

CHARLOTTE TOWN SCHOOL DISTRICT
AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2009

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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 10, 2009

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, 2009, 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, 2009, and the respective changes in financial position, thereof and the budget comparison for the General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2009, 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.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

FOTHERGILL SEGALE & VALLEY, CPAs
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CHARLOTTE TOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009

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, 2009. Please read it in conjunction with the School District's financial statements.

Financial Highlights

- The School District's net assets from governmental activities decreased by \$110,987. (Exhibit B)
- The cost of all of the School District's programs was \$7,505,631 this year compared to \$9,895,152 in the prior year. (Exhibit B)
- The General Fund reported a deficit this year of \$123,110, which was \$26,890 better than what was budgeted. (Exhibit G)
- The reserved fund balance for the General Fund was \$257,819 as of June 30, 2009. This amount represents the amount of funds available for future budgets. (Exhibit C)
- The Food Service Fund broke even this year after a transfer from the General Fund of \$13,179. (Exhibit E)
- The Capital Projects Fund reported a deficit this year of \$163,100 after a transfer from the General Fund of \$27,000 which decreased the cumulative fund balance to \$1,589. (Exhibit 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 private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

CHARLOTTE TOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009
(Continued)

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 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, 2009
(Continued)

The School District as a Whole

The School District's combined net assets decreased by \$110,987 from a year ago – decreasing from \$3,416,830 to \$3,305,843. In contrast, last year net assets increased by \$8,575. 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
	2009	2008	
Current and other assets	\$ 384,348	\$ 655,212	\$(270,864)
Capital assets	3,852,082	3,800,959	51,123
Total assets	<u>4,236,430</u>	<u>4,456,171</u>	<u>(219,741)</u>
Other liabilities	102,121	87,273	14,848
Long term liabilities	828,466	952,068	(123,602)
Total liabilities	<u>930,587</u>	<u>1,039,341</u>	<u>(108,754)</u>
Net assets:			
Invested in capital assets, net of debt	3,032,082	2,875,959	156,123
Unrestricted	273,761	540,871	(267,110)
Total net assets	<u>\$ 3,305,843</u>	<u>\$ 3,416,830</u>	<u>\$(110,987)</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 decreased from \$540,871 at June 30, 2008, to \$273,761 at June 30, 2009, a decrease of \$267,110.

CHARLOTTE TOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009
(Continued)

Table 2
Change in Net Assets

	Governmental Activities		
	2009	2008	Net Change
REVENUES			
Program revenues:			
Charges for services	\$ 131,777	\$ 102,170	\$ 29,607
Operating grants	1,157,741	1,089,554	68,187
General revenues:			
Act 68 State aid	6,009,669	8,514,514	(2,504,845)
Earnings on investments	77,491	183,111	(105,620)
Other general revenues	17,966	14,378	3,588
Total revenues	<u>7,394,644</u>	<u>9,903,727</u>	<u>(2,509,083)</u>
PROGRAM EXPENSES			
Regular instruction and related	3,540,303	3,280,742	259,561
High School assessment	0	2,693,639	(2,693,639)
Special Education and related	1,215,945	1,159,100	56,845
Support services - student based	558,258	552,584	5,674
Administrative support services	692,974	658,478	34,496
Buildings and grounds	753,734	728,557	25,177
Transportation	242,622	244,840	(2,218)
Interest on short-term debt	39,125	86,644	(47,519)
Interest on long-term debt	51,339	53,485	(2,146)
State Tech grant	0	59,493	(59,493)
Food service	162,331	151,590	10,741
On behalf payments	249,000	226,000	23,000
Total program expenses	<u>7,505,631</u>	<u>9,895,152</u>	<u>(2,389,521)</u>
Increase (decrease) in net assets	<u>\$ (110,987)</u>	<u>\$ 8,575</u>	<u>\$ (119,562)</u>

The School District's revenues decreased by 25.33% compared to fiscal year 2008. The cost of all programs and services decreased by 24.13% with no new programs added this year. See table above for changes in specific categories. Prior to FY 2009, local communities were assessed costs of providing high school education to residents of the town. Charlotte was assessed costs from Champlain Valley Union High School and in turn raised taxes or received revenue from the state to cover these costs. In FY 09 that changed and the Union High School now raises taxes directly from communities and receives support directly from the state. As a result stated revenue and expense at the local level is significantly lower.

CHARLOTTE TOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009
(Continued)

Significant areas of increase year to year included salary and benefit increases for Charlotte Town School District faculty and staff. A significant decrease occurred in investment earnings as the financial markets went through serious turmoil in fiscal year 09. Our analysis below separately considers the operations of governmental activities.

Governmental Activities

Table 3 presents the cost of each of the School District's three largest programs – regular instruction and related services, high school assessment 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	
	2009	2008	2009	2008
Regular instruction and related services	\$ 3,540,303	\$ 3,280,742	\$ 3,511,663	\$ 3,258,757
High School assessment	0	2,693,639	0	2,693,639
Special education and related services	1,215,945	1,159,100	447,837	487,086
All others	2,749,383	2,761,671	2,256,613	2,263,946
Totals	<u>\$ 7,505,631</u>	<u>\$ 9,895,152</u>	<u>\$ 6,216,113</u>	<u>\$ 8,703,428</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 \$286,298, which is below last year's total of \$572,508. Included in this year's total change in fund balance is a deficit of \$123,110 in the School District's General Fund and a deficit of \$163,100 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; investment earnings were off from budget, staffing costs were better than budget due to hiring costs and benefits cost being lower than budget. Overrun in operations and maintenance reflects increasing costs to maintain an aging facility. The Board is intended to gain voter support this year to address some of the longer term issues. Some revenues and expenditure items were not included in the approved budget because they netted out to no effect.
- The Food service ended the year with a zero fund balance after the General Fund transferred \$13,179. During the year a new operating system was installed to improve efficiency and financial controls. Mylunchmoney.com was added to allow parents to make deposits directly via the internet.
- The Capital Projects Fund reflects the activities related to the transfer from the General Fund for future capital improvements.

CHARLOTTE TOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009
(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 expense 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 \$284,709. General Fund revenues were less than expenditures and other uses by \$123,110, which was \$26,890 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:

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Earnings on investments	\$ 197,000	\$ 77,107	\$ (119,893)
Expenditures:			
Operations & maintenance	483,461	573,101	(89,640)
Special education	1,040,359	995,996	44,363
Instructional program	3,260,455	3,192,749	67,706
Interest on short-term debt	87,000	39,125	47,875
Other Financing uses:			
Transfer to Capital Projects Fund	0	27,000	(27,000)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2009, the School District had \$3,852,082 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)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Buildings and improvements	\$ 3,600,571	\$ 3,644,627
Furniture and equipment	251,511	156,332
Totals	<u>\$ 3,852,082</u>	<u>\$ 3,800,959</u>

CHARLOTTE TOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009
(Continued)

During fiscal year 2009, \$120,081 of equipment and \$94,680 of building improvements were added.

The School District's fiscal year 2010 capital budget is focused on gaining voter support for two articles to a) refurbish the 1949 Building and b) install an alternative fuel heating plant at the school. More detailed information about the School District's capital assets is presented in Note 3 to the financial statements.

Debt

At June 30, 2009, the School District had \$820,000 in bonds outstanding versus \$925,000 on June 30, 2008 – a decrease of \$105,000 – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	
	2009	2008
Bonds	\$ 820,000	\$ 925,000

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 2010 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 2009-2010 school year the School Board took into account these factors and recommended adoption of a \$7,239,180 expenditure budget (0% increase).

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, 2009

	<u>Governmental Activities</u>	
ASSETS		
Cash	\$ 350,209	
Accounts receivable:		
State of Vermont	13,863	
Other School Districts	10,096	
Other	1,538	
Due from employees/students	1,927	
Inventory	3,861	
Prepays	2,854	
Property & equipment (net of allowance for depreciation of \$2,875,741)	<u>3,852,082</u>	
Total assets		4,236,430
LIABILITIES		
Accounts payable	19,324	
Due to other School Districts	5,508	
Due to Students - food service	7,673	
Deferred revenue	49,025	
Accrued interest	4,071	
Accrued salaries and payroll liabilities	16,520	
Bonds and notes payable due within one year	105,000	
Accrued compensated absences due after one year	8,466	
Bonds and notes payable due after one year	<u>715,000</u>	
Total liabilities		<u>930,587</u>
NET ASSETS		
Unrestricted	273,761	
Invested in capital assets, net of related debt	<u>3,032,082</u>	
Total net assets		<u><u>\$3,305,843</u></u>

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

<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	\$ 3,540,303	\$ 10,035	\$ 18,605	\$ (3,511,663)
Special education and related services	1,215,945	0	768,108	(447,837)
Support services - student based	558,258	0	0	(558,258)
Administrative support services	692,974	0	0	(692,974)
Buildings and grounds	753,734	0	0	(753,734)
Transportation	242,622	0	95,148	(147,474)
Interest on short-term debt	39,125	0	0	(39,125)
Interest on long-term debt	51,339	0	0	(51,339)
Food service	162,331	121,742	26,880	(13,709)
On behalf payments	249,000	0	249,000	0
 Total governmental activities	 <u>\$ 7,505,631</u>	 <u>\$ 131,777</u>	 <u>\$ 1,157,741</u>	 <u>(6,216,113)</u>
General Revenues:				
Act 68 State aid				6,009,669
Earnings on investments				77,491
Other local share income				17,966
 Total general revenues				 <u>6,105,126</u>
 Change in net assets				 (110,987)
 Net assets - July 1, 2008				 <u>3,416,830</u>
 Net assets - June 30, 2009				 <u>\$ 3,305,843</u>

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2009

	General Fund	Special Revenue Food Service	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash	\$ 341,933	\$ 0	\$ 8,276	\$ 350,209
Accounts receivable:				
State of Vermont	13,863	0	0	13,863
Other School Districts	10,096	0	0	10,096
Other	333	1,205	0	1,538
Due from employees/students	0	1,927	0	1,927
Inventory	0	3,861	0	3,861
Prepays	2,854	0	0	2,854
Due from other funds	5,739	948	0	6,687
	<u>374,818</u>	<u>7,941</u>	<u>8,276</u>	<u>391,035</u>
Total assets	<u>\$ 374,818</u>	<u>\$ 7,941</u>	<u>\$ 8,276</u>	<u>\$ 391,035</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 19,056	\$ 268	\$ 0	\$ 19,324
Due to other School Districts	5,508	0	0	5,508
Due to students	0	7,673	0	7,673
Deferred revenue	49,025	0	0	49,025
Due to other funds	0	0	6,687	6,687
Accrued salaries and payroll liabilities	16,520	0	0	16,520
	<u>90,109</u>	<u>7,941</u>	<u>6,687</u>	<u>104,737</u>
Total liabilities	<u>90,109</u>	<u>7,941</u>	<u>6,687</u>	<u>104,737</u>
FUND BALANCES				
Unreserved - undesignated	26,890	(3,861)	0	23,029
Unreserved - designated	0	0	1,589	1,589
Reserved for future expenditures	104,965	0	0	104,965
Reserved for FY 2010 expenditures	150,000	0	0	150,000
Reserved for prepaids	2,854	0	0	2,854
Reserved for inventory	0	3,861	0	3,861
	<u>284,709</u>	<u>0</u>	<u>1,589</u>	<u>286,298</u>
Total fund balances	<u>284,709</u>	<u>0</u>	<u>1,589</u>	<u>286,298</u>
Total liabilities and fund balances	<u>\$ 374,818</u>	<u>\$ 7,941</u>	<u>\$ 8,276</u>	<u>\$ 391,035</u>

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

JUNE 30, 2009

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 286,298

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
\$6,727,822, and the accumulated depreciation is \$2,875,740. 3,852,082

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	820,000	
Accrued interest on bonds and notes payable	4,071	
Accrued compensated absences	8,466	(832,537)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 3,305,843

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	General Fund	Special Revenue Funds	Capital Projects Fund	Total Governmental Funds
REVENUES				
Act 68 State aid	\$ 6,009,669	\$ 0	\$ 0	\$ 6,009,669
Food sales	0	121,742	0	121,742
Tuition	10,035	0	0	10,035
Earnings on investments	77,107	0	384	77,491
Other local sources	17,436	530	0	17,966
State transportation aid	95,148	0	0	95,148
State special ed	722,559	0	0	722,559
State food service grant	0	256	0	256
IDEA B grants	45,549	0	0	45,549
Federal food service grants	0	26,624	0	26,624
Medicaid IEP	18,446	0	0	18,446
Miscellaneous grants	159	0	0	159
On behalf payments	249,000	0	0	249,000
Total revenues	7,245,108	149,152	384	7,394,644
EXPENDITURES				
Current				
Instructional program	3,195,813	0	0	3,195,813
Art	6,988	0	0	6,988
Language program	857	0	0	857
Health/physical education	3,080	0	0	3,080
Music	2,455	0	0	2,455
Computer instruction	256,914	0	0	256,914
Reading	7,370	0	0	7,370
Special education	995,996	0	0	995,996
Essential early education	158,353	0	0	158,353
Athletics	47,522	0	0	47,522
Co-curricular programs	21,150	0	0	21,150
Guidance services	197,134	0	0	197,134
Health services	68,831	0	0	68,831
Psychological services	27,494	0	0	27,494
Speech and language services	139,193	0	0	139,193
Instructional improvement	23,294	0	0	23,294
Library	102,312	0	0	102,312
Board of Education	56,710	0	0	56,710
Executive administration	127,944	0	0	127,944
Other support services	27,406	0	0	27,406
Office of the Principal	360,386	0	0	360,386
Other administrative services	22,898	0	0	22,898
Fiscal services	114,386	0	0	114,386

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	General Fund	Special Revenue Funds	Capital Projects Fund	Total Governmental Funds
EXPENDITURES (Continued)				
Operations & maintenance of buildings and grounds	573,101	0	16,995	590,096
Pupil transportation services	242,622	0	0	242,622
Food services	0	162,331	0	162,331
Early development learning partners	61,596	0	0	61,596
On behalf payments	249,000	0	0	249,000
Interest on short-term debt	39,125	0	0	39,125
Capital outlays	41,272	0	173,489	214,761
Debt service				
Principal payments	105,000	0	0	105,000
Interest on long-term debt	51,837	0	0	51,837
Total expenditures	<u>7,328,039</u>	<u>162,331</u>	<u>190,484</u>	<u>7,680,854</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(82,931)	(13,179)	(190,100)	(286,210)
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	<u>(40,179)</u>	<u>13,179</u>	<u>27,000</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(123,110)	0	(163,100)	(286,210)
FUND BALANCES - JULY 1, 2008	<u>407,819</u>	<u>0</u>	<u>164,689</u>	<u>572,508</u>
FUND BALANCES - JUNE 30, 2009	<u>\$ 284,709</u>	<u>\$ 0</u>	<u>\$ 1,589</u>	<u>\$ 286,298</u>

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

YEAR ENDED JUNE 30, 2009

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (286,210)

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 \$(163,638) is reported in the period and asset purchases of \$(214,761). 51,123

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. 105,000

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 paid out exceed amounts earned by \$18,602. 18,602

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 \$498. 498

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (110,987)

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

GENERAL FUND

YEAR ENDED JUNE 30, 2009

	Budget As Voted	Transfers	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES					
Act 68 State aid	\$ 6,009,669	\$ 0	\$ 6,009,669	\$ 6,009,669	\$ 0
Earnings on investments	197,000	0	197,000	77,107	(119,893)
Tuition	0	0	0	10,035	10,035
Other local sources	0	0	0	17,436	17,436
Miscellaneous grants	0	0	0	159	159
State transportation aid	98,358	0	98,358	95,148	(3,210)
State special ed	716,330	0	716,330	722,559	6,229
Medicaid IEP	22,690	0	22,690	18,446	(4,244)
IDEA B grants	45,133	0	45,133	45,549	416
Total revenues	7,089,180	0	7,089,180	6,996,108	(93,072)
EXPENDITURES					
Current					
Instructional program	3,260,980	(525)	3,260,455	3,192,749	67,706
Kindergarten	3,000	525	3,525	3,064	461
Art	6,988	0	6,988	6,988	0
Language program	1,600	0	1,600	857	743
Health/physical education	3,080	0	3,080	3,080	0
Music	2,650	0	2,650	2,455	195
Computer instruction	242,744	0	242,744	256,914	(14,170)
Reading	8,700	0	8,700	7,370	1,330
Special education	1,040,359	0	1,040,359	995,996	44,363
Essential early education	182,617	0	182,617	158,353	24,264
Early development learning partners	61,596	0	61,596	61,596	0
Co-curricular programs	20,014	0	20,014	21,150	(1,136)
Athletics	58,679	0	58,679	47,522	11,157
Guidance services	221,243	0	221,243	197,134	24,109
Health services	69,208	0	69,208	68,831	377
Psychological services	27,494	0	27,494	27,494	0
Speech/language services	140,694	0	140,694	139,193	1,501
Instructional improvement	39,113	0	39,113	23,294	15,819
Library	97,023	0	97,023	102,312	(5,289)
Board of Education	62,287	0	62,287	56,710	5,577
Executive administration	127,944	0	127,944	127,944	0
Other support services - general	42,248	0	42,248	27,406	14,842
Office of the Principal	340,227	0	340,227	360,386	(20,159)
Other support services - administrative	24,000	0	24,000	22,898	1,102
Fiscal services	114,568	0	114,568	114,386	182
Operations & maintenance of buildings and grounds	483,461	0	483,461	573,101	(89,640)
Pupil transportation services	266,127	0	266,127	242,622	23,505
Interest on short-term debt	87,000	0	87,000	39,125	47,875
Capital outlays	46,700	0	46,700	41,272	5,428

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

GENERAL FUND

YEAR ENDED JUNE 30, 2009

	Budget As Voted	Transfers	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)					
Debt service					
Principal payments	105,000	0	105,000	105,000	0
Interest on long-term debt	51,836	0	51,836	51,837	(1)
Total expenditures	<u>7,239,180</u>	<u>0</u>	<u>7,239,180</u>	<u>7,079,039</u>	<u>160,141</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(150,000)</u>	<u>0</u>	<u>(150,000)</u>	<u>(82,931)</u>	<u>67,069</u>
OTHER FINANCING SOURCES (USES)					
Transfer to Capital Projects Fund	0	0	0	(27,000)	(27,000)
Transfer - food services	0	0	0	(13,179)	(13,179)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(40,179)</u>	<u>(40,179)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ (150,000)</u>	<u>\$ 0</u>	<u>\$ (150,000)</u>	<u>(123,110)</u>	<u>\$ 26,890</u>
FUND BALANCE - JULY 1, 2008				<u>407,819</u>	
FUND BALANCE - JUNE 30, 2009				<u>\$ 284,709</u>	

CHARLOTTE TOWN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Private Purpose Trust	Agency Funds
ASSETS		
Cash	\$ 9,238	\$ 14,881
LIABILITIES		
Due to student groups	0	\$ 14,881
NET ASSETS		
Reserved for scholarships	\$ 9,238	

CHARLOTTE TOWN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
ADDITIONS	
Donations	\$ 1,080
Interest	231
Total additions	1,311
DEDUCTIONS - scholarships	1,488
CHANGE IN NET ASSETS	(177)
NET ASSETS - JULY 1, 2008	0
PRIOR PERIOD ADJUSTMENT	9,415
NET ASSETS - JULY 1, 2008 (RESTATED)	9,415
NET ASSETS - JUNE 30, 2009	\$ 9,238

JUNE 30, 2009

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(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 and Capital Projects 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.

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(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, 2009

(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

The fund equity in the fund financial statements is classified into the following categories:

Unreserved fund balances - Indicates the portion of fund equity that is available for appropriation and expenditure in future periods.

Reserved fund balances - Indicates the portion of fund equity that has been legally segregated for specific future uses or not available for appropriation.

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 U.S. generally accepted accounting principles 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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 2 – DEPOSITS

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, 2009, the School District is not exposed to custodial credit risk. The following is a breakdown of the School’s bank deposits at June 30, 2009.

Insured	\$ 0
Uninsured - Collateralized	460,901
Total bank balance at June 30, 2009	<u>\$ 460,901</u>

NOTE 3 – CAPITAL ASSETS

The summary of capital assets as of June 30, 2009 is as follows:

	Furniture & Equipment	Building and Improvements	Accum. Depreciation	Total
Book Value at June 30, 2008	\$ 365,870	\$ 6,173,518	\$ (2,738,429)	\$ 3,800,959
Additions	120,081	94,680	0	214,761
Deletions	(26,327)	0	26,327	0
Depreciation	0	0	(163,638)	(163,638)
Book Value at June 30, 2009	<u>\$ 459,624</u>	<u>\$ 6,268,198</u>	<u>\$ (2,875,740)</u>	<u>\$ 3,852,082</u>

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE 4 – SHORT TERM DEBT

On July 1, 2008, the School District signed a tax anticipation note with Chittenden Bank for \$2,731,000 at 2.41% per annum. Principal and interest of \$2,770,125 were paid in full February 5, 2009.

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

Balance June 30, 2008	\$ 0
Proceeds from tax anticipation note	2,731,000
Principal payments	<u>(2,731,000)</u>
Balance June 30, 2009	<u>\$ 0</u>

NOTE 5 - LONG-TERM LIABILITIES

Bonds payable of the Charlotte Town School District at June 30, 2009, are as follows:

	<u>Total Due</u>	<u>Due within One Year</u>
Bonds 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.	<u>\$ 820,000</u>	<u>\$ 105,000</u>

Interest paid on long-term bonds payable for the year ended June 30, 2009 was \$51,836.

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

Balance - June 30, 2008	\$ 925,000
Principal payments	<u>(105,000)</u>
Balance - June 30, 2009	820,000
Due within one year	<u>(105,000)</u>
Due after one year	<u>\$ 715,000</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 105,000	\$ 45,800	\$ 150,800
2011	105,000	39,700	144,700
2012	105,000	33,500	138,500
2013	105,000	27,300	132,300
2014	100,000	21,200	121,200
2015-2017	300,000	9,700	309,700
	<u>\$ 820,000</u>	<u>\$ 177,200</u>	<u>\$ 997,200</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Accrued Compensated Absences

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

	<u>Absences</u>
Balance - June 30, 2008	\$ 27,068
Additional earned	1,061
Used	<u>(19,663)</u>
Balance - June 30, 2009	8,466
Due within one year	0
Due after one year	<u>\$ 8,466</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, 2009 are as follows:

Major Fund	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 5,739	\$ 0
Food Service Fund	948	0
Capital Projects Fund	0	6,687
	<u>\$ 6,687</u>	<u>\$ 6,687</u>

NOTE 7 - 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, 2009 consisted of: 1) a transfer from the General Fund to the Capital Projects Fund in the amount of \$27,000 for the purpose of funding current construction projects and 2) a transfer from the General Fund to the Food Services Fund in the amount of \$13,179 to cover the current operating deficit.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009
(Continued)

NOTE 8 – 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:

2010	\$	231,654
2011		236,287
2012		243,013
2013		247,873
Totals	\$	<u>958,827</u>

NOTE 9 - OPERATING LEASES

In June 2009, the District entered into a 36-month lease for two copiers. The lease expense for 2009 was \$5,841. The minimum lease payments are as follows:

2010	\$	13,853
2011		13,853
2012		13,853
Totals	\$	<u>41,559</u>

NOTE 10 – CONCENTRATION OF SUPPORT

The School District receives approximately 85% 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.

NOTE 11 - ASSESSMENTS

Supervisory Union Assessment

The District is billed for its appropriate share of expenses relating to the Chittenden South Supervisory Union. The District paid \$444,571 of such expenses during the year ended June 30, 2009.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE 12 - 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 \$249,000. 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 \$4,194,354, \$3,372,142 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 \$4,194,354, \$582,220 was covered under the Vermont Municipal Employees' Retirement System. Total employer contributions to the Vermont Municipal Employees' Retirement Plan was \$23,289 for fiscal year 2009, \$23,574 for fiscal year 2008 and \$24,014 for fiscal year 2007.

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE 13 - 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 14 – 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 12) as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Exhibit E	\$ 7,245,108	\$ 7,328,039
On behalf payments	<u>(249,000)</u>	<u>(249,000)</u>
Exhibit G	<u>\$ 6,996,108</u>	<u>\$ 7,079,039</u>

NOTE 15 - 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, 2009, 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.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE 16 – BUDGETARY COMPARISON SCHEDULES

The School District is not legally required to adopt budgets for the Food Service and Capital Projects Funds. Therefore, a budgetary comparison is not presented for these funds.

NOTE 17 - RESTATEMENT PRIOR NET ASSETS

The fiduciary net assets were restated as follows:

	Private Purpose Trust
June 30, 2008 as previously reported	\$ 0
Agency funds - reclassification	<u>9,415</u>
June 30, 2008 - restated	<u><u>\$ 9,415</u></u>

NOTE 18 - SUBSEQUENT EVENT

Management has evaluated subsequent events through September 10, 2009, the date which the financial statements were available for issue.

On July 1, 2009, the School District signed a tax anticipation note with the Chittenden Bank for \$2,652,000 at 1.69% per annum with principal and interest due February 5, 2010.

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

**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 10, 2009

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

We have audited the financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the Charlotte Town School District, as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 10, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control.


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 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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