

Audited Financial Statements

Charlotte Town School District

June 30, 2014



Proven Expertise and Integrity

CHARLOTTE TOWN SCHOOL DISTRICT

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JUNE 30, 2014

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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Board of Directors
Charlotte Town School District
Shelburne, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Charlotte Town School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Charlotte Town School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charlotte Town School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2014 on our consideration of Charlotte Town School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering Charlotte Town School District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
August 22, 2014

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

(UNAUDITED)

The following management's discussion and analysis of the Charlotte Town School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

The School District's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the School District's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the School District's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have one column for the type of School District activities. The type of activities presented for the School District are:

- *Governmental activities* – The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). Most of the School District's basic services are reported in regular instruction, special education, support services – student based, administrative support services, buildings and grounds, transportation, food service, and other unclassified services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the School District can be classified into two categories: governmental funds and fiduciary funds.

Governmental funds: All of the basic services provided by the School District are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the School District's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the School District.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The School District presents four columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The School District's four major funds are the general fund, the food service fund, the capital projects funds and the debt service fund. There are no nonmajor funds.

The general fund is the only fund for which the School District legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Charlotte Town School District. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Fiduciary Net Position.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining schedules provide information in regards to other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the School District's governmental activities. The School District's total net position for governmental activities increased by \$138,219 from \$3,743,717 to \$3,881,936.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for governmental activities to a balance of \$409,921 at the end of this year.

Table 1
Charlotte Town School District
Net Position
June 30,

	Governmental Activities	
	2014	2013
Assets:		
Current and Other Assets	\$ 1,235,615	\$ 924,323
Capital Assets	5,961,718	6,206,279
Total Assets	\$ 7,197,333	\$ 7,130,602
Liabilities:		
Current Liabilities	\$ 259,033	\$ 134,525
Long-term Debt Outstanding	3,056,364	3,252,360
Total Liabilities	\$ 3,315,397	\$ 3,386,885
Net Position:		
Invested in Capital Assets, Net of Related Debt	\$ 2,861,718	\$ 3,002,540
Restricted for capital projects	610,297	458,949
Unrestricted	409,921	282,228
Total Net Position	\$ 3,881,936	\$ 3,743,717

Revenues and Expenses

Revenues for the Charlotte Town School District's governmental activities increased by 6.18%, while total expenses increased by 6.01%. Most of the School District's revenues were consistent with the previous year with minor increases or decreases. The biggest increases in expenses were in regular instruction and special education.

Table 2
Charlotte Town School District
Changes in Net Position
For the Years Ended June 30,

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 120,235	\$ 109,913
Operating grants and contributions	1,201,740	1,169,193
<i>General Revenues:</i>		
Act 68 state aid	6,464,942	6,057,722
Interest income	29,264	32,621
Miscellaneous	21,562	12,376
Total Revenues	<u>7,837,743</u>	<u>7,381,825</u>
Expenses		
Regular instruction and related	3,779,201	3,392,814
Special education and related	1,130,253	1,038,179
Support services - student based	421,784	579,055
Administrative support services	718,850	727,464
Buildings and grounds	822,359	761,622
Transportation	224,253	241,562
Interest on long-term debt	45,070	26,802
Food service	184,669	175,174
Capital outlay	7,960	-
On-behalf payments	365,125	320,300
Total Expenses	<u>7,699,524</u>	<u>7,262,972</u>
Change in Net Position	138,219	118,853
Net Position - July 1	<u>3,743,717</u>	<u>3,624,864</u>
Net Position - June 30	<u>\$ 3,881,936</u>	<u>\$ 3,743,717</u>

Financial Analysis of the School District's Fund Statements

Governmental funds: The financial reporting focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the School District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
Charlotte Town School District
Fund Balances - Governmental Funds
June 30,

	2014	2013
Major Funds:		
General Fund:		
Nonspendable	\$ -	\$ 300
Committed	5,000	5,000
Assigned	442,295	294,728
Unassigned	-	-
Total Major Funds	\$ 447,295	\$ 300,028
Food Service Fund:		
Nonspendable	\$ 3,761	\$ 3,558
Unassigned	(3,761)	(3,558)
Total Non-Major Funds	\$ -	\$ -
Capital Projects Fund:		
Committed	\$ 21,007	\$ 32,838
Total Non-Major Funds	\$ 21,007	\$ 32,838
Debt Service Fund:		
Restricted	\$ 610,297	\$ 458,949
Total Non-Major Funds	\$ 610,297	\$ 458,949

The general fund total fund balance increased by \$147,267 from the prior fiscal year. Total food service fund total fund balances did not change from the prior fiscal year. Total capital projects fund total fund balances decreased by \$11,831 from the prior fiscal year. The debt service fund total fund balance increased by \$151,348 from the prior fiscal year.

Budgetary Highlights

There was no significant difference between the original and final budget for the general fund.

The general fund actual revenues were under budgeted revenues by \$64,718 primarily due to intergovernmental revenues and interest income that were under-received.

The general fund actual expenditures were under the budget by \$211,985. All expenditure categories were underspent with the exception of buildings and grounds and transfers to other funds.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2014, the School District fixed assets decreased by \$244,561. This decrease was due to current year depreciation of \$248,556 less capital additions of \$3,995.

Table 4
Charlotte Town School District
Capital Assets (Net of Depreciation)
June 30,

	<u>2014</u>	<u>2013</u>
Construction in progress	5,015	5,015
Buildings and improvements	5,840,983	6,036,365
Furniture and equipment	<u>115,720</u>	<u>164,899</u>
Total	<u>\$ 5,961,718</u>	<u>\$ 6,206,279</u>

Debt

At June 30, 2014, the School District had \$3,100,000 in bonds payable versus \$3,200,000 in the prior fiscal year. Refer to Note 5 of the Notes to Financial Statements for detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The 2014-2015 budget was prepared using information on enrollment, the state of the economy and the overall impact that budget increases would have on local tax rates.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, 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 School District at 5420 Shelburne Road, Suite 300, Shelburne, Vermont 05482.

CHARLOTTE TOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 618,316
Investments	610,297
Accounts receivable (net of allowance for uncollectibles)	1,389
Due from other governments	1,852
Inventory	<u>3,761</u>
Total current assets	<u>1,235,615</u>
Non-current assets:	
Land, infrastructure, and other assets not being depreciated	5,015
Buildings, building improvements and other assets net of accumulated depreciation	<u>5,956,703</u>
Total non-current assets	<u>5,961,718</u>
TOTAL ASSETS	<u><u>\$ 7,197,333</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 780
Accrued expenses	39,771
Due to other governments	33,548
Deferred revenue	82,917
Accrued interest payable	2,017
Current portion of long-term obligations	<u>100,000</u>
Total current liabilities	<u>259,033</u>
Non-current liabilities:	
Bonds payable	3,000,000
Accrued compensated absences	49,864
Accrued severance payable	<u>6,500</u>
Total non-current liabilities	<u>3,056,364</u>
TOTAL LIABILITIES	<u>3,315,397</u>
NET POSITION	
Invested in capital assets, net of related debt	2,861,718
Restricted: Debt service	610,297
Unrestricted	<u>409,921</u>
TOTAL NET POSITION	<u>3,881,936</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 7,197,333</u></u>

See accompanying independent auditors' report and notes to financial statements.

CHARLOTTE TOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants &</u>	<u>Revenue & Changes</u>
		<u>Services</u>	<u>& Contributions</u>	<u>Contributions</u>	<u>in Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
Regular instruction and related	\$ 3,779,201	\$ -	\$ 37,386	\$ -	\$ (3,741,815)
Special education and related	1,130,253	-	653,419	-	(476,834)
Support services - student based	421,784	-	-	-	(421,784)
Administrative support services	718,850	-	-	-	(718,850)
Buildings and grounds	822,359	-	-	-	(822,359)
Transportation	224,253	-	97,298	-	(126,955)
Interest on long-term debt	45,070	-	-	-	(45,070)
Food service	184,669	120,235	48,512	-	(15,922)
On-behalf payments	365,125	-	365,125	-	-
Capital outlay	7,960	-	-	-	(7,960)
	<u>\$ 7,699,524</u>	<u>\$ 120,235</u>	<u>\$ 1,201,740</u>	<u>\$ -</u>	<u>(6,377,549)</u>

STATEMENT B (CONTINUED)

CHARLOTTE TOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(6,377,549)</u>
General revenues:	
Grants and contributions not restricted to specific programs	6,464,942
Interest income	29,264
Miscellaneous	<u>21,562</u>
Total general revenues	<u>6,515,768</u>
Change in net position	138,219
NET POSITION - JULY 1	<u>3,743,717</u>
NET POSITION - JUNE 30	<u><u>\$ 3,881,936</u></u>

See accompanying independent auditors' report and notes to financial statements.

CHARLOTTE TOWN SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Totals Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 579,627	\$ -	\$ 38,689	\$ -	\$ 618,316
Investments	-	-	-	610,297	610,297
Accounts receivable (net of allowance for uncollectibles)	123	1,266	-	-	1,389
Due from other governments	13	1,839	-	-	1,852
Inventory	-	3,761	-	-	3,761
Due from other funds	17,682	269	-	-	17,951
TOTAL ASSETS	\$ 597,445	\$ 7,135	\$ 38,689	\$ 610,297	\$ 1,253,566
LIABILITIES					
Accounts payable	\$ 687	\$ 93	\$ -	\$ -	\$ 780
Accrued expenses	32,729	7,042	-	-	39,771
Due to other governments	33,548	-	-	-	33,548
Deferred revenue	82,917	-	-	-	82,917
Due to other funds	269	-	17,682	-	17,951
TOTAL LIABILITIES	150,150	7,135	17,682	-	174,967
FUND BALANCES					
Nonspendable	-	3,761	-	-	3,761
Restricted	-	-	-	610,297	610,297
Committed	5,000	-	21,007	-	26,007
Assigned	442,295	-	-	-	442,295
Unassigned	-	(3,761)	-	-	(3,761)
TOTAL FUND BALANCES	447,295	-	21,007	610,297	1,078,599
TOTAL LIABILITIES AND FUND BALANCES	\$ 597,445	\$ 7,135	\$ 38,689	\$ 610,297	\$ 1,253,566

CHARLOTTE TOWN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 1,078,599
Amounts reported for governmental activities in the Statement of Net Activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	5,961,718
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(2,017)
Bonds payable	(3,100,000)
Accrued compensated absences	(49,864)
Accrued severance payable	<u>(6,500)</u>
Net position of governmental activities	<u>\$ 3,881,936</u>

See accompanying independent auditors' report and notes to financial statements.

CHARLOTTE TOWN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Totals Governmental Funds
REVENUES					
Intergovernmental revenues	\$ 7,618,170	\$ 48,512	\$ -		\$ 7,666,682
Charges for services	-	120,235	-		120,235
Interest income	23,693	-	124	5,447	29,264
Miscellaneous revenues	12,884	4,626	-	4,052	21,562
TOTAL REVENUES	7,654,747	173,373	124	9,499	7,837,743
EXPENDITURES					
Current:					
Regular instruction and related	3,726,230	-	-	-	3,726,230
Special education and related	1,130,253	-	-	-	1,130,253
Support services - student based	421,784	-	-	-	421,784
Administrative support services	718,850	-	-	-	718,850
Buildings and grounds	626,977	-	-	-	626,977
Transportation	224,253	-	-	-	224,253
Food service	-	180,462	-	-	180,462
On-behalf payments	365,125	-	-	-	365,125
Debt service:					
Principal	100,000	-	-	-	100,000
Interest	41,919	-	-	3,151	45,070
Capital outlay	-	-	11,955	-	11,955
TOTAL EXPENDITURES	7,355,391	180,462	11,955	3,151	7,550,959
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	299,356	(7,089)	(11,831)	6,348	286,784
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	7,089	-	145,000	152,089
Operating transfers (out)	(152,089)	-	-	-	(152,089)
TOTAL OTHER FINANCING SOURCES (USES)	(152,089)	7,089	-	145,000	-
NET CHANGE IN FUND BALANCES	147,267	-	(11,831)	151,348	286,784
FUND BALANCES - JULY 1	300,028	-	32,838	458,949	791,815
FUND BALANCES - JUNE 30	\$ 447,295	\$ -	\$ 21,007	\$ 610,297	\$ 1,078,599

See accompanying independent auditors' report and notes to financial statements.

CHARLOTTE TOWN SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 286,784</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset purchases capitalized	3,995
Capital assets disposed	-
Depreciation expense	<u>(248,556)</u>
	<u>(244,561)</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	<u>-</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	<u>103,739</u>
Accrued compensated absences payable is not recognized as an expense in governmental funds since it is not due and payable with current financial resources.	<u>(14,993)</u>
Accrued severance payable is not recognized as an expense in governmental funds since it is not due and payable with current financial resources.	<u>7,250</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 138,219</u></u>

See accompanying independent auditors' report and notes to financial statements.

CHARLOTTE TOWN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	Agency Funds	Private- Purpose Funds
	Student Activities	Trust Funds
ASSETS		
Cash	\$ 11,535	\$ 7,241
Accounts receivable (net of allowance for doubtful accounts)	-	-
Due from other governments	-	-
	-	-
TOTAL ASSETS	\$ 11,535	\$ 7,241
LIABILITIES		
Accounts payable	\$ -	\$ -
Accrued expenses	-	-
Deferred revenue	-	-
Deposits held for others	11,535	-
	11,535	-
TOTAL LIABILITIES	\$ 11,535	\$ -
NET POSITION		
Held in trust for special purposes		\$ 7,241

See accompanying independent auditors' report and notes to financial statements.

CHARLOTTE TOWN SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Private- Purpose Funds <u>Trust Funds</u>
ADDITIONS	
Contributions	\$ 1,024
Interest	<u>-</u>
Total additions	<u>1,024</u>
DEDUCTIONS	
Distributions	<u>399</u>
Total deductions	<u>399</u>
Change in net position	625
NET POSITION - JULY 1	<u>6,616</u>
NET POSITION - JUNE 30	<u><u>\$ 7,241</u></u>

See accompanying independent auditors' report and notes to financial statements.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The School District is organized, according to State law, under the governance of the Board of School Directors to provide public education to the Town of Charlotte. The School District is governed by a five member elected board.

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The School District's combined financial statements include all accounts and all operations of the School District. We have determined that the School District has no component units as described in GASB Statement No. 14 and amended by GASB Statement No. 39.

Government-Wide and Fund Financial 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).

Both the government-wide and fund financial statements categorize primary activities as governmental. All of the School District's activities are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources 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.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions (instruction, administration, etc.). The functions are also supported by general government revenues (support from the School District, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Operating grants include operating-specific and discretionary (either operating

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (assessments, certain intergovernmental revenues and interest income, etc.).

The School District does not allocate indirect costs. All costs are charged directly to the corresponding departments.

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the School District are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the School District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of 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:

- a. The General Fund is the general 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.
- b. The Food Service Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for the food service program.
- c. The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- d. The 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 bond payable.

2. 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 the School District's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

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

The emphasis in fund financial statements is on the major funds in the governmental activity category. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

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

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

The governmental fund 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 soon enough thereafter to be used to pay liabilities of the current period. 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.

Budget

The School District's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Vermont to the Vermont State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

Revenues per budgetary basis	\$ 7,289,622
Add: On-behalf payments	<u>365,125</u>
Total GAAP basis	<u>\$ 7,654,747</u>
Expenditures per budgetary basis	\$ 7,142,355
Add: On-behalf basis	<u>365,125</u>
Total GAAP basis	<u>\$ 7,507,480</u>

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. The School Board approves a preliminary budget by early January for the following fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is approved at the annual district meeting by the School District voters.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. The School District is not legally required to adopt a budget for the Food Service Fund.

Deposits and Investments

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the School District's policy to value investments at fair value. None of the School District's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The School District Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit School Districts.
- Repurchase agreements
- Money market mutual funds

The Charlotte Town School District has no formal investment policy but instead follows the State of Vermont Statutes.

Inventories

Inventories consist of food and supplies in the Food Services Fund at the end of the year, valued at cost. The cost value is determined using the first-in, first-out (FIFO) method.

Interfund Receivables and Payables

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances". Interfund balances and transactions have been eliminated in the government-wide financial statements.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2014.

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 market 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 estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds and notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

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

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the School District. The inhabitants of the School District through School Board meetings are the highest level of decision-making authority of the School District. Commitments may be established, modified, or rescinded only through a School District meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the School Board.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School Board meeting vote has provided otherwise in its commitment or assignment actions.

The School District has adopted a set of financial policies to guide the financial operation of the School District. Included in the policies will be guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The School District uses encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the School District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

The School District's investment policies, which follow state statutes, authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all School District funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the School District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The School District does not have a policy covering custodial credit risk.

At June 30, 2014, the School District's cash balance of \$637,092 was comprised of bank deposits of \$731,658. Of these bank deposits, \$250,000 were fully insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$481,658 were collateralized.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 248,573
Repurchase agreement	483,085
	<u>\$ 731,658</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the School District does not have a policy for custodial credit risk for investments.

At June 30, 2014, the School District had certificates of deposit of \$610,297 which were all collateralized.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>
Investment account	\$ 610,297	\$ -	\$ -	\$ 610,297
	<u>\$ 610,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 610,297</u>

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk – Statutes for the State of Vermont authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The School District does not have an investment policy on credit risk. Generally, the School District invests excess funds in savings accounts and various insured certificates of deposit.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 17,682	\$ 269
Food Service Fund	269	-
Capital Projects Fund	-	17,682
	<u>\$ 17,951</u>	<u>\$ 17,951</u>

NOTE 4 - CAPITAL ASSETS

	Balance, 7/1/13	Additions	Disposals	Balance, 6/30/14
<u>Governmental activities:</u>				
Non-depreciated assets:				
Construction in progress	\$ 5,015	\$ -	\$ -	\$ 5,015
	<u>5,015</u>	<u>-</u>	<u>-</u>	<u>5,015</u>
Depreciated assets:				
Buildings/improvements	9,317,841	-	-	9,317,841
Furniture & equipment	529,576	3,995	-	533,571
	9,847,417	3,995	-	9,851,412
Less: accumulated depreciation	<u>(3,646,153)</u>	<u>(248,556)</u>	<u>-</u>	<u>(3,894,709)</u>
	<u>6,201,264</u>	<u>(244,561)</u>	<u>-</u>	<u>5,956,703</u>
Net capital assets	<u>\$ 6,206,279</u>	<u>\$ (244,561)</u>	<u>\$ -</u>	<u>\$ 5,961,718</u>

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 - LONG TERM DEBT

A summary of long-term debt is as follows:

	Balance, 7/1/13	Additions	Deletions	Balance, 6/30/14	Current Portion
Bonds payable	\$ 3,200,000	\$ -	\$ (100,000)	\$ 3,100,000	\$ 100,000
Leases payable	3,739	-	(3,739)	-	-
Accrued compensated absences	34,871	14,993	-	49,864	-
Accrued severance payable	13,750	-	(7,250)	6,500	-
	<u>\$ 3,252,360</u>	<u>\$ 14,993</u>	<u>\$ (110,989)</u>	<u>\$ 3,156,364</u>	<u>\$ 100,000</u>

The following is a description of the outstanding bonds and notes payable:

General Obligation bond due to Vermont Municipal Bond Bank in annual principal installments of \$100,000 to \$105,000 through 2017. The interest rate varies from 5.393% to 6.093% per annum.	\$ 300,000
General Obligation bond due to Merchants Bank in full on March 1, 2027. The School District makes annual payments to a sinking fund in the amount of \$145,000.	<u>2,800,000</u>
Total bonds payable	<u>\$ 3,100,000</u>

The following is a summary of outstanding bond and note principal and interest requirements for the next five fiscal years ending

Year	Principal	Interest	Total Debt Service
2015	\$ 100,000	\$ 15,200	\$ 115,200
2016	100,000	6,200	106,200
2017	100,000	-	100,000
2018	-	-	-
2019	-	-	-
2020-2024	-	-	-
2025-2029	2,800,000	-	2,800,000
	<u>\$ 3,100,000</u>	<u>\$ 21,400</u>	<u>\$ 3,121,400</u>

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 - SHORT-TERM DEBT

On July 1, 2013, the School District signed a tax anticipation note with People's United Bank for \$2,569,000 at 1.35% per annum. Principal and interest of \$20,713 were paid in full at June 30, 2014.

NOTE 7 - NONSPENDABLE FUND BALANCES

At June 30, 2014, the School District had the following nonspendable fund balances:

Food service fund:	
Inventory	<u>\$ 3,761</u>

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2014, the School District had the following restricted fund balances:

Debt service fund:	
Restricted for debt service	<u>\$ 610,297</u>

NOTE 9 - COMMITTED FUND BALANCES

At June 30, 2014, the School District had the following committed fund balances:

General fund:	
Compensated absences	\$ 5,000
Capital projects fund:	
Capital assets	<u> 21,007</u>
	<u>\$ 26,007</u>

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2014, the School District had the following assigned fund balances:

General fund:	
Revenue for budgets after FY2015	<u>\$ 442,295</u>

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11 - OVERSPENT APPROPRIATIONS

At June 30, 2014, the School District had the following overspent appropriations:

Buidlings and grounds	\$	17,409
Transfers to other funds		7,089
	\$	<u>17,409</u>

NOTE 12 - DEFINED BENEFIT PENSION PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

A. Plan Description

All of the teachers employed by School District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan covering all teachers in local School Districts within the State of Vermont. The VSTRS provides retirement, and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. Vermont Statutes Title 16, Chapter 55 assigns the authority to establish and amend benefit provisions to the VSTRS Board of Trustees. The Vermont State Treasurer's Office issues a publicly available financial report that includes financial statements and required supplementary information for the VSTRS. That report may be obtained by writing to State of Vermont, Office of the State Treasurer, 109 State Street FL 4, Montpelier, VT 05609-6200 or by calling (802) 828-2301.

B. Funding Policy

Required contributions to the system are made by the State of Vermont based upon a valuation report prepared by the System's actuary. VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and the School District has no legal obligation for paying benefits. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan which approximates \$365,125 of total payroll for employees covered under the plan.

Contributions by the employees are 5.00% of gross earnings and are withheld pre income tax by the School District. Such withholdings totaled \$159,754 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees covered under this plan was \$3,194,444 for the year ended June 30, 2014.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

A. Plan Description

Employees other than Teachers are eligible to participate in the Vermont Municipal Employees' Retirement System ("VMERS") providing they work a minimum of 30 hours per week for the school year employee or a minimum of 24 hours per week for a calendar year employee. That report may be obtained by writing to State of Vermont, Office of the State Treasurer, 109 State Street FL 4, Montpelier, VT 05609-6200 or by calling (802) 828-2301. There are three levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. The School District participates in Groups A and B. Normal retirement for Group A members is age 65 and the completion of 5 years of creditable service, or age 55 and completion of 35 years of creditable service. Normal retirement for Group B members is age 62 and the completion of 5 years of creditable service, or age 55 and completion of 30 years of creditable service. Normal retirement for Group C and D members is age 55 and the completion of 5 years of creditable service. A member may receive reduced benefits at age 55 if they have 5 years of service and have made contributions for at least 2.5 years. The System is an actuarial reserve, joint-contributory program. Both the members and the School District make contributions to the fund according to the following schedule:

	Group A	Group B	Group C	Group D
Employees' Contributions (% of gross wages)	2.5%	4.5%	9.25%	11.0%
The School District 's contributions (% of gross wages)	4.0%	5.0%	6.5%	9.5%

B. Funding Policy

There is a municipal defined contribution plan option with the withholding based on the group selected.

Employee contributions are withheld pre income tax by the School District and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2014 totaled \$37,750. The School District contributed \$39,492 and \$34,752 for the years ended June 30, 2014 and 2013, respectively. The School District's total payroll for all employees covered under this plan was \$820,261.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

403(b) RETIREMENT CONTRIBUTION PLAN

Effective January 1, 2009, the School District established a 403(b) Retirement Contribution Plan. This plan is eligible to all employees. There is a maximum annual cap that employees are allowed to contribute to this plan. These funds are invested in the State of Vermont 403(b) Investment Program. There is no employer match or contribution provision in this plan.

NOTE 13 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, thefts 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 fiscal years.

In addition, the 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 Supervisory Unions 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. The pooling agreement does not permit the pool to make additional assessments to its members.

NOTE 14 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the School District's financial position.

The School District participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the School District's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual - General Fund

CHARLOTTE TOWN SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 300,028	\$ 300,028	\$ 300,028	\$ -
Resources (Inflows):				
Intergovernmental:				
Act 68 state aid	6,464,942	6,464,942	6,464,942	-
Other	843,758	843,758	788,103	(55,655)
Investment income	37,640	37,640	23,693	(13,947)
Miscellaneous	8,000	8,000	12,884	4,884
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>7,654,368</u>	<u>7,654,368</u>	<u>7,589,650</u>	<u>(64,718)</u>
Charges to Appropriations (Outflows):				
Current:				
Regular instruction and related	3,753,278	3,753,278	3,726,230	27,048
Special education and related	1,245,936	1,245,936	1,130,253	115,683
Support services - student based	462,176	462,176	421,784	40,392
Administrative support services	752,461	752,461	718,850	33,611
Buildings and grounds	609,568	609,568	626,977	(17,409)
Transportation	242,906	242,906	224,253	18,653
Debt service:				
Principal	100,000	100,000	100,000	-
Interest	43,015	43,015	41,919	1,096
Transfers to other funds	145,000	145,000	152,089	(7,089)
Total Charges to Appropriations	<u>7,354,340</u>	<u>7,354,340</u>	<u>7,142,355</u>	<u>211,985</u>
Budgetary Fund Balance, June 30	<u>\$ 300,028</u>	<u>\$ 300,028</u>	<u>\$ 447,295</u>	<u>\$ 147,267</u>
Utilization of unassigned fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Departmental Operations – General Fund

SCHEDULE A (CONTINUED)
 CHARLOTTE TOWN SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Regular instruction and related services:				
Regular program	\$ 3,080,059	\$ 3,080,714	\$ 3,076,266	\$ 4,448
Art	4,500	4,200	4,052	148
Foreign language	777	777	482	295
Health/physical education	2,863	2,863	2,880	(17)
Music	1,760	1,760	2,033	(273)
Computer	254,555	254,555	249,899	4,656
Reading	6,578	6,578	5,147	1,431
Athletics	57,363	57,363	60,500	(3,137)
Co-curricular activities	29,119	29,119	32,889	(3,770)
Early essential education	192,966	192,966	166,235	26,731
Kindergarten	2,000	2,000	1,932	68
Adventurers	2,000	2,650	2,606	44
Navigators	1,925	2,000	1,949	51
Alpha	7,200	7,200	6,716	484
Architects	3,245	3,000	3,428	(428)
Voyagers	2,035	1,650	1,391	259
ELP	96,383	96,383	100,042	(3,659)
Omega	7,950	7,500	7,783	(283)
	<u>3,753,278</u>	<u>3,753,278</u>	<u>3,726,230</u>	<u>27,048</u>
Special education and related services:				
504 plans	55,077	55,077	56,139	(1,062)
Special education	997,950	997,950	795,490	202,460
Summer	28,586	28,586	174,808	(146,222)
Ineligible special education	164,323	164,323	103,816	60,507
	<u>1,245,936</u>	<u>1,245,936</u>	<u>1,130,253</u>	<u>115,683</u>
Support services - student based:				
Guidance	192,620	192,620	191,385	1,235
Health	52,978	52,978	53,461	(483)
Psychological services	33,138	33,138	6,628	26,510
Instructional improvements	52,173	52,173	36,313	15,860
Education media services	127,696	127,696	125,030	2,666
Other instructional support	3,571	3,571	8,967	(5,396)
	<u>462,176</u>	<u>462,176</u>	<u>421,784</u>	<u>40,392</u>

SCHEDULE A (CONTINUED)

CHARLOTTE TOWN SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Administrative support services				
Board of Education	44,663	44,663	23,950	20,713
Executive administrative services	146,897	146,897	156,197	(9,300)
Other support services	33,242	33,242	21,074	12,168
Office of Principal	390,769	390,769	387,764	3,005
Other school administrative services	19,000	19,000	14,907	4,093
Fiscal services	117,890	117,890	114,958	2,932
	<u>752,461</u>	<u>752,461</u>	<u>718,850</u>	<u>33,611</u>
Buildings and grounds:				
Operations & maintenance of plant	<u>609,568</u>	<u>609,568</u>	<u>626,977</u>	<u>(17,409)</u>
Transportation				
	<u>242,906</u>	<u>242,906</u>	<u>224,253</u>	<u>18,653</u>
Debt service:				
Principal	100,000	100,000	100,000	-
Interest	21,206	21,206	21,206	-
Tax anticipation note interest	21,809	21,809	20,713	1,096
	<u>143,015</u>	<u>143,015</u>	<u>141,919</u>	<u>1,096</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 7,209,340</u></u>	<u><u>\$ 7,209,340</u></u>	<u><u>\$ 6,990,266</u></u>	<u><u>\$ 219,074</u></u>

See accompanying independent auditors' report and notes to financial statements.



Proven Expertise and Integrity

INDEPENDENT AUDITORS' 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

Board of School Directors
Charlotte Town School District
Shelburne, Vermont

We have audited, 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 the financial statements of Charlotte Town School District, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 22, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charlotte Town 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*.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
August 22, 2014