

Audited Financial Statements

Shelburne Town School District

June 30, 2014



Proven Expertise and Integrity

SHELBURNE TOWN SCHOOL DISTRICT

CONTENTS

JUNE 30, 2014

	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 - 36
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	37
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS - BUDGET AND ACTUAL – GENERAL FUND	38

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION DESCRIPTION 39

SCHEDULE A - SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL
FUND 40 - 41

FEDERAL COMPLIANCE

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* 42 - 43



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Board of Directors
Shelburne 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 Shelburne Town School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 38 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 Shelburne Town School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2014 on our consideration of Shelburne 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 Shelburne Town School District's internal control over financial reporting and compliance.

RHR Smith & Company

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

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

(UNAUDITED)

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

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

- *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, administrative support services, buildings and grounds, transportation services, food services, 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 three columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The School District's three major funds are the general fund, the food service fund and the capital projects funds. 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 Shelburne 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 Changes in Fiduciary Net Position.

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the School District's governmental activities. The School District's total net position for governmental activities decreased by \$222,568 from \$6,023,153 to \$5,800,585.

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 - decreased for governmental activities to a balance of \$710,954 at the end of this year.

Table 1
Shelburne Town School District
Net Position
June 30,

	Governmental Activities	
	2014	2013
Assets:		
Current and Other Assets	\$ 1,283,038	\$ 1,303,963
Capital Assets	5,579,578	5,852,306
Total Assets	\$ 6,862,616	\$ 7,156,269
Liabilities:		
Current Liabilities	\$ 706,103	\$ 483,911
Long-term Debt Outstanding	355,928	649,205
Total Liabilities	\$ 1,062,031	\$ 1,133,116
Net Position:		
Invested in Capital Assets, Net of Related Debt	\$ 5,039,631	\$ 5,253,101
Restricted for capital projects	50,000	50,000
Unrestricted	710,954	720,052
Total Net Position	\$ 5,800,585	\$ 6,023,153

Revenues and Expenses

Revenues for the Shelburne Town School District's governmental activities increased by 3.52%, while total expenses increased by 5.27%. Most of the School District's revenues were consistent with the previous year with minor increases or decreases. The largest increase in revenues was in state aid. The biggest increases in expenses were in regular instruction while special education decreased significantly.

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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 160,458	\$ 176,075
Operating grants and contributions	2,237,643	2,261,257
<i>General Revenues:</i>		
Act 68 state aid	10,107,550	9,678,360
Interest income	34,788	39,492
Miscellaneous	64,923	21,314
Total Revenues	<u>12,605,362</u>	<u>12,176,498</u>
Expenses		
Regular instruction and related	6,114,457	5,554,423
Special education and related	1,797,810	2,172,612
Support services - student based	1,239,174	1,295,357
Administrative support services	1,340,445	982,665
Buildings and grounds	970,665	906,472
Transportation	494,779	499,138
Interest on long-term debt	46,437	26,574
Food service	272,394	271,238
On-behalf payments	551,769	477,000
Total Expenses	<u>12,827,930</u>	<u>12,185,479</u>
Change in Net Position	(222,568)	(8,981)
Net Position - July 1	<u>6,023,153</u>	<u>6,032,134</u>
Net Position - June 30	<u><u>\$ 5,800,585</u></u>	<u><u>\$ 6,023,153</u></u>

Financial Analysis of the School District's Fund Statements

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

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

	2014	2013
Major Funds:		
General Fund:		
Nonspendable	\$ -	\$ 9,493
Committed	6,000	6,000
Assigned	638,020	727,773
Total General Fund	\$ 644,020	\$ 743,266
Food Service Fund:		
Nonspendable	\$ 9,509	\$ 8,640
Unassigned	14,316	29,676
Total Food Service Fund	\$ 23,825	\$ 38,316
Capital Projects Fund:		
Restricted	\$ 50,000	\$ 50,000
Committed	76,504	35,386
Total Capital Projects Fund	\$ 126,504	\$ 85,386

The general fund total fund balance decreased by \$99,246 from the prior fiscal year. Total food service fund total fund balances decreased by \$14,491 from the prior fiscal year. Total capital projects fund total fund balances increased by \$41,118 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 \$35,280 primarily due to other intergovernmental revenues and investment income that were under-received.

The general fund actual expenditures were under the budget by \$101,034. All expenditure categories were underspent with the exception of support services – student based, transportation, debt service and transfers to other funds.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2014, the School District fixed assets decreased by \$272,728. This decrease was due to current year depreciation of \$500,777 less capital additions of \$228,049.

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

	<u>2014</u>	<u>2013</u>
Construction in progress	\$ 24,156	\$ -
Buildings and improvements	4,966,095	5,190,284
Furniture and equipment	241,953	342,457
Vehicles	<u>347,374</u>	<u>319,565</u>
Total	<u>\$ 5,579,578</u>	<u>\$ 5,852,306</u>

Debt

At June 30, 2014, the School District had \$539,947 in bonds and notes payable versus \$649,205 in the prior fiscal year. Refer to Note 5 of the Notes to Financial Statements for detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School District at 5420 Shelburne Road, Suite 300, Shelburne, Vermont 05482.

SHELBURNE TOWN SCHOOL DISTRICT

STATEMENT A

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,266,986
Accounts receivable (net of allowance for uncollectibles)	6,510
Due from other governments	33
Inventory	9,509
Total current assets	<u>1,283,038</u>
Non-current assets:	
Land, infrastructure, and other assets not being depreciated	24,156
Buildings, building improvements and other assets net of accumulated depreciation	5,555,422
Total non-current assets	<u>5,579,578</u>
TOTAL ASSETS	<u><u>\$ 6,862,616</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 7,099
Accrued expenses	136,025
Due to other governments	47,693
Deferred revenue	297,872
Current portion of long-term obligations	217,414
Total current liabilities	<u>706,103</u>
Non-current liabilities:	
Bonds payable	120,000
Notes payable	202,533
Accrued compensated absences	29,395
Accrued severance payable	4,000
Total non-current liabilities	<u>355,928</u>
TOTAL LIABILITIES	<u>1,062,031</u>
NET POSITION	
Invested in capital assets, net of related debt	5,039,631
Restricted: Debt service	50,000
Unrestricted	710,954
TOTAL NET POSITION	<u>5,800,585</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 6,862,616</u></u>

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

SHELburne TOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants &</u>	<u>Revenue & Changes</u>
		<u>Services</u>	<u>& Contributions</u>	<u>Contributions</u>	<u>in Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
Regular instruction and related	\$ 6,114,457	\$ -	\$ 111,075	\$ -	\$ (6,003,382)
Special education and related	1,797,810	-	1,274,872	-	(522,938)
Support services - student based	1,239,174	-	-	-	(1,239,174)
Administrative support services	1,340,445	-	-	-	(1,340,445)
Buildings and grounds	970,665	-	-	-	(970,665)
Transportation	494,779	-	213,241	-	(281,538)
Interest on long-term debt	46,437	-	-	-	(46,437)
Food service	272,394	160,458	86,686	-	(25,250)
On-behalf payments	551,769	-	551,769	-	-
	<u>\$ 12,827,930</u>	<u>\$ 160,458</u>	<u>\$ 2,237,643</u>	<u>\$ -</u>	<u>(10,429,829)</u>

STATEMENT B (CONTINUED)

SHELBURNE TOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities
Changes in net position:	
Net (expense) revenue	(10,429,829)
General revenues:	
Grants and contributions not restricted to specific programs	10,107,550
Interest income	34,788
Miscellaneous	64,923
Total general revenues	10,207,261
Change in net position	(222,568)
NET POSITION - JULY 1	6,023,153
NET POSITION - JUNE 30	\$ 5,800,585

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

SHELBURNE TOWN SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Food Service Fund	Capital Projects Fund	Totals Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,180,903	\$ -	\$ 86,083	\$ 1,266,986
Accounts receivable (net of allowance for uncollectibles)	5,829	681	-	6,510
Due from other governments	33	-	-	33
Inventory	-	9,509	-	9,509
Due from other funds	-	26,849	43,452	70,301
TOTAL ASSETS	<u>\$ 1,186,765</u>	<u>\$ 37,039</u>	<u>\$ 129,535</u>	<u>\$ 1,353,339</u>
LIABILITIES				
Accounts payable	\$ 4,068	\$ -	\$ 3,031	\$ 7,099
Accrued expenses	123,650	12,375	-	136,025
Due to other governments	46,854	839	-	47,693
Deferred revenue	297,872	-	-	297,872
Due to other funds	70,301	-	-	70,301
TOTAL LIABILITIES	<u>542,745</u>	<u>13,214</u>	<u>3,031</u>	<u>558,990</u>
FUND BALANCES				
Nonspendable	-	9,509	-	9,509
Restricted	-	-	50,000	50,000
Committed	6,000	-	76,504	82,504
Assigned	638,020	-	-	638,020
Unassigned	-	14,316	-	14,316
TOTAL FUND BALANCES	<u>644,020</u>	<u>23,825</u>	<u>126,504</u>	<u>794,349</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,186,765</u>	<u>\$ 37,039</u>	<u>\$ 129,535</u>	<u>\$ 1,353,339</u>

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

SHELburne TOWN SCHOOL DISTRICT

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

	Total Governmental Funds
Total Fund Balances	\$ 794,349
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	5,579,578
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(240,000)
Notes payable	(299,947)
Accrued compensated absences	(29,395)
Accrued severance payable	(4,000)
Net position of governmental activities	\$ 5,800,585

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

SHELBURNE TOWN SCHOOL DISTRICT

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

	General Fund	Food Service Fund	Capital Projects Fund	Totals Governmental Funds
REVENUES				
Intergovernmental revenues	\$ 12,258,507	\$ 86,686	\$ -	\$ 12,345,193
Charges for services	-	160,458	-	160,458
Interest income	34,513	-	275	34,788
Miscellaneous revenues	53,962	5,491	5,470	64,923
TOTAL REVENUES	12,346,982	252,635	5,745	12,605,362
EXPENDITURES				
Current:				
Regular instruction and related	6,127,978	-	-	6,127,978
Special education and related	1,797,810	-	-	1,797,810
Support services - student based	1,239,174	-	-	1,239,174
Administrative support services	1,238,189	-	-	1,238,189
Buildings and grounds	698,025	-	-	698,025
Transportation	416,262	-	-	416,262
Food service	-	267,126	-	267,126
On-behalf payments	551,769	-	-	551,769
Debt service:				
Principal	215,584	-	-	215,584
Interest	46,437	-	-	46,437
Capital outlay	-	-	79,627	79,627
TOTAL EXPENDITURES	12,331,228	267,126	79,627	12,677,981
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	15,754	(14,491)	(73,882)	(72,619)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	115,000	115,000
Operating transfers (out)	(115,000)	-	-	(115,000)
TOTAL OTHER FINANCING SOURCES (USES)	(115,000)	-	115,000	-
NET CHANGE IN FUND BALANCES	(99,246)	(14,491)	41,118	(72,619)
FUND BALANCES - JULY 1	743,266	38,316	85,386	866,968
FUND BALANCES - JUNE 30	\$ 644,020	\$ 23,825	\$ 126,504	\$ 794,349

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

SHELBURNE TOWN SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (72,619)</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	228,049
Capital assets disposed	-
Depreciation expense	<u>(500,777)</u>
	<u>(272,728)</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	<u>(106,326)</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>215,584</u>
Accrued compensated absences payable is not recognized as an expense in governmental funds since it is not due and payable with current financial resources.	<u>7,521</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>6,000</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (222,568)</u></u>

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

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

	Agency Funds	Private- Purpose Funds
	Student Activities	Trust Funds
ASSETS		
Cash	\$ 35,232	\$ 81,337
Accounts receivable (net of allowance for doubtful accounts)	-	-
Due from other governments	27,628	-
TOTAL ASSETS	\$ 62,860	\$ 81,337
LIABILITIES		
Accounts payable	\$ -	\$ 27,628
Accrued expenses	-	-
Deferred revenue	-	-
Deposits held for others	62,860	-
TOTAL LIABILITIES	\$ 62,860	\$ 27,628
NET POSITION		
Held in trust for special purposes		\$ 53,709

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

SHELBURNE TOWN SCHOOL DISTRICT

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

	Private- Purpose Funds Trust Funds
ADDITIONS	
Contributions	\$ -
Interest	265
Total additions	<u>265</u>
DEDUCTIONS	
Distributions	<u>1,213</u>
Total deductions	<u>1,213</u>
Change in net position	(948)
NET POSITION - JULY 1	<u>54,657</u>
NET POSITION - JUNE 30	<u><u>\$ 53,709</u></u>

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

SHELBURNE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Government-Wide and Fund Financial Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds).

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

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions (instruction, administration, etc.). The functions are also supported by general government revenues (state aid, certain other intergovernmental revenues, charges for services, 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

SHELBURNE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

The following fund types are used by the School District:

1. Governmental Funds:

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

- a. The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Food Service Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for the food service program.
- c. The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities.

SHELBURNE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

SHELBURNE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	\$ 11,795,213
Add: On-behalf payments	<u>551,769</u>
Total GAAP basis	<u>\$ 12,346,982</u>
Expenditures per budgetary basis	\$ 11,894,459
Add: On-behalf basis	<u>551,769</u>
Total GAAP basis	<u>\$ 12,446,228</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.

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.

SHELBURNE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Inventories

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

Interfund Receivables and Payables

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

Transactions Between Funds

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

Allowance for Uncollectible Accounts

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

SHELburnE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

Estimated useful lives are as follows:

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

Long-term Obligations

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

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

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

SHELBURNE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

Fund Balance

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

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

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

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

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

SHELBURNE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Program Revenues

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

Encumbrance Accounting

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

Use of Estimates

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

SHELBURNE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

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

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

At June 30, 2014, the School District's cash balance of \$1,383,555 was comprised of bank deposits of \$1,473,241. Of these bank deposits, \$250,000 were fully insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$1,223,241 were collateralized.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 372,737
Repurchase agreement	<u>1,100,504</u>
	<u>\$ 1,473,241</u>

Investments:

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

At June 30, 2014, the School District had no investments..

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.

SHELBURNE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

	Receivables (Due from)	Payables (Due to)
General Fund	\$ -	\$ 70,301
Food Service Fund	26,849	-
Capital Projects Fund	43,452	-
	\$ 70,301	\$ 70,301

NOTE 4 - CAPITAL ASSETS

	Balance, 7/1/13	Additions	Disposals	Balance, 6/30/14
<u>Governmental activities:</u>				
Non-depreciated assets:				
Construction in progress	\$ -	\$ 24,156	\$ -	\$ 24,156
	-	24,156	-	24,156
Depreciated assets:				
Buildings/improvements	10,611,715	55,870	-	10,667,585
Furniture & equipment	926,248	41,697	(40,000)	927,945
Vehicles	1,114,201	106,326	-	1,220,527
	12,652,164	203,893	(40,000)	12,816,057
Less: accumulated depreciation	(6,799,858)	(500,777)	40,000	(7,260,635)
	5,852,306	(296,884)	-	5,555,422
Net capital assets	\$ 5,852,306	\$ (272,728)	\$ -	\$ 5,579,578

SHELBURNE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 - LONG TERM DEBT

A summary of long-term debt is as follows:

	Balance, 7/1/13	Additions	Deletions	Balance, 6/30/14	Current Portion
Bonds payable	\$ 360,000	\$ -	\$ (120,000)	\$ 240,000	\$ 120,000
Notes payable	289,205	106,326	(95,584)	299,947	97,414
Accrued compensated absences	36,916	-	(7,521)	29,395	-
Accrued severance payable	10,000	-	(6,000)	4,000	-
	<u>\$ 696,121</u>	<u>\$ 106,326</u>	<u>\$ (229,105)</u>	<u>\$ 573,342</u>	<u>\$ 217,414</u>

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

General Obligation bond due to Vermont Municipal Bond Bank in annual principal installments of \$120,000 through December of 2015. The interest rate charged is 3.82% per annum.

\$ 240,000

Total bonds payable

240,000

Construction note payable to Green Mountain Power Corporation, monthly principal payments of \$833, no interest is charged, maturity is in September of 2018.

40,000

Bus note payable to Peoples United Bank, interest is charged at a rate of 2.25%, annual principal payments of \$10,018 and interest due July 2, 2017.

40,075

Bus note payable to Peoples United Bank, interest is charged at a rate of 3.10%, annual principal payments of \$18,823 and interest due July 1, 2014.

18,823

Bus note payable to Peoples United Bank, interest is charged at a rate of 3.00%, annual principal payments of \$17,200 and interest due July 1, 2015.

34,400

Bus note payable to Peoples United Bank, interest is charged at a rate of 2.95%, annual principal payments of \$20,108 and interest due July 1, 2016.

60,323

SHELBURNE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 - LONG TERM DEBT (CONTINUED)

Bus note payable to Peoples United Bank, interest is charged at a rate of 2.25%, annual principal payments of \$21,265 and interest due July 15, 2018.

	106,326
Total notes payable	299,947
Total bonds and notes payable	\$ 539,947

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

Year	Principal	Interest	Total Debt Service
2015	\$ 217,414	\$ 13,214	\$ 230,628
2016	198,591	4,664	203,255
2017	61,390	2,489	63,879
2018	41,286	1,182	42,468
2019	21,266	478	21,744
	\$ 539,947	\$ 22,027	\$ 561,974

NOTE 6 - SHORT-TERM DEBT

On July 1, 2013, the School District signed a tax anticipation note with People's United Bank for \$1,977,000 at 1.35% per annum. Principal and interest of \$26,615 were paid in full at June 30, 2014.

NOTE 7 - NONSPENDABLE FUND BALANCES

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

Food service fund:	
Inventory	\$ 9,509

SHELBURNE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 - RESTRICTED FUND BALANCES

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

Capital projects fund:	
Construction of capital assets	<u><u>\$ 50,000</u></u>

NOTE 9 - COMMITTED FUND BALANCES

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

General fund:	
Compensated absences	\$ 6,000
Capital projects fund:	
Capital assets	<u>76,504</u>
	<u><u>\$ 82,504</u></u>

NOTE 10 - ASSIGNED FUND BALANCES

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

General fund:	
Revenue for FY 2015 budget	\$ 165,000
Revenue for budgets after FY2015	<u>473,020</u>
	<u><u>\$ 638,020</u></u>

NOTE 11 - OVERSPENT APPROPRIATIONS

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

Support services - student based	\$ 39,299
Transportation	43,253
Debt service	8,789
Transfers to other funds	<u>115,000</u>
	<u><u>\$ 206,341</u></u>

SHELBURNE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 - DEFINED BENEFIT PENSION PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

A. Plan Description

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

B. Funding Policy

Required contributions to the system are made by the State of Vermont based upon a valuation report prepared by the System's actuary. VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and the School District has no legal obligation for paying benefits. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan which approximates \$551,769 of total payroll for employees covered under the plan.

Contributions by the employees are 5.00% of gross earnings and are withheld pre income tax by the School District. Such withholdings totaled \$241,369 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees covered under this plan was \$4,827,379 for the year ended June 30, 2014.

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

A. Plan Description

Employees other than Teachers are eligible to participate in the Vermont Municipal Employees' Retirement System ("VMERS") providing they work a minimum of 30 hours per week for the school year employee or a minimum of 24 hours per week for a calendar year employee. That report may be obtained by writing to State of Vermont,

SHELBURNE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Office of the State Treasurer, 109 State Street FL 4, Montpelier, VT 05609-6200 or by calling (802) 828-2301. There are three levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. The School District participates in Groups A and B. Normal retirement for Group A members is age 65 and the completion of 5 years of creditable service, or age 55 and completion of 35 years of creditable service. Normal retirement for Group B members is age 62 and the completion of 5 years of creditable service, or age 55 and completion of 30 years of creditable service. Normal retirement for Group C and D members is age 55 and the completion of 5 years of creditable service. A member may receive reduced benefits at age 55 if they have 5 years of service and have made contributions for at least 2.5 years. The System is an actuarial reserve, joint-contributory program. Both the members and the School District make contributions to the fund according to the following schedule:

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

B. Funding Policy

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

Employee contributions are withheld pre income tax by the School District and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2014 totaled \$51,515. The School District contributed \$65,150 and \$65,145 for the years ended June 30, 2014 and 2013, respectively. The School District's total payroll for all employees covered under this plan was \$1,490,796.

403(b) RETIREMENT CONTRIBUTION PLAN

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

SHELBURNE TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13 - RISK MANAGEMENT

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

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

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

NOTE 14 - CONTINGENCIES

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

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

Required Supplementary Information

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

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

SHELburnE TOWN SCHOOL DISTRICT

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

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 743,266	\$ 743,266	\$ 743,266	\$ -
Resources (Inflows):				
Intergovernmental:				
Act 68 state aid	10,107,550	10,107,550	10,107,550	-
Other	1,652,893	1,652,893	1,599,188	(53,705)
Investment income	56,950	56,950	34,513	(22,437)
Miscellaneous	13,100	13,100	53,962	40,862
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>12,573,759</u>	<u>12,573,759</u>	<u>12,538,479</u>	<u>(35,280)</u>
Charges to Appropriations (Outflows):				
Current:				
Regular instruction and related	6,231,517	6,231,517	6,127,978	103,539
Special education and related	1,905,207	1,905,207	1,797,810	107,397
Support services - student based	1,199,875	1,199,875	1,239,174	(39,299)
Administrative support services	1,329,791	1,329,791	1,238,189	91,602
Buildings and grounds	702,862	702,862	698,025	4,837
Transportation	373,009	373,009	416,262	(43,253)
Debt service:				
Principal	215,584	215,584	215,584	-
Interest	37,648	37,648	46,437	(8,789)
Transfers to other funds	-	-	115,000	(115,000)
Total Charges to Appropriations	<u>11,995,493</u>	<u>11,995,493</u>	<u>11,894,459</u>	<u>101,034</u>
Budgetary Fund Balance, June 30	<u>\$ 578,266</u>	<u>\$ 578,266</u>	<u>\$ 644,020</u>	<u>\$ 65,754</u>
Utilization of unassigned fund balance	<u>\$ 165,000</u>	<u>\$ 165,000</u>	<u>\$ -</u>	<u>\$ (165,000)</u>

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

Other Supplementary Information

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

- Schedule of Departmental Operations – General Fund

SHELBURNE TOWN SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Regular instruction and related services:				
Regular program	\$ 5,409,114	\$ 5,408,682	\$ 5,356,483	\$ 52,199
Imagine team	3,168	2,880	2,832	48
Firefly team	2,880	2,952	2,928	24
Dragonfly team	2,664	2,808	2,771	37
Kaleidoscope team	2,880	2,880	2,464	416
Treehouse team	2,304	3,672	3,653	19
Journey team	2,232	2,448	2,448	-
Endeavor team	3,600	2,736	2,681	55
Enterprise team	3,384	2,736	2,715	21
Discover team	2,952	2,880	3,035	(155)
Inspire team	2,880	2,808	2,716	92
Winton House team	4,176	4,608	4,518	90
Alpha team	4,680	4,752	4,413	339
Symphony team	4,392	4,536	4,568	(32)
Holden House team	4,536	4,752	4,656	96
Believe team	3,168	2,952	2,855	97
Polaris team	2,952	2,880	2,879	1
Fine/practical arts	10,007	10,007	10,034	(27)
Foreign language	4,509	4,509	4,421	88
Health/physical education	4,025	4,025	3,835	190
Music	12,365	12,365	12,638	(273)
Early essential education	305,552	305,552	268,191	37,361
Early essential education - summer	16,635	16,635	18,483	(1,848)
Early essential education - IDEA	-	-	30,060	(30,060)
Early learning partnership	263,501	263,501	219,663	43,838
Co-curricular activities	152,961	152,961	152,038	923
	<u>6,231,517</u>	<u>6,231,517</u>	<u>6,127,978</u>	<u>103,539</u>
Special education and related services:				
Special education	1,786,020	1,786,020	1,623,266	162,754
Special education - IDEA	-	-	81,016	(81,016)
Special education - summer school	95,582	95,582	61,782	33,800
504 plans	23,605	23,605	31,746	(8,141)
	<u>1,905,207</u>	<u>1,905,207</u>	<u>1,797,810</u>	<u>107,397</u>
Support services - student based:				
Guidance	510,094	510,094	550,771	(40,677)
Health	94,755	94,755	104,264	(9,509)
Psychological services	84,029	84,029	84,029	-
Speech & language services	203,893	203,893	200,989	2,904
Instructional improvement	86,876	86,876	75,701	11,175
Education media services	220,228	220,228	223,420	(3,192)
	<u>1,199,875</u>	<u>1,199,875</u>	<u>1,239,174</u>	<u>(39,299)</u>

SCHEDULE A (CONTINUED)
SHELburnE TOWN SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Administrative support services				
Board of Education	34,332	34,332	35,473	(1,141)
Executive administrative services	263,468	263,468	274,368	(10,900)
Other support services	57,374	57,374	32,811	24,563
Office of Principal	372,305	372,305	377,238	(4,933)
Other school administrative services	111,619	111,619	81,760	29,859
Information services	332,562	332,562	274,721	57,841
Fiscal services	158,131	158,131	161,818	(3,687)
	<u>1,329,791</u>	<u>1,329,791</u>	<u>1,238,189</u>	<u>91,602</u>
Buildings and grounds:				
Operations & maintenance of plant	702,862	702,862	698,025	4,837
Transportation:				
Transportation	373,009	373,009	406,844	(33,835)
Transportation - co-curricular	-	-	9,418	(9,418)
	<u>373,009</u>	<u>373,009</u>	<u>416,262</u>	<u>(43,253)</u>
Debt service:				
Principal	215,584	215,584	215,584	-
Interest	9,520	9,520	19,822	(10,302)
Tax anticipation note interest	28,128	28,128	26,615	1,513
	<u>253,232</u>	<u>253,232</u>	<u>262,021</u>	<u>(8,789)</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 11,995,493</u>	<u>\$ 11,995,493</u>	<u>\$ 11,779,459</u>	<u>\$ 216,034</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
Shelburne Town School District
Shelburne, Vermont

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of Shelburne Town School District, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shelburne 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 Shelburne 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.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609

www.rhrsmith.com

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

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
August 22, 2014