

Audited Financial Statements

Charlotte Town School District

June 30, 2015



Proven Expertise and Integrity

CHARLOTTE TOWN SCHOOL DISTRICT

CONTENTS

JUNE 30, 2015

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 11
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	12
STATEMENT B - STATEMENT OF ACTIVITIES	13 - 14
<u>FUND FINANCIAL STATEMENTS</u>	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	15
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	16
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	17
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	18
STATEMENT G - STATEMENT OF FIDUCIARY NET POSITION	19
STATEMENT H - STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	20
NOTES TO FINANCIAL STATEMENTS	21 - 49
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	50

SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS - BUDGET AND ACTUAL – GENERAL FUND	51
SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	52
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS	53
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	54
SCHEDULE A - SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND	55 - 56
GENERAL CAPITAL ASSETS DESCRIPTION	57
SCHEDULE B - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	58
SCHEDULE C - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	59
<u>FEDERAL COMPLIANCE</u>	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	60 - 61



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, 2015, 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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Charlotte Town School District as of June 30, 2015, 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, budgetary comparison information and pension information on pages 4 through 11 and 51 through 53 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. Such 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2015 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

November 17, 2015

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

(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, 2015. 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, a Schedule of Proportionate Share of the Net Pension Liability and a Schedule of Contributions.

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 \$359,560 from \$3,846,288 to \$4,205,848.

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 \$595,598 at the end of this year.

Table 1
Charlotte Town School District
Net Position
June 30,

	Governmental Activities	
	2015	2014 (Restated)
Assets:		
Current Assets	\$ 1,598,599	\$ 1,235,615
Capital Assets	5,854,179	5,991,981
Total Assets	<u>\$ 7,452,778</u>	<u>\$ 7,227,596</u>
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	\$ 46,086	\$ -
Total Deferred Outflows of Resources	<u>\$ 46,086</u>	<u>\$ -</u>
Liabilities:		
Current Liabilities	\$ 213,642	\$ 176,116
Long-term Debt Outstanding	2,935,487	3,122,275
Total Liabilities	<u>\$ 3,149,129</u>	<u>\$ 3,298,391</u>
Deferred Inflows of Resources		
Deferred Revenue	\$ 57,727	\$ 82,917
Deferred Inflows Related to Pensions	86,160	-
Total Deferred Inflows of Resources	<u>\$ 143,887</u>	<u>\$ 82,917</u>
Net Position:		
Net Investment in Capital Assets	\$ 2,846,020	\$ 2,891,981
Restricted for: Debt Service Fund	760,813	610,297
Food Service Fund	3,417	-
Unrestricted	595,598	344,010
Total Net Position	<u>\$ 4,205,848</u>	<u>\$ 3,846,288</u>

Revenues and Expenses

Revenues for the Charlotte Town School District's governmental activities increased by 1.52%, while total expenses decreased by 1.32%. Most of the School District's revenues were consistent with the previous year with minor increases or decreases. The biggest decrease in expenses was in regular instruction.

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

	Governmental Activities	
	2015	2014
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 125,766	\$ 120,235
Operating grants and contributions	1,150,659	1,201,740
<i>General Revenues:</i>		
Act 68 state aid	6,631,235	6,464,942
Interest income	34,378	29,264
Miscellaneous	15,150	21,562
Total Revenues	7,957,188	7,837,743
Expenses		
Regular instruction and related services	3,470,152	3,612,966
Special education and related services	1,299,791	1,296,488
Support services - student based	448,514	421,784
Administrative support services	788,725	718,850
Buildings and grounds	841,465	822,359
Transportation	234,044	224,253
Interest on long-term debt	33,022	45,070
Food service	185,224	184,669
Capital outlay	-	7,960
On-behalf payments	296,691	365,125
Total Expenses	7,597,628	7,699,524
 Change in Net Position	 359,560	 138,219
 Net Position - July 1, Restated	 3,846,288	 3,708,069
 Net Position - June 30	 \$ 4,205,848	 \$ 3,846,288

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,

	2015	2014
Major Funds:		
General Fund:		
Nonspendable	\$ 2,370	\$ -
Committed	5,000	5,000
Assigned	700,633	442,295
Total General Fund	\$ 708,003	\$ 447,295
Food Service Fund:		
Nonspendable	\$ 5,701	\$ 3,761
Restricted	3,417	-
Unassigned	-	(3,761)
Total Food Service Fund	\$ 9,118	\$ -
Capital Projects Fund:		
Committed	\$ -	\$ 21,007
Unassigned	(28,090)	-
Total Capital Projects Fund	\$ (28,090)	\$ 21,007
Debt Service Fund:		
Restricted	\$ 760,813	\$ 610,297
Total Debt Service Fund	\$ 760,813	\$ 610,297

The general fund total fund balance increased by \$260,708 from the prior fiscal year. The food service fund total fund balance increased by \$9,118 from the prior fiscal year. The capital projects fund total fund balances decreased by \$49,097 from the prior fiscal year. The debt service fund total fund balance increased by \$150,516 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 \$40,702 primarily due to intergovernmental revenues and interest income that were under-received.

The general fund actual expenditures were under the budget by \$301,410. Regular instruction and related services, special education and related services, support services – student based, buildings and grounds, transportation, debt service and transfers to other funds finished within budget while the remaining expenditure categories exceeded the budget.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2015, the School District capital assets decreased by \$137,802. This decrease was due to current year depreciation of \$255,843 less capital additions of \$118,041.

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

	<u>2015</u>	<u>2014</u> <u>(Restated)</u>
Construction in progress	\$ 30,304	\$ -
Buildings and improvements	5,671,323	5,855,196
Furniture and equipment	152,552	136,785
Total	<u>\$ 5,854,179</u>	<u>\$ 5,991,981</u>

Debt

At June 30, 2015, the School District had \$3,000,000 in bonds payable versus \$3,100,000 in the prior fiscal year. Refer to Note 6 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 2015-2016 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, 2015

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 819,018
Investments	760,016
Accounts receivable (net of allowance for uncollectibles)	3,683
Due from other governments	7,811
Inventory	5,701
Prepaid expenses	2,370
Total current assets	<u>1,598,599</u>
Non-current assets:	
Land, infrastructure, and other assets not being depreciated	30,304
Buildings, building improvements and other assets net of accumulated depreciation	5,823,875
Total non-current assets	<u>5,854,179</u>
TOTAL ASSETS	<u>7,452,778</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	46,086
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>46,086</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 7,498,864</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 11,174
Accrued expenses	40,362
Due to other governments	39,492
Accrued interest payable	1,014
Current portion of long-term obligations	121,600
Total current liabilities	<u>213,642</u>
Non-current liabilities:	
Bonds payable	2,900,000
Capital leases payable	5,546
Accrued severance payable	2,000
Net pension liability	27,941
Total non-current liabilities	<u>2,935,487</u>
TOTAL LIABILITIES	<u>3,149,129</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	57,727
Deferred inflows related to pensions	86,160
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>143,887</u>
NET POSITION	
Net investment in capital assets	2,846,020
Restricted: Debt service fund	760,813
Food service fund	3,417
Unrestricted	595,598
TOTAL NET POSITION	<u>4,205,848</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 7,498,864</u>

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

CHARLOTTE TOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental activities:					
Regular instruction and related services	\$ 3,470,152	\$ -	\$ -	\$ -	\$ (3,470,152)
Special education and related services	1,299,791	-	707,690	-	(592,101)
Support services - student based	448,514	-	-	-	(448,514)
Administrative support services	788,725	-	-	-	(788,725)
Buildings and grounds	841,465	-	-	-	(841,465)
Transportation	234,044	-	97,056	-	(136,988)
Interest on long-term debt	33,022	-	-	-	(33,022)
Food service	185,224	125,766	49,222	-	(10,236)
On-behalf payments	296,691	-	296,691	-	-
Total government	\$ 7,597,628	\$ 125,766	\$ 1,150,659	\$ -	(6,321,203)

STATEMENT B (CONTINUED)

CHARLOTTE TOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities
Changes in net position:	
Net (expense) revenue	(6,321,203)
General revenues:	
Grants and contributions not restricted to specific programs	6,631,235
Interest income	34,378
Miscellaneous	15,150
Total general revenues	6,680,763
Change in net position	359,560
NET POSITION - JULY 1, RESTATED	3,846,288
NET POSITION - JUNE 30	\$ 4,205,848

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

STATEMENT C

CHARLOTTE TOWN SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Totals Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 809,400	\$ -	\$ 8,821	\$ 797	\$ 819,018
Investments	-	-	-	760,016	760,016
Accounts receivable (net of allowance for uncollectibles)		3,683	-	-	3,683
Due from other governments	5,374	2,437	-	-	7,811
Inventory	-	5,701	-	-	5,701
Prepaid expenses	2,370	-	-	-	2,370
Due from other funds	36,911	5,139	-	-	42,050
TOTAL ASSETS	\$ 854,055	\$ 16,960	\$ 8,821	\$ 760,813	\$ 1,640,649
LIABILITIES					
Accounts payable	\$ 11,014	\$ 160	\$ -	\$ -	\$ 11,174
Accrued expenses	32,855	7,507	-	-	40,362
Due to other governments	39,317	175	-	-	39,492
Due to other funds	5,139	-	36,911	-	42,050
TOTAL LIABILITIES	88,325	7,842	36,911	-	133,078
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	57,727	-	-	-	57,727
TOTAL DEFERRED INFLOWS OF RESOURCES	57,727	-	-	-	57,727
FUND BALANCES					
Nonspendable	2,370	5,701	-	-	8,071
Restricted	-	3,417	-	760,813	764,230
Committed	5,000	-	-	-	5,000
Assigned	700,633	-	-	-	700,633
Unassigned	-	-	(28,090)	-	(28,090)
TOTAL FUND BALANCES	708,003	9,118	(28,090)	760,813	1,449,844
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 854,055	\$ 16,960	\$ 8,821	\$ 760,813	\$ 1,640,649

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

CHARLOTTE TOWN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 1,449,844
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	5,854,179
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	46,086
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(1,014)
Bonds payable	(3,000,000)
Capital leases payable	(8,159)
Accrued compensated absences	(18,987)
Accrued severance payable	(2,000)
Net pension liability	(27,941)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(86,160)</u>
Net position of governmental activities	<u>\$ 4,205,848</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, 2015

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Totals Governmental Funds
REVENUES					
Intergovernmental revenues	\$ 7,732,672	\$ 49,222	\$ -	\$ -	\$ 7,781,894
Charges for services	-	125,766	-	-	125,766
Interest income	24,065	-	132	10,181	34,378
Miscellaneous revenues	10,796	4,354	-	-	15,150
TOTAL REVENUES	7,767,533	179,342	132	10,181	7,957,188
EXPENDITURES					
Current:					
Regular instruction and related services	3,512,036	-	-	-	3,512,036
Special education and related services	1,299,791	-	-	-	1,299,791
Support services - student based	448,514	-	-	-	448,514
Administrative support services	788,725	-	-	-	788,725
Buildings and grounds	638,667	-	-	-	638,667
Transportation	234,044	-	-	-	234,044
Food service	-	185,224	-	-	185,224
On-behalf payments	296,691	-	-	-	296,691
Debt service:					
Principal	100,000	-	-	-	100,000
Interest	28,357	-	-	4,665	33,022
Capital outlay	-	-	49,229	-	49,229
TOTAL EXPENDITURES	7,346,825	185,224	49,229	4,665	7,585,943
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	420,708	(5,882)	(49,097)	5,516	371,245
OTHER FINANCING SOURCES (USES)					
Transfers in	-	15,000	-	145,000	160,000
Transfers (out)	(160,000)	-	-	-	(160,000)
TOTAL OTHER FINANCING SOURCES (USES)	(160,000)	15,000	-	145,000	-
NET CHANGE IN FUND BALANCES	260,708	9,118	(49,097)	150,516	371,245
FUND BALANCES - JULY 1	447,295	-	21,007	610,297	1,078,599
FUND BALANCES - JUNE 30	\$ 708,003	\$ 9,118	\$ (28,090)	\$ 760,813	\$ 1,449,844

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, 2015

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 371,245</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	118,041
Capital assets disposed	-
Depreciation expense	<u>(255,843)</u>
	<u>(137,802)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>46,086</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	
	<u>(11,102)</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>102,943</u>
Deferred inflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>(86,160)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	30,877
Accrued interest	1,003
Net pension liability	<u>37,970</u>
	<u>69,850</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>4,500</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 359,560</u></u>

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

CHARLOTTE TOWN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	<u>Agency Funds</u> Student Activities	<u>Private- Purpose Funds</u> Trust Funds
ASSETS		
Cash	\$ 11,279	\$ 6,874
Due from other governments	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 11,279</u>	<u>\$ 6,874</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
Deposits held for others	<u>11,279</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 11,279</u>	<u>\$ -</u>
NET POSITION		
Held in trust for special purposes		<u>\$ 6,874</u>

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, 2015

	<u>Private- Purpose Funds</u> Trust Funds
ADDITIONS	
Contributions	\$ -
Interest	<u>25</u>
Total additions	<u>25</u>
DEDUCTIONS	
Distributions	<u>392</u>
Total deductions	<u>392</u>
Change in net position	(367)
NET POSITION - JULY 1	<u>7,241</u>
NET POSITION - JUNE 30	<u>\$ 6,874</u>

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

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 Statements No. 39 and No. 61.

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 position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. 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 or capital) grants while the capital grants column reflects capital-specific grants. For the

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015

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.

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

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	\$ 7,470,842
Add: On-behalf payments	<u>296,691</u>
Total GAAP basis	<u>\$ 7,767,533</u>
Expenditures per budgetary basis	\$ 7,210,134
Add: On-behalf basis	<u>296,691</u>
Total GAAP basis	<u>\$ 7,506,825</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.
3. The School District is not legally required to adopt a budget for the Food Service Fund.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Prepaid Items

Certain insurance and other payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2015.

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 payable and capital leases 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

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) and the Vermont Municipal Employees' Retirement System (VMERS) Plans and additions to/deductions from the VSTRS and VMERS Plans' fiduciary net position have been determined on the same basis as they are reported by the VSTRS and VMERS Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently has

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred revenue qualifies for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to pensions qualify for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as inflows of resources in the period that the amounts become available.

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.

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

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2015, the School District's cash balance of \$837,171 was comprised of bank deposits of \$949,336. Of these bank deposits, \$265,695 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk, \$797 was covered by the Securities Investor Protection Corporation (SIPC), and \$682,844 was collateralized with securities held by the financial institution in the School District's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 932,844
Money market accounts	15,695
Cash equivalents	797
	<u>\$ 949,336</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, 2015, the School District had investments in fixed income securities of \$760,016. Of these investments, \$499,203 was covered by the Securities Investor Protection Corporation (SIPC). The remaining investments of \$260,813 were uncollateralized and uninsured.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Fair Value</u>	<u>< 1 Year</u>	<u>1 - 5 Years</u>	<u>> 5 Years</u>
Fixed income:				
U.S. Government Bonds (Tax Exempt)	\$ 89,572	\$ -	\$ 58,435	\$ 31,137
U.S. Treasury Note	254,661	-	-	254,661
U.S. Government Bonds	415,783	-	-	415,783
	<u>\$ 760,016</u>	<u>\$ -</u>	<u>\$ 58,435</u>	<u>\$ 701,581</u>

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

Interfund balances at June 30, 2015 consisted of the following individual fund receivables and payables:

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General Fund	\$ 36,911	\$ 5,139
Food Service Fund	5,139	-
Capital Projects Fund	-	36,911
	<u>\$ 42,050</u>	<u>\$ 42,050</u>

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2015:

	Balance, 7/1/14 (Restated)	Additions	Disposals	Balance, 6/30/15
<u>Governmental activities:</u>				
<u>Non-depreciated assets:</u>				
Construction in progress	\$ -	\$ 30,304	\$ -	\$ 30,304
	<u>-</u>	<u>30,304</u>	<u>-</u>	<u>30,304</u>
<u>Depreciated assets:</u>				
Buildings & improvements	9,336,077	18,925	-	9,355,002
Furniture & equipment	550,818	68,812	(89,538)	530,092
	<u>9,886,895</u>	<u>87,737</u>	<u>(89,538)</u>	<u>9,885,094</u>
Less: accumulated depreciation	(3,894,914)	(255,843)	89,538	(4,061,219)
	<u>5,991,981</u>	<u>(168,106)</u>	<u>-</u>	<u>5,823,875</u>
Net capital assets	<u>\$ 5,991,981</u>	<u>\$ (137,802)</u>	<u>\$ -</u>	<u>\$ 5,854,179</u>
<u>Current year depreciation</u>				
Regular instruction				\$ 53,045
Buildings and grounds				202,798
Total depreciation expense				<u>\$ 255,843</u>

NOTE 5 - SHORT-TERM DEBT

On July 1, 2014, the School District issued a tax anticipation note through People's United Bank in anticipation of tax revenues to meet its operating obligations during the fiscal year. The note, a line of credit, allowed principal draws up to \$2,601,000 at an interest rate of 1.25% with a maturity date of February 3, 2015.

Short-term debt activity for the year ended June 30, 2015, was as follows:

	Balance, 7/1/14	Additions	Reductions	Balance, 6/30/15
Tax anticipation note	\$ -	\$ 2,601,000	\$ (2,601,000)	\$ -
Totals	<u>\$ -</u>	<u>\$ 2,601,000</u>	<u>\$ (2,601,000)</u>	<u>\$ -</u>

On February 3, 2015 the note was paid in full. Interest expense for the note during the fiscal year totaled \$19,146.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 - LONG TERM DEBT

A summary of long-term debt is as follows:

	Balance, 7/1/14 (Restated)	Additions	Deletions	Balance, 6/30/15	Current Portion
Bonds payable	\$ 3,100,000	\$ -	\$ (100,000)	\$ 3,000,000	\$ 100,000
Capital leases payable	-	11,102	(2,943)	8,159	2,613
Accrued compensated absences	49,864	-	(30,877)	18,987	18,987
Accrued severance payable	6,500	-	(4,500)	2,000	-
Net pension liability	65,911	512,186	(550,156)	27,941	-
	<u>\$ 3,222,275</u>	<u>\$ 523,288</u>	<u>\$ (688,476)</u>	<u>\$ 3,057,087</u>	<u>\$ 121,600</u>

The following is a description of the outstanding bonds payable:

General Obligation bond due to Vermont Municipal Bond Bank in annual principal installments of \$100,000 to \$105,000 through December 2016. The interest rate varies from 5.393% to 6.093% per annum.

\$ 200,000

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.

2,800,000

Total bonds payable

\$ 3,000,000

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bond principal and interest requirements for the fiscal years ending June 30:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 100,000	\$ 9,130	\$ 109,130
2017	100,000	3,046	103,046
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021-2025	-	-	-
2026-2030	2,800,000	-	2,800,000
	<u>\$ 3,000,000</u>	<u>\$ 12,176</u>	<u>\$ 3,012,176</u>

The following is a summary of capital leases payable for the year ended June 30, 2015:

The Town leases computer equipment under a non-cancelable lease agreement. The term of the lease is for a four year period expiring in September of 2018. Annual payments are \$2,943. Interest is charged at a rate of 4.04% per annum.

The future annual payments for this capital lease for the years ending June 30 are as follows:

<u>Year Ending June 30:</u>	
2016	\$ 2,943
2017	2,943
2018	2,943
2019	-
2020	-
Total minimum lease payment	<u>8,829</u>
Less amount representing interest	<u>(670)</u>
Present value of future minimum lease payments	<u>\$ 8,159</u>

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 - NONSPENDABLE FUND BALANCES

At June 30, 2015, the School District had the following nonspendable fund balances:

General fund:	
Prepaid expenses	\$ 2,370
Food service fund:	
Inventory	5,701
	<u>\$ 8,071</u>

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2015, the School District had the following restricted fund balances:

Food service fund	\$ 3,417
Debt service fund	760,813
	<u>\$ 764,230</u>

NOTE 9 - COMMITTED FUND BALANCES

At June 30, 2015, the School District had the following committed fund balances:

General fund:	
Compensated absences and healthcare liability	<u>\$ 5,000</u>

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2015, the School District had the following assigned fund balances:

General fund:	
Revenue for FY2016 budget	\$ 180,000
Revenue for budgets after FY2016	520,633
	<u>\$ 700,633</u>

NOTE 11 - OVERSPENT APPROPRIATIONS

At June 30, 2015, the School District had the following overspent appropriations:

Administrative support services	<u>\$ 19,264</u>
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CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private District teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2015, the retirement system consisted of 288 participating employers.

The plan was established effective July 1, 1947, and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the Secretary of Education (ex-officio); the State Treasurer (ex-officio), the Commissioner of Financial Regulation (ex-officio); two members and one alternate elected by active members of the System under rules adopted by the Board; and one retired member and one alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance & Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

The VSTRS provides retirement, and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. There are two levels of contributions and benefits in the System: Group A-for public school

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A; and Group C- for public school teachers employed within the State of Vermont on or after July 1, 1990. Group C also includes those teachers hired prior to July 1, 1990 and were in Group B on July 1, 1990. When Act 74 became effective on June 30, 2010, Group C was further bifurcated into Groups #1 and #2. Group #1 contains members who were at least 57 years of age or had at least 25 years of service, and Group #2 contains members who were less than 57 years of age and had less than 25 years of service.

Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Normal service retirement eligibility (no reduction)	Age 60 or 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula – normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC, 2.0% after attaining 20 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%, minimum of 1% after 12 months of normal retirement or age 65
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Other post-employment benefits are available to all plan members include the following:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pays full premium	Members pays full premium	Members pays full premium

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the District's employees included in the teacher's retirement plan which approximates \$296,691 or 11.43% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Employee Contributions	2.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

Employee contributions totaled \$134,972 during the year and were paid by the District to the State of Vermont. The District has no other liability under the plan. The District's total payroll for all employees covered under this plan was \$2,595,724 for the year ended June 30, 2015.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. Employees of the District other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year.

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

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance & Management website at:

http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

The pension plan is divided into four membership groups:

- Group A – general employees whose legislative bodies have not elected to become a member of Group B or Group C

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

- Groups B & C – general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D – sworn police officers, firefighters and emergency medical personnel

The District participates in Groups A and C. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

VMERS	Group A	Group B	Group C
Normal service retirement eligibility	Age 65 with 5 years of service, or age 55 with 35 years of service	Age 62 with 5 years of service, or age 55 with 30 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A
Early Retirement Eligibility	6% per year from age 65 **	6% per year from age 62 **	N/A

** - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund, and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

VMERS	Group A	Group B	Group C
Employee Contributions	2.5% of gross salary	4.75% of gross salary to 6/30/15; 4.875% of gross salary after 7/1/15	9.625% of gross salary to 12/31/14; 9.75% of gross salary to 6/30/15; 9.875% of gross salary after 7/1/15
Employer Contributions	4% of gross salary	5.375% of gross salary to 6/30/15; 5.50% of gross salary after 7/1/15	6.875% of gross salary to 12/31/14; 7% of gross salary to 6/30/15; 7.125% of gross salary after 7/1/15

Employee contributions are withheld pre income tax by the District and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2015, and 2014 totaled \$38,872 and \$37,750, respectively. The District contributed \$41,236 and \$39,492 for the years ended June 30, 2015 and 2014, respectively. The District's total payroll for the year ended June 30, 2015 for all employees covered under this plan was \$851,136.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Liabilities

VSTRS Plan

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2015. The State's portion of the collective net pension liability that was associated with the District was as follows:

District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	<u>5,092,159</u>
Total	<u><u>\$ 5,092,159</u></u>

The State of Vermont's proportionate share of the net pension liability associated with the District is equal to the collective net pension liability, actuarially measured as of June 30, 2014, multiplied by the District's proportionate share percentage. The District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2014, the District's proportion was 1.4090%, which was an increase of 0.0390% from its proportion measured as of June 30, 2013.

VMERS Plan

At June 30, 2015, the District reported a liability of \$27,941 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The District's proportion of the net pension liabilities were based on a projection of the District's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2014, the District's proportion was 0.3062% for VMERS, which was an increase of 0.0167% from its proportion measured as of June 30, 2013 for VMERS.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the District recognized pension expense of \$463,966 and revenue of \$463,966 for support provided by the State of Vermont for the VSTRS plan. In the same period, the District recognized net pension revenue of \$2,104 for the VMERS plan. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-	86,160
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	4,850	-
Contributions subsequent to the measurement date	-	-	41,236	-
Total	\$ -	\$ -	\$ 46,086	\$ 86,160

\$41,236 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS	VMERS
Year ended June 30:		
2016	\$ -	\$ 19,155
2017	-	19,155
2018	-	19,155
2019	-	-
2020	-	-
Thereafter	-	-

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five year period ending June 30, 2010:

Investment Rate of Return: For both plans, a select-and-ultimate interest rate set is used, specified below. The interest rate is restarted every year:

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

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

Age	Annual Rate of Salary Increase
25	8.40%
30	7.05%
35	6.15%
40	5.45%
45	4.95%
50	4.60%
55	4.35%
60	4.25%
64	4.25%

Salary increases for the VMERS plan are 5.00% per year, including inflation.

Deaths After Retirement: For the VSTRS plan, the 1995 Buck Mortality Tables are used, with a three-year set-back for males and one-year for females, for retirees, terminated vested members and beneficiaries; the RP-2000 Disabled Life Table with projection to 2016 using Scale AA for disabled retirees. The tables used contain a margin to reflect anticipated mortality improvement after the valuation date.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Mortality rates for active participants in the VMERS plan were based on 50% of the probabilities in the 1995 Buck Mortality Tables for males and females, non-disabled retirees and terminated vested participants were based on the 1995 Buck Mortality Tables with no set-back for males and a one-year set-back for females, disabled retirees were based on the RP-2000 Disabled Life Tables, and the 1995 Buck Mortality Tables for males and females was applied to beneficiaries.

Inflation: the separately stated assumptions for investment return, salary increases and cost of living adjustments for both plans are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

Spouse's Age: For both plans, husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments: For the VSTRS plan, adjustments are assumed to occur on January 1 following one year of retirement at the rate of 3% per annum for Group A members and 1.5% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement).

Cost-of-Living adjustments to benefits of terminated vested and retired participants were assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D of the VMERS plan.

Actuarial Cost Method: For both plans is the Entry Age Normal – Level Percentage of Pay.

A smoothing *asset valuation method* was used for funding purposes in both plans, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

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

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	31.50%	6.70%
Fixed income	33.00%	2.94%
Alternative	15.50%	6.26%
Multi-strategy	20.00%	5.98%
Total	100.00%	

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

Discount Rate

The discount rate used to measure the total pension liability was 8.15% for the VSTRS plan and 8.23% for the VMERS plan. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.15% for the VSTRS plan and 8.23% for the VMERS plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

lower (7.15% for VSTRS and 7.23% for VMERS) or 1 percentage point higher (9.15% for VSTRS and 9.23% VMERS) than the current rate:

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	7.15%	8.15%	9.15%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	7.23%	8.23%	9.23%
District's proportionate share of the net pension liability	\$ 235,389	\$ 27,941	\$ (146,101)

Pension Plan Fiduciary Net Position

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

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

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13 - RISK MANAGEMENT (CONTINUED)

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.

NOTE 15 - DEFICIT FUND BALANCE

At June 30, 2015, the School District had the following deficit fund balance:

Capital projects fund	<u>\$ 28,090</u>
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NOTE 16 - RELATED ORGANIZATION

The School District has an ongoing financial responsibility to Chittenden South Supervisory Union as defined in GASB 14, paragraph 71. Through Chittenden South Supervisory Union's assessment process, the School District's assessment can be increased to cover a share of any prior year deficits and decreased to share in any prior year surpluses. Separate financial statements on Chittenden South Supervisory Union are available from Chittenden South Supervisory Union.

NOTE 17 – COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the School District's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

CHARLOTTE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 18 - RESTATEMENTS

The beginning net position of the governmental activities has been restated as of July 1, 2014. The balance was restated to correct the capital assets balances. The governmental activities were restated by \$30,263.

The beginning net position of the governmental activities has been restated as of July 1, 2014 for the effects of GASB No. 68. The beginning balance has been restated by \$(65,911).

The net restatement to the governmental activities was \$(35,648).

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
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions

CHARLOTTE TOWN SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 447,295	\$ 447,295	\$ 447,295	\$ -
Resources (Inflows):				
Intergovernmental:				
Act 68 state aid	6,631,235	6,631,235	6,631,235	-
Other	840,709	840,709	804,746	(35,963)
Investment income	28,400	28,400	24,065	(4,335)
Miscellaneous	11,200	11,200	10,796	(404)
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>7,958,839</u>	<u>7,958,839</u>	<u>7,918,137</u>	<u>(40,702)</u>
Charges to Appropriations (Outflows):				
Current:				
Regular instruction and related services	3,693,277	3,693,277	3,512,036	181,241
Special education and related services	1,410,049	1,410,049	1,299,791	110,258
Support services - student based	460,040	460,040	448,514	11,526
Administrative support services	769,461	769,461	788,725	(19,264)
Buildings and grounds	640,165	640,165	638,667	1,498
Transportation	248,628	248,628	234,044	14,584
Debt service:				
Principal	100,000	100,000	100,000	-
Interest	29,924	29,924	28,357	1,567
Transfers to other funds	160,000	160,000	160,000	-
Total Charges to Appropriations	<u>7,511,544</u>	<u>7,511,544</u>	<u>7,210,134</u>	<u>301,410</u>
Budgetary Fund Balance, June 30	<u>\$ 447,295</u>	<u>\$ 447,295</u>	<u>\$ 708,003</u>	<u>\$ 260,708</u>
Utilization of unassigned fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CHARLOTTE TOWN SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>		
Proportion of the net pension liability	0.00%	0.00%
Proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>5,092,159</u>	<u>\$ 5,482,150</u>
Total	<u>\$ 5,092,159</u>	<u>\$ 5,482,150</u>
Covered-employee payroll	\$ 2,595,724	\$ 3,194,444
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	64.02%	60.59%
<u>VMERS:</u>		
Proportion of the net pension liability	0.31%	0.29%
Proportionate share of the net pension liability	\$ 27,941	\$ 105,403
Covered-employee payroll	\$ 851,136	\$ 820,261
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	3.28%	12.85%
Plan fiduciary net position as a percentage of the total pension liability	98.32%	92.71%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

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

CHARLOTTE TOWN SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,595,724	\$ 3,194,444
Contributions as a percentage of covered-employee payroll	0.00%	0.00%
<u>VMERS:</u>		
Contractually required contribution	\$ 41,236	\$ 39,492
Contributions in relation to the contractually required contribution	<u>(41,236)</u>	<u>(39,492)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 851,136	\$ 820,261
Contributions as a percentage of covered-employee payroll	4.84%	4.81%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

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 of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

CHARLOTTE TOWN SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Regular instruction and related services:				
Regular program	\$ 3,124,241	\$ 3,124,241	\$ 2,941,620	\$ 182,621
Art	4,200	4,200	4,044	156
Foreign language	777	777	885	(108)
Health/physical education	2,863	2,863	2,749	114
Music	1,760	1,760	1,761	(1)
Computer	309,371	309,371	312,101	(2,730)
Reading	6,578	6,578	5,576	1,002
Athletics	66,399	66,399	65,890	509
Co-curricular activities	28,387	28,387	30,639	(2,252)
Kindergarten	2,000	2,000	1,996	4
Adventurers	2,000	2,000	1,703	297
Navigators	2,000	2,000	1,268	732
Alpha	7,700	7,700	7,488	212
Architects	2,800	2,800	3,239	(439)
Voyagers	2,000	2,000	1,783	217
ELP	122,701	122,701	122,450	251
Omega	7,500	7,500	6,844	656
	<u>3,693,277</u>	<u>3,693,277</u>	<u>3,512,036</u>	<u>181,241</u>
Special education and related services:				
504 plans	55,488	55,488	30,943	24,545
Special education	899,761	899,761	451,480	448,281
Early essential education	182,860	182,860	34,589	148,271
Summer	28,885	28,885	7,982	20,903
Ineligible special education	69,610	69,610	771,689	(702,079)
SLP	173,445	173,445	3,108	170,337
	<u>1,410,049</u>	<u>1,410,049</u>	<u>1,299,791</u>	<u>110,258</u>
Support services - student based:				
Guidance	207,476	207,476	210,997	(3,521)
Health	62,596	62,596	64,283	(1,687)
Psychological services	6,792	6,792	6,792	-
Instructional improvements	53,459	53,459	36,183	17,276
Education media services	128,394	128,394	129,197	(803)
Other instructional support	1,323	1,323	1,062	261
	<u>460,040</u>	<u>460,040</u>	<u>448,514</u>	<u>11,526</u>

SCHEDULE A (CONTINUED)
 CHARLOTTE TOWN SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Administrative support services:				
Board of Education	38,085	38,085	37,638	447
Executive administrative services	159,984	159,984	161,583	(1,599)
Other support services	26,995	26,995	20,433	6,562
Office of Principal	403,896	403,896	435,449	(31,553)
Other school administrative services	19,000	19,000	14,827	4,173
Fiscal services	121,501	121,501	118,795	2,706
	<u>769,461</u>	<u>769,461</u>	<u>788,725</u>	<u>(19,264)</u>
Buildings and grounds:				
Operations & maintenance of plant	640,165	640,165	638,667	1,498
Transportation				
	<u>248,628</u>	<u>248,628</u>	<u>234,044</u>	<u>14,584</u>
Debt service:				
Principal	100,000	100,000	100,000	-
Interest	9,211	9,211	9,211	-
Tax anticipation note interest	20,713	20,713	19,146	1,567
	<u>129,924</u>	<u>129,924</u>	<u>128,357</u>	<u>1,567</u>
Transfers to other funds:				
Food service	160,000	160,000	160,000	-
	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	<u>-</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 7,511,544</u></u>	<u><u>\$ 7,511,544</u></u>	<u><u>\$ 7,210,134</u></u>	<u><u>\$ 301,410</u></u>

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

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

CHARLOTTE TOWN SCHOOL DISTRICT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2015

	Land and Non-depreciable Assets	Buildings, Buildings Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Regular instruction	\$ -	\$ -	\$ 530,092	\$ -	\$ 530,092
Buildings and grounds	30,304	9,355,002	-	-	9,385,306
Total General Capital Assets	30,304	9,355,002	530,092	-	9,915,398
Less: Accumulated Depreciation	-	(3,683,679)	(377,540)	-	(4,061,219)
Net General Capital Assets	\$ 30,304	\$ 5,671,323	\$ 152,552	\$ -	\$ 5,854,179

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

CHARLOTTE TOWN SCHOOL DISTRICT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2015

	General Capital Assets 7/1/14 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>General Capital Assets 6/30/15</u>
Regular instruction	\$ 550,818	\$ 68,812	\$ (89,538)	\$ 530,092
Buildings and grounds	9,336,077	49,229	-	9,385,306
Total General Capital Assets	9,886,895	118,041	(89,538)	9,915,398
Less: Accumulated Depreciation	<u>(3,894,914)</u>	<u>(255,843)</u>	<u>89,538</u>	<u>(4,061,219)</u>
Net General Capital Assets	<u>\$ 5,991,981</u>	<u>\$ (137,802)</u>	<u>\$ -</u>	<u>\$ 5,854,179</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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Charlotte Town School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Charlotte Town School District's basic financial statements, and have issued our report thereon dated November 17, 2015.

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.

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
Vermont Registration No. 092.0000697
November 17, 2015