities	197,681	157,910	39,771
Long term liabilities	3,466,452	3,533,998	(67,546)
Total liabilities	<u>3,664,133</u>	<u>3,691,908</u>	<u>(27,775)</u>
Net assets:			
Invested in capital assets, net of debt	3,042,084	3,072,237	(30,153)
Restricted	149,094	0	149,094
Unrestricted	393,450	278,254	115,196
Total net assets	<u>\$ 3,584,628</u>	<u>\$ 3,350,491</u>	<u>\$ 234,137</u>

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements increased from \$278,254 at June 30, 2010, to \$393,450 at June 30, 2011, an increase of \$115,196.

CHARLOTTE TOWN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011  
(Continued)

Table 2  
Change in Net Assets

	Governmental Activities		Net Change
	2011	2010	
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$ 133,194	\$ 131,459	\$ 1,735
Operating grants	1,246,915	1,387,815	(140,900)
General revenues:			
Act 68 State aid	5,978,712	5,877,117	101,595
Earnings on investments	46,446	41,679	4,767
Other general revenues	32,095	76,291	(44,196)
Total revenues	<u>7,437,362</u>	<u>7,514,361</u>	<u>(76,999)</u>
<b>PROGRAM EXPENSES</b>			
Regular instruction and related	3,354,460	3,595,200	(240,740)
Special Education and related	1,054,352	1,248,995	(194,643)
Support services - student based	573,258	556,888	16,370
Administrative support services	716,332	645,294	71,038
Buildings and grounds	775,383	727,426	47,957
Transportation	228,035	240,472	(12,437)
Interest on short-term debt	26,604	26,642	(38)
Interest on long-term debt	39,110	45,374	(6,264)
Food service	188,291	169,422	18,869
On behalf payments	247,400	214,000	33,400
Total program expenses	<u>7,203,225</u>	<u>7,469,713</u>	<u>(266,488)</u>
Increase in net assets	<u>\$ 234,137</u>	<u>\$ 44,648</u>	<u>\$ 189,489</u>

The School District's revenues decreased by 1.3% compared to fiscal year 2010. The cost of all programs and services decreased by 3.8% with no new programs added this year. See table above for changes in specific categories.

Prior year variance explanation is as follows:

- Both Special Education revenue and expenditures were significantly lower reflecting significant differences in both number of children needing to be served and the complexity or required services.
- State Aid under Act 68 increased to make up for losses of revenue from other areas.
- Instructional expense dropped with implementation of needed staffing reductions as enrollment at the school declines.

CHARLOTTE TOWN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011  
(Continued)

*Governmental Activities*

Table 3 presents the cost of each of the School District's two largest programs – regular instruction and related services and special education and related services – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the School District's taxpayers by each of these functions.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Regular instruction and related services	\$ 3,354,460	\$ 3,595,200	\$ 3,117,472	\$ 3,348,471
Special education and related services	1,054,352	1,248,995	484,624	460,658
All others	2,794,413	2,625,518	2,221,020	2,141,310
Totals	<u>\$ 7,203,225</u>	<u>\$ 7,469,713</u>	<u>\$ 5,823,116</u>	<u>\$ 5,950,439</u>

**The School District's Funds**

As the School District completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$527,296, which is less than last year's total of \$2,770,852. Included in this year's total change in fund balance is an increase of \$77,111 in the School District's General Fund and a decrease of \$2,466,906 in the Capital Projects Fund. The following explains the reasons for the current year activities:

- Please see Exhibit G for a comparison of actual to budget that shows where the favorable and unfavorable variances arose during the year. Areas of note; other local revenue was up with miscellaneous receipts in Communications and Operation & Maintenance, Special Education revenue and expenses were both lower on changes to the level services needed in support of children, Instructional Program was better than budget with new hires, and finally Early Development Learning program expenses were lower with lower than anticipated enrollments in the program.
- The Food service ended the year with a deficit of \$2,522. The Budget for the year anticipated a \$21,900 deficit reflecting higher labor and food costs only partially offset by increases in state aid and contributions from parents.
- The Capital Projects Fund reflects the activities related to the new construction project at the school. The fund balance will be used to fund the new construction project. The project was 99% complete at June 30, 2011.
- The Debt Service Fund was established this year to accumulate funds to repay the \$2,800,000 debt obligation. The School is required to transfer \$145,000 annually until March 2027.

CHARLOTTE TOWN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011  
(Continued)

*General Fund Budgetary Highlights*

Over the course of the year, the School District Leadership Team adjusted the budget several times to reflect revenue and expenditures changes. No budget adjustment was significant.

Quarterly financial reports reviewed by the Board of School Directors served as the vehicle for monitoring the budget for the fiscal year.

The General Fund ended the year with a fund balance of \$294,325. General Fund revenues were greater than expenditures and other uses by \$77,111, which was \$77,111 better than budget. Exhibit G on pages 17 and 18 of the financial statements compares actual results to budget. The largest budget variances are as follows:

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Special education	\$ 603,275	\$ 528,379	\$ (74,896)
Expenditures:			
Special education	880,882	806,584	74,298
Instructional program	3,014,059	2,983,954	30,105
Early development learning partners	118,924	81,484	37,440

Special Education revenue and expenditures came in lower as actual services provided to children were lower than anticipated some 18 months earlier when the budget was put together.

Instructional program expenditures came in lower as actual new hire salaries and benefit elections were lower than budgeted. Early development learning partnership expense is directly tied to the level of enrollment in the program. We budgeted anticipating more student participation than actually occurred.

*Debt Administration and Capital Assets*

*Debt*

At June 30, 2011, the School District had \$3,421,221 in lease and bonds outstanding versus \$3,515,000 on June 30, 2010 – a decrease of \$93,779 – as shown in Table 5. The School District borrowed \$14,962 for new computers.

Table 5  
Outstanding Debt at Year-End

	Governmental Activities	
	2011	2010
Bonds	\$ 3,410,000	\$ 3,515,000
Lease payable	11,221	0
	\$ 3,421,221	\$ 3,515,000

CHARLOTTE TOWN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011  
(Continued)

*Capital Assets*

At June 30, 2011, the School District had \$6,526,836 invested in a broad range of capital assets, including elementary school buildings and furniture and equipment, net of accumulated depreciation. (See Table 4 below)

Table 4  
Capital Assets at Year-End  
(Net of Accumulated Depreciation)

	Governmental Activities	
	2011	2010
Buildings and improvements	\$ 3,469,212	\$ 3,553,198
Construction in process	2,834,215	350,119
Furniture and equipment	223,409	213,959
Totals	\$ 6,526,836	\$ 4,117,276

During fiscal year 2011, \$53,689 of equipment and \$48,034 of building improvements and \$2,484,096 in construction in process were added.

The School District's fiscal year 2012 capital budget is focused on continuing the implementation of energy saving programs in other areas of the school beyond the new wing.

**Economic Factors and Next Year's Budgets and Rates**

The School District's elected and appointed officials considered many factors when setting the fiscal year 2012 budget for school operations. The factors included enrollment, the state of the economy and the overall impact budget increases would have on the local tax rate.

When adopting the budget for the 2011-2012 school year the School Board took into account these factors and recommended adoption of a \$6,740,590 expenditure budget (3.74% decrease).

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief of Operations, Chittenden South Supervisory Union, Shelburne, Vermont.

## STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>Governmental Activities</u>	
<b>ASSETS</b>		
Cash	\$ 563,030	
Investments	149,094	
Accounts receivable:		
State of Vermont	2,260	
Other	352	
Due from employees/students	1,012	
Prepays	902	
Inventory	5,275	
Construction in progress	2,834,215	
Property & equipment (net of allowance for depreciation of \$3,226,964)	<u>3,692,621</u>	
 Total assets		 7,248,761
<b>LIABILITIES</b>		
Accounts payable	34,064	
Construction payable	63,531	
Due to Agency Fund	750	
Due to students - food service	8,493	
Due to State of Vermont	4,175	
Due to other School Districts	1,565	
Deferred revenue	50,381	
Accrued interest	3,052	
Accrued salaries and payroll liabilities	31,670	
Bonds and notes payable due within one year	108,741	
Accrued compensated absences due within one year	6,600	
Accrued compensated absences due after one year	38,631	
Bonds and notes payable due after one year	<u>3,312,480</u>	
 Total liabilities		 <u>3,664,133</u>
<b>NET ASSETS</b>		
Unrestricted	393,450	
Restricted - debt service	149,094	
Invested in capital assets, net of related debt	<u>3,042,084</u>	
 Total net assets		 <u>\$3,584,628</u>

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charge for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Governmental Activities</u>
Governmental Activities:				
Regular instruction and related services	\$ 3,354,460	\$ 0	\$ 236,988	\$ (3,117,472)
Special education and related services	1,054,352	0	569,728	(484,624)
Support services - student based	573,258	0	0	(573,258)
Administrative support services	716,332	0	0	(716,332)
Buildings and grounds	775,383	0	50,000	(725,383)
Transportation	228,035	0	99,457	(128,578)
Food service	188,291	133,194	43,342	(11,755)
Interest on short-term debt	26,604	0	0	(26,604)
Interest on long-term debt	39,110	0	0	(39,110)
On behalf payments	247,400	0	247,400	0
Total governmental activities	<u>\$ 7,203,225</u>	<u>\$ 133,194</u>	<u>\$ 1,246,915</u>	<u>(5,823,116)</u>
General Revenues:				
Act 68 State aid				5,978,712
Earnings on investments				46,446
Unrealized gains				4,484
Other local share income				27,611
Total general revenues				<u>6,057,253</u>
Change in net assets				234,137
Net assets - July 1, 2010				<u>3,350,491</u>
Net assets - June 30, 2011				<u>\$ 3,584,628</u>

## BALANCE SHEET

## GOVERNMENTAL FUNDS

JUNE 30, 2011

	General Fund	Special Revenue Food Service	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 544,919	\$ 0	\$ 18,111	\$ 0	\$ 563,030
Investments	0	0	0	149,094	149,094
Accounts receivable:					
State of Vermont	0	2,260	0	0	2,260
Other	0	352	0	0	352
Due from employees/students	0	1,012	0	0	1,012
Inventory	0	5,275	0	0	5,275
Prepays	902	0	0	0	902
Due from other funds	0	0	138,495	0	138,495
	<u>0</u>	<u>0</u>	<u>138,495</u>	<u>0</u>	<u>138,495</u>
<b>Total assets</b>	<u>\$ 545,821</u>	<u>\$ 8,899</u>	<u>\$ 156,606</u>	<u>\$ 149,094</u>	<u>\$ 860,420</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 27,388	\$ 0	\$ 6,676	\$ 0	\$ 34,064
Construction payable	0	0	63,531	0	63,531
Due to State of Vermont	4,175	0	0	0	4,175
Due to other School Districts	488	1,077	0	0	1,565
Due to students	0	8,493	0	0	8,493
Deferred revenue	50,381	0	0	0	50,381
Due to other funds	137,394	1,851	0	0	139,245
Accrued salaries and payroll liabilities	31,670	0	0	0	31,670
	<u>251,496</u>	<u>11,421</u>	<u>70,207</u>	<u>0</u>	<u>333,124</u>
<b>Total liabilities</b>	<u>251,496</u>	<u>11,421</u>	<u>70,207</u>	<u>0</u>	<u>333,124</u>
<b>FUND BALANCES</b>					
Nonspendable					
Prepays	902	0	0	0	902
Inventory	0	5,275	0	0	5,275
Restricted - debt service	0	0	0	149,094	149,094
Assigned					
Revenue for future budgets	288,423	0	0	0	288,423
Compensated absences	5,000	0	0	0	5,000
Construction of capital assets	0	0	86,399	0	86,399
Unassigned	0	(7,797)	0	0	(7,797)
	<u>294,325</u>	<u>(2,522)</u>	<u>86,399</u>	<u>149,094</u>	<u>527,296</u>
<b>Total fund balances</b>	<u>294,325</u>	<u>(2,522)</u>	<u>86,399</u>	<u>149,094</u>	<u>527,296</u>
<b>Total liabilities and fund balances</b>	<u>\$ 545,821</u>	<u>\$ 8,899</u>	<u>\$ 156,606</u>	<u>\$ 149,094</u>	<u>\$ 860,420</u>

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

JUNE 30, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	527,296
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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. The cost of the assets is \$9,753,800, and the accumulated depreciation is \$3,226,964.		6,526,836
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Long-term liabilities and accrued interest, including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds. They consist of:

Bonds and notes payable	3,421,221		
Accrued interest on bonds and notes payable	3,052		
Accrued compensated absences	45,231		(3,469,504)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	3,584,628
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STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Act 68 State aid	\$ 5,978,712	\$ 0	\$ 0	\$ 0	\$ 5,978,712
Food sales	0	133,194	0	0	133,194
Earnings on investments	45,093	0	1,743	(390)	46,446
Other local sources	21,479	0	6,132	0	27,611
State transportation aid	99,457	0	0	0	99,457
State special ed	528,379	0	0	0	528,379
State food service grant	0	1,744	0	0	1,744
ARRA education spending	211,222	0	0	0	211,222
IDEA B grants	41,349	0	0	0	41,349
Federal food service grants	0	41,598	0	0	41,598
Medicaid IEP	21,055	0	0	0	21,055
Miscellaneous grants	4,711	0	50,000	0	54,711
Unrealized gains	0	0	0	4,484	4,484
On behalf payments	247,400	0	0	0	247,400
Total revenues	<u>7,198,857</u>	<u>176,536</u>	<u>57,875</u>	<u>4,094</u>	<u>7,437,362</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
Instructional program	2,985,210	0	0	0	2,985,210
Art	3,146	0	0	0	3,146
Language program	741	0	0	0	741
Health/physical education	2,136	0	0	0	2,136
Music	1,345	0	0	0	1,345
Computer instruction	268,451	0	0	0	268,451
Reading	5,257	0	0	0	5,257
Special education	806,584	0	0	0	806,584
Essential early education	166,284	0	0	0	166,284
Athletics	46,220	0	0	0	46,220
Co-curricular programs	27,927	0	0	0	27,927
Guidance services	194,100	0	0	0	194,100
Health services	65,232	0	0	0	65,232
Psychological services	30,267	0	0	0	30,267
Speech and language services	138,196	0	0	0	138,196
Instructional improvement	35,031	0	0	0	35,031
Library	110,432	0	0	0	110,432
Board of Education	38,716	0	0	0	38,716
Executive administration	130,767	0	0	0	130,767
Other support services	31,628	0	0	0	31,628
Office of the Principal	359,172	0	0	0	359,172
Other administrative services	22,853	0	0	0	22,853
Fiscal services	120,990	0	0	0	120,990
Operations & maintenance of buildings and grounds	571,505	0	27,619	0	599,124
Pupil transportation services	228,035	0	0	0	228,035
Food services	0	188,291	0	0	188,291

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES (Continued)					
Early development learning partners	81,484	0	0	0	81,484
On behalf payments	247,400	0	0	0	247,400
Interest on short-term debt	26,604	0	0	0	26,604
Capital outlays	59,595	0	2,526,224	0	2,585,819
Debt service					
Principal payments	108,741	0	0	0	108,741
Interest on long-term debt	39,697	0	0	0	39,697
Total expenditures	<u>6,953,746</u>	<u>188,291</u>	<u>2,553,843</u>	<u>0</u>	<u>9,695,880</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>245,111</u>	<u>(11,755)</u>	<u>(2,495,968)</u>	<u>4,094</u>	<u>(2,258,518)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease	0	0	14,962	0	14,962
Transfer (to) from Other Funds	(168,000)	8,900	14,100	145,000	0
Total other financing sources (uses)	<u>(168,000)</u>	<u>8,900</u>	<u>29,062</u>	<u>145,000</u>	<u>14,962</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	77,111	(2,855)	(2,466,906)	149,094	(2,243,556)
FUND BALANCES - JULY 1, 2010	<u>217,214</u>	<u>333</u>	<u>2,553,305</u>	<u>0</u>	<u>2,770,852</u>
FUND BALANCES - JUNE 30, 2011	<u>\$ 294,325</u>	<u>\$ (2,522)</u>	<u>\$ 86,399</u>	<u>\$ 149,094</u>	<u>\$ 527,296</u>

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

YEAR ENDED JUNE 30, 2011

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (2,243,556)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense of \$(176,259) is reported in the period and asset purchases of \$(2,585,819). 2,409,560

Repayment of bond and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 108,741

Some of the capital assets acquired this year were financed with long-term debt. The amount financed is reported in the governmental funds as a source of financing. On the other hand, the loan proceeds are not revenue in the statement of activities, but rather constitute long-term liabilities in the statement of net assets. (14,962)

In the statement of activities, certain operating expenses - accrued compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). This year, compensated absences earned exceed amounts paid out by \$26,233. (26,233)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The reduction in interest reported in the statement of activities is because accrued interest on bonds and notes payable decreased by \$587. 587

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 234,137

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE COMPARED TO BUDGET

GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Budget As Voted	Transfers	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>					
Act 68 State aid	\$ 6,189,934	\$ (211,222)	\$ 5,978,712	\$ 5,978,712	\$ 0
ARRA education spending	0	211,222	211,222	211,222	0
Earnings on investments	45,685	0	45,685	45,093	(592)
Other local sources	0	0	0	21,479	21,479
Miscellaneous grants	0	0	0	4,711	4,711
State transportation aid	96,560	0	96,560	99,457	2,897
State special ed	603,275	0	603,275	528,379	(74,896)
Medicaid IEP	22,690	0	22,690	21,055	(1,635)
IDEA B grants	44,127	0	44,127	41,349	(2,778)
Total revenues	<u>7,002,271</u>	<u>0</u>	<u>7,002,271</u>	<u>6,951,457</u>	<u>(50,814)</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
Instructional program	3,016,543	(2,484)	3,014,059	2,983,954	30,105
Kindergarten	2,848	(1,253)	1,595	1,256	339
Art	4,233	267	4,500	3,146	1,354
Language program	799	(22)	777	741	36
Health/physical education	2,876	(13)	2,863	2,136	727
Music	1,804	(44)	1,760	1,345	415
Computer instruction	266,841	0	266,841	268,451	(1,610)
Reading	8,352	(24)	8,328	5,257	3,071
Special education	879,626	1,256	880,882	806,584	74,298
Essential early education	171,255	506	171,761	166,284	5,477
Early development learning partners	118,924	0	118,924	81,484	37,440
Co-curricular programs	22,684	0	22,684	27,927	(5,243)
Athletics	42,918	0	42,918	46,220	(3,302)
Guidance services	188,557	(24)	188,533	194,100	(5,567)
Health services	62,827	(290)	62,537	65,232	(2,695)
Psychological services	30,267	0	30,267	30,267	0
Speech/language services	150,352	144	150,496	138,196	12,300
Instructional improvement	50,319	0	50,319	35,031	15,288
Library	112,770	(22)	112,748	110,432	2,316
Board of Education	57,027	0	57,027	38,716	18,311
Executive administration	130,767	0	130,767	130,767	0
Other support services - general	29,816	0	29,816	31,628	(1,812)
Office of the Principal	344,286	910	345,196	359,172	(13,976)
Other support services - administrative	17,885	1,115	19,000	22,853	(3,853)
Fiscal services	122,870	(22)	122,848	120,990	1,858
Operations & maintenance of buildings and grounds	549,042	0	549,042	571,505	(22,463)
Pupil transportation services	230,055	0	230,055	228,035	2,020
Interest on short-term debt	39,125	0	39,125	26,604	12,521
Capital outlays	37,200	0	37,200	59,595	(22,395)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE COMPARED TO BUDGET

GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Budget As Voted	Transfers	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)					
Debt service					
Principal payments	105,000	0	105,000	108,741	(3,741)
Interest on long-term debt	39,697	0	39,697	39,697	0
Total expenditures	<u>6,837,565</u>	<u>0</u>	<u>6,837,565</u>	<u>6,706,346</u>	<u>131,219</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	164,706	0	164,706	245,111	80,405
OTHER FINANCING SOURCES (USES)					
Transfer to Other Funds	(164,706)	0	(164,706)	(168,000)	(3,294)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	77,111	<u>\$ 77,111</u>
FUND BALANCE - JULY 1, 2010				<u>217,214</u>	
FUND BALANCE - JUNE 30, 2011				<u>\$ 294,325</u>	

CHARLOTTE TOWN SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2011

	Private Purpose Trust	Agency Funds
ASSETS		
Cash	\$ 7,880	\$ 13,934
Due from General Fund	0	750
TOTAL ASSETS	\$ 7,880	\$ 14,684
LIABILITIES		
Due to student groups	0	\$ 14,684
NET ASSETS		
Reserved for scholarships	\$ 7,880	

CHARLOTTE TOWN SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
ADDITIONS	
Interest	\$ 95
DEDUCTIONS - scholarships	(815)
CHANGE IN NET ASSETS	(720)
NET ASSETS - JULY 1, 2010	8,600
NET ASSETS - JUNE 30, 2011	\$ 7,880

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The Charlotte Town School District is organized, according to Vermont Education Laws, under the governance of the Board of School Directors to provide public education for the Town of Charlotte. It is governed by a five member elected Board. The Charlotte Town School District, for financial reporting purposes, consists only of the funds of the School District. The Charlotte Town School District's elected Board of Directors has no financial accountability for any other governmental entity.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established in GAAP and used by the School District are discussed below.

*Reporting Entity*

The School District's basic financial statements include the accounts of all School operations. The criteria for including organizations as component units within the School District's reporting entity are set forth in GASB 14 as amended by GASB 39 and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Based on the criteria, the School District has no component units.

*Basic Financial Statements – Government-Wide Statements*

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements categorize activities as governmental or business type. All of the School District's activities are classified as governmental activities.

The government-wide Statement of Net Assets presents all the School District's activities on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's governmental functions. The functions are also supported by general government revenues (property taxes and other local revenue). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, consisting of operating grants and contributions. Program revenues must be directly associated with the governmental function (regular education, special education, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by governmental function) are normally covered by general revenues (property taxes, earnings on investments, etc.).

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

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basic Financial Statements – Fund Financial Statements*

The financial transactions of the School District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by major funds within the financial statements.

The emphasis in fund financial statements is on the major funds in either of the governmental category. GASB No. 34 sets forth minimum criteria for the determination of major funds. The General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund are shown as major funds. The following funds are used by the School District:

Governmental Funds

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

General Fund is the main operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund is used to account for the food service program.

Capital Projects Fund is used to account for the acquisition or construction of major capital facilities.

Debt Service Fund is used to account for and report the accumulation of funds restricted for the payback of principal and interest on the \$2,800,000 debt obligation.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support School District programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

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

*Basis of Accounting*

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accrual

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

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within six months of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

*Inventories*

Inventories consist of food and supplies for the Hot Lunch program. Quantities are determined by physical count. Inventory is stated at the lower of cost or market on the first-in, first-out basis. Commodity inventory is valued using the U.S. Government commodity.

*Capital Assets*

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

Buildings and improvements	20 – 100 years
Furniture and equipment	5 – 20 years

*Accrued Compensated Absences*

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these accounts. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011  
(Continued)**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Net Assets*

Net assets represent the difference between assets and liabilities in the statement of net assets. Net resources invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by the School District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

*Fund Equity*

Beginning with fiscal year 2011, the School District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the School Board. Formal action must be taken prior to the end of the fiscal year (e.g. capital projects, compensated absences). The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the School Board or body or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The School Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by the School Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service or other purposes).

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied in the following order:

1. Committed
2. Assigned
3. Unassigned

*Investments*

Investments are stated at fair value, (quoted market price, or the best available estimate).

*Interfund Activities*

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted in the preparation of the government-wide financial statements.

*Use of Estimates*

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

*On Behalf Payments*

On behalf payments are contributions made by the State of Vermont to the State Teachers' Retirement System on behalf of the District's teaching employees. The General Fund budget does not include on behalf payments as a revenue or expense.

*Budget Adoption*

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

The School Board prepares an operating budget in December for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures by line item and the means of financing them. The budget is approved at the annual school district meeting by the School District voters.

Budgetary integration is employed as a management control device during the year for the General Fund. From time to time during the year, transfers among budget line items are made in accordance with Board policy.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

**NOTE 2 – DEPOSITS AND INVESTMENTS**

The Treasurer invests excess cash according to policies established by the School Board.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. As of June 30, 2011, the School District is not exposed to custodial credit risk. The following is a breakdown of the School’s bank deposits at June 30, 2011.

Insured	\$ 0
Uninsured - Collateralized	<u>694,347</u>
Total bank balance at June 30, 2011	<u><u>\$ 694,347</u></u>

*Investments*

*Credit Risk – investments.* The District has an investment policy that limits its investment choices to policies set by the School Board.

Investments at June 30, 2011 are as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Cost</u>
Government Bond	10 year 2/15/2021	\$ 148,977	144,494
Money Market		117	117
		<u>\$ 149,094</u>	<u>\$ 144,611</u>

**NOTE 3 – CAPITAL ASSETS**

The summary of capital assets as of June 30, 2011 is as follows:

	Book Value at June 30, 2010	Additions	Depreciation	Book Value at June 30, 2011
Buildings and improvements	\$ 6,330,355	\$ 48,034	\$ 0	\$ 6,378,389
Construction in process	350,119	2,484,096	0	2,834,215
Furniture & equipment	487,507	53,689	0	541,196
Accum. depreciation	<u>(3,050,705)</u>	<u>0</u>	<u>(176,259)</u>	<u>(3,226,964)</u>
Net book value	<u>\$ 4,117,276</u>	<u>\$ 2,585,819</u>	<u>\$ (176,259)</u>	<u>\$ 6,526,836</u>

Depreciation expense of \$176,259 was charged to Building and grounds.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011  
(Continued)

**NOTE 4 – SHORT TERM DEBT**

On July 1, 2010, the School District signed a tax anticipation note with People’s United Bank for \$2,828,000 at 1.59% per annum. Principal and interest of \$26,604 were paid in full February 4, 2011.

The following is a summary of the changes in short term debt:

Balance June 30, 2010	\$ 0
Proceeds from tax anticipation note	2,828,000
Principal payments	<u>(2,828,000)</u>
Balance June 30, 2011	<u><u>\$ 0</u></u>

**NOTE 5 - LONG-TERM LIABILITIES**

Bonds and lease payable of the Charlotte Town School District at June 30, 2011, are as follows:

	<u>Total Due</u>	<u>Due within One Year</u>
Bond payable, 5.393% to 6.093%, with Vermont Municipal Bond Bank, principal of \$105,000 due annually until 2012 and \$100,000 until maturity December 2016.	\$ 610,000	\$ 105,000
Bond payable, 0%, with the Merchants Bank Due March 1, 2027 in full. The School District will make annual payments to a sinking fund in the amount of \$145,000, starting in March 2011.	2,800,000	0
Lease payable, 0%, with Dell Financial Services Due November 2013. The School District will make annual payments to the amount of \$3,741.	<u>11,221</u>	<u>3,741</u>
Total bonds and lease payable	<u><u>\$3,421,221</u></u>	<u><u>\$ 108,741</u></u>

Interest paid on long-term bonds payable for the year ended June 30, 2011 was \$39,697.

The following is a summary of the changes in bonds and lease payable:

Balance - June 30, 2010	\$ 3,515,000
Proceeds from capital lease	14,962
Principal payments	<u>(108,741)</u>
Balance - June 30, 2011	3,421,221
Due within one year	<u>(108,741)</u>
Due after one year	<u><u>\$ 3,312,480</u></u>

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

**NOTE 5 - LONG-TERM LIABILITIES (Continued)**

Principal and interest payments on long-term bonds and lease payable indebtedness are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 108,741	\$ 33,500	\$ 142,241
2013	108,740	27,300	136,040
2014	103,740	21,200	124,940
2015	100,000	15,200	115,200
2016	100,000	6,200	106,200
2017	100,000	(5,800)	94,200
2027	2,800,000	0	2,800,000
	<u>\$ 3,421,221</u>	<u>\$ 97,600</u>	<u>\$ 3,518,821</u>

*Accrued Compensated Absences and Severance payable*

The School District offered a one time opportunity for teachers who had reached the age of 50 and had 10 years of full-time teaching experience to retire. The program provided for a schedule of severance payments in return for the teachers' termination.

The following is a summary of the changes in accrued compensated absences:

	<u>Absences</u>	<u>Severance</u>	<u>Totals</u>
Balance - June 30, 2010	\$ 18,997	\$ 0	\$ 18,997
Additional earned	9,049	17,300	26,349
Used	(115)	0	(115)
Balance - June 30, 2011	27,931	17,300	45,231
Due within one year	0	6,600	6,600
Due after one year	<u>\$ 27,931</u>	<u>\$ 10,700</u>	<u>\$ 38,631</u>

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

The School District has combined some of the cash resources of its governmental funds for accounting and reporting purposes. That portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2011 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund		
General Fund	\$ 0	\$ 137,394
Food Service Fund	0	1,851
Capital Projects Fund	138,495	0
Agency fund	750	0
	<u>\$ 139,245</u>	<u>\$ 139,245</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

**NOTE 7 - FUND DEFICIT**

The District's Special Revenue Fund had a deficit of \$2,522 at year end June 30, 2011. Management is working on a plan to eliminate this deficit in the future.

**NOTE 8 - INTERFUND TRANSFERS**

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds. Interfund transfers for the year ended June 30, 2011 consisted of: 1) a transfer from the General Fund to the Capital Projects Fund in the amount of \$14,100 for the purpose of funding current construction projects. 2) a budgeted transfer from the General Fund to the Debt Service Fund for its annual sinking fund payment. 3) a transfer from the General Fund to the Special Revenue Fund to fund a current year deficit in the hot lunch program.

**NOTE 9 - COMMITMENT**

In May 2008, the School District entered into a contract to purchase bus transportation services for its students for July 1, 2008 through June 30, 2013. The contract calls for minimum payments as follows:

2012	\$	219,459
2013		225,612
Totals	\$	<u>445,071</u>

**NOTE 10 - OPERATING LEASES**

In July 2009, the District entered into a 36-month lease for two copiers. The lease expense for 2011 was \$6,926. The minimum lease payments are as follows:

2012	\$	6,926
2013		577
Totals	\$	<u>7,503</u>

**NOTE 11 - CONCENTRATION OF SUPPORT**

The School District receives approximately 81% of its revenue from Act 68 State Aid. The amount of Act 68 State Aid received by the School District is equal to the budgeted expenditures approved by the voters less expected other revenues for the year. Act 68 State Aid is funded with statewide property taxes. The State determines a different education property tax rate for homestead and non-homestead properties based on statewide information. The tax rate on homesteads in Charlotte is adjusted based on the amount of Act 68 State Aid in relation to the number of students in Charlotte. The tax rate for non-homestead property in Charlotte is not impacted by the amount of Charlotte's Act 68 State Aid. The State uses a common level of appraisal to equalize property values between communities.

In addition to Act 68 State Aid, the School District receives grants from the State of Vermont for special education, transportation and other programs.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

**NOTE 12 - ASSESSMENTS**

*Supervisory Union Assessment*

The District is billed for its appropriate share of expenses relating to the Chittenden South Supervisory Union. The District paid \$469,991 of such expenses during the year ended June 30, 2011.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

*State Teachers' Retirement System of Vermont*

The teachers employed by Charlotte Town School District are covered by the State Teachers' Retirement System of Vermont which is a single employer retirement system. Vermont State statutes provide the authority under which benefit provisions and the State's obligation to contribute are established. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary.

The contribution amount made by the State on behalf of the participants in the State Teachers' Retirement System is approximately \$247,400. The amount is based on prior year's contribution percentage. All teachers become members of the retirement system upon employment. Teachers who became members before July 1, 1990 are Group A members. All other teachers are Group C members. Members who have Group A coverage are required to contribute at a rate of 5.5% of earnable compensation and members in Group C are required to contribute at a rate of 3.54% of earnable compensation. Vesting in both groups occurs upon reaching five years of creditable service. Of the School District's total payroll of \$4,144,213, \$3,196,410 was covered under the Vermont State Teachers' Retirement System.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

*Vermont Municipal Employees' Retirement System*

The non-teaching employees of the Charlotte Town School District are eligible for coverage by the Vermont Municipal Employees' Retirement System (VMERS). VMERS is a cost sharing multiple-employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The School District and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

There are three levels of contributions and benefits in the System called Group A, Group B and Group C. Employee contributions are 2.5%, 4.5% and 9% of gross pay and employer contributions are 4%, 5% and 6% of gross pay for Group A, Group B, and Group C plan members, respectively.

Of the School District's total payroll of \$4,144,213, \$722,134 was covered under the Vermont Municipal Employees' Retirement System. Total employer contributions to the Vermont Municipal Employees' Retirement Plan was \$34,528 for fiscal year 2011, \$25,650 for fiscal year 2010 and \$23,289 for fiscal year 2009.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

**NOTE 14 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The School District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

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

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

Effective January 1, 2009, the schools of Chittenden South Supervisory Union created a self funded dental plan that is managed by the third party administrator EBPA. The self funded dental plan provides coverage to the employees who are not part of the teacher bargaining unit.

**NOTE 15 – RECONCILIATION OF EXHIBIT G TO EXHIBIT E**

Amounts recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance Compared to Budget – General Fund (Exhibit G) are reported on the basis budgeted by the School District. Amounts recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit E) for the General Fund was adjusted for on behalf payments of fringe benefits (see Note 13) as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Exhibit E	\$ 7,198,857	\$ 6,953,746
On behalf payments	<u>(247,400)</u>	<u>(247,400)</u>
Exhibit G	<u>\$ 6,951,457</u>	<u>\$ 6,706,346</u>

**NOTE 16 - CONTINGENCIES**

The District participates in a number of federally-assisted and State grant programs which are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2011, have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

**NOTE 17 – CONSTRUCTION IN PROCESS**

During fiscal year 2010 the School entered into various contracts with various construction contractors to refurbish the 1949 building and to install an alternative fuel heating plant at the School. The costs of the projects are expected to be approximately \$2,800,000. The School is funding the project with funds from bond proceeds. The project was 99% completed at June 30, 2011.

**NOTE 18 – BUDGETARY COMPARISON SCHEDULES**

The School District is not legally required to adopt budgets for the Food Service Fund. Therefore, a budgetary comparison is not presented for this fund.

**NOTE 19 - SUBSEQUENT EVENT**

Management has evaluated subsequent events through September 13, 2011, the date which the financial statements were available for issue.

On July 1, 2011, the School District signed a tax anticipation note with the People's United Bank for \$2,517,000 at 1.74% per annum with principal and interest due February 6, 2012.

# FOTHERGILL SEGALE & VALLEY

*Certified Public Accountants*



John E. (Jeff) Fothergill, CPA  
Michael L. Segale, CPA  
Sheila R. Valley, CPA  
Teresa H. Kajenski, CPA  
Jane M. Burroughs, CPA  
Donald J. Murray, CPA

## **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***

September 13, 2011

To the Board of School Directors  
Charlotte Town School District  
Charlotte, Vermont

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charlotte Town School District, as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 13, 2011. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures 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 School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

*A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.


Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the School Board, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

  
FOTHERGILL SEGALE & VALLEY, CPAs  
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