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www.angolanoandcompany.com

March 3, 2014

Moretown School District
Att: Michelle Baker, Bus. Mgr.
340 Mad River Pk., Ste. 7
Waitsfield, VT 05673

Dear Michelle :

I have electronically forwarded the final financial statements for Moretown School District as of and for the year ended June 30, 2013. In addition I will be mailing you 8 bound copies.

If you are thinking of putting our audit report into your Town Report, auditing standards provides you with three options:

- You may include the entire audit report from page one through the last page;
- You may include pages 1 through Schedule 1;
- You can put a statement in that you were audited and that the audit is available at _____ and omit our audit report completely.

If you have any questions or need assistance, please do not hesitate to call us.

Sincerely,

Angolano & Company

Angolano & Company

Enclosures

Moretown School District
Financial Statements
For The Year Ended June 30, 2013

Moretown School District
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For The Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Moretown School District, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Moretown School District, Vermont, as of and for the year ended June 30, 2013, 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.

Auditor's 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 from 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 and the aggregate remaining fund information of the Moretown School District, Vermont, as of June 30, 2013, and the respective changes in financial position, 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 5 and 33-41 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 the Moretown School District, Vermont's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 and individual nonmajor fund 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 February 18, 2014, on our consideration of the Moretown School District, Vermont'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 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 Moretown School District, Vermont's internal control over financial reporting and compliance.

Angolano & Company

Angolano & Company
Shelburne, Vermont
Firm Registration Number 92-0000141

February 18, 2014

MORETOWN TOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

Introduction

The discussion and analysis of The Moretown Town School District's (the District) financial performance provides a narrative introduction and overview of the school District's financial activities for the fiscal year ending June 30, 2013 (FY 13). The District is organized under the guidance of the Board of School Directors to provide public education for Moretown.

Financial Highlights

- Government-wide assets totaled \$1,533,556 and government-wide liabilities totaled \$1,017,305.
- Long-term debt (more than one year) totaled \$919,646 at year end.
- The District's general fund actual revenues were \$1,991,495, while the budgeted revenues were \$1,900,492, an increase of \$91,003. Most of the additional revenue, \$72,541, was from Special Education reimbursement.
- The District's general fund actual expenditures were \$1,976,033, while the budgeted expenditures were \$1,911,327, an increase of \$64,706 or 3.4%.
- Special Revenue Funds totaling \$64,178 are held in the District's accounts for various Federal, State and Private Grants.
- Capital Projects Funds represent amounts from prior years which have been set aside for Maintenance Reserve. The fund balance at June 30, 2013 is \$79,130.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Moretown Town School District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements—The first two statements are government-wide financial statements that report information about the District as a whole using accrual accounting methods similar to those used by private sector companies.

The Statement of Net Assets presents information on all of the District assets and liabilities with the difference between the two reported as net assets. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and inter-governmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include programs and services such as instruction, support services, and building operation and maintenance. The business-type activities of the District include the Food Service Program.

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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories—governmental funds, proprietary funds and fiduciary funds.

Governmental Funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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 funds balance sheet and governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four (4) governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Special Revenue and Debt Service. The basic governmental funds financial statements can be found on pages 6-11.

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 fund financial statements. The notes to the financial statements can be found on pages 12-32.

Other Information—In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information including Budget to Actual Reports for the General Fund and Combining Balance Sheets and Statements of Revenues, Expenditures and Changes in Fund Balances for the various Special Revenue Funds, and a Report on Compliance and Internal Control.

Government-Wide Financial Analysis

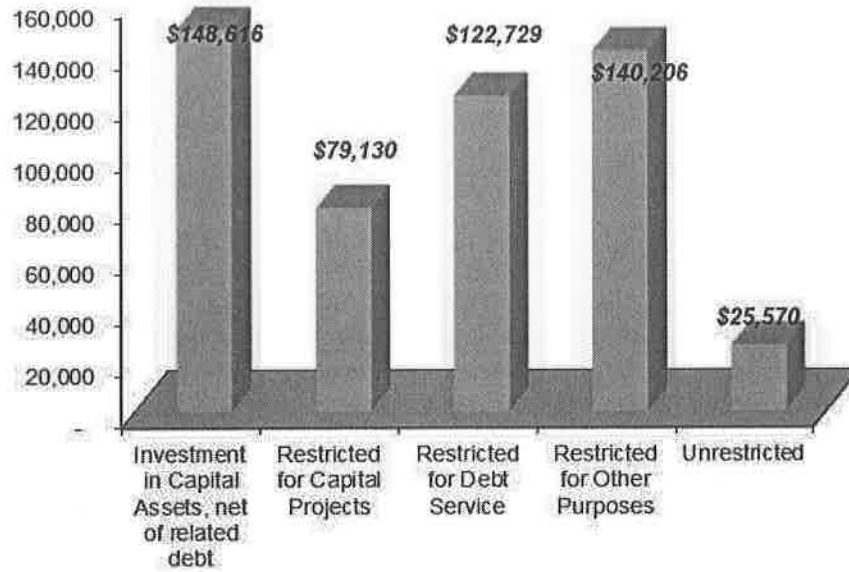
Our analysis of the District's major funds begins on Table 1. The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District's Board of Directors establish many other funds to help them control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain grants, and other money.

Amounts reported for governmental activities in this statement of net assets differ from the summary of financial operations because: capital (non-current) assets used in governmental activities are not financial resources and therefore, are deferred in the funds; non-current liabilities—consisting of bonds payable (early retirees)—are not due and payable in the current period and therefore are not reported in the funds. Inter-fund receivables and payables are reported in the fund statements, but not included in the amounts reported for governmental activities.

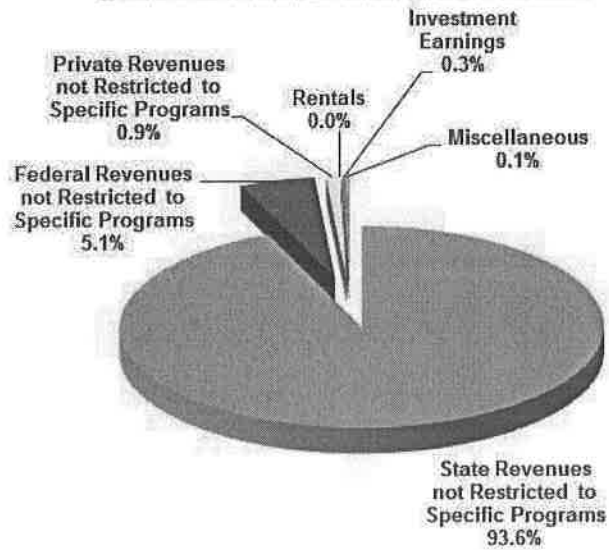
Moretown Town School District
Statement of Net Assets and Fund Balance Reconciliation
June 30, 2013

	Balance Sheet Governmental Fund Based	Governmental Activities Government-Wide	Difference
ASSETS			
Current Assets:			
Cash	279,523	279,523	-
Investments	122,729	122,729	-
Accounts Receivable			
State	35,463	35,463	-
Supervisory Union	18,177	18,177	-
Other	7,706	7,706	-
Total Current Assets	463,598	463,598	-
Non-current Assets:			
Capital Assets:			
Building & Equipment, net of Accum. Depr.	-	1,069,958	(1,069,958)
Total Non-current Assets	-	1,069,958	(1,069,958)
TOTAL ASSETS	463,598	1,533,556	(1,069,958)
LIABILITIES			
Current Liabilities:			
Accounts Payable			
Supervisory Union	281	281	-
Other LEA's	1,634	1,634	-
Other	82,030	82,031	(1)
Accrued Expenses	10,868	10,867	1
Deferred Revenue	1,150	1,150	-
Capital Leases	-	1,696	(1,696)
Current Portion of Long-Term Obligations	-	55,396	(55,396)
Total Current Liabilities	95,963	153,055	(57,092)
Non-current Liabilities:			
Bonds Payable	-	864,250	(864,250)
Total Non-current Liabilities	-	864,250	(864,250)
TOTAL LIABILITIES	95,963	1,017,305	(921,342)
NET ASSETS			
Investment in Capital Assets, net of related Debt	-	148,616	(148,616)
Restricted for Capital Projects	79,130	79,130	-
Restricted for Debt Service	122,729	122,729	-
Restricted for Other Purposes	140,206	140,206	-
Unrestricted	25,570	25,570	-
TOTAL NET ASSETS	367,635	516,251	(148,616)
TOTAL LIABILITIES AND NET ASSETS	463,598	1,533,556	(1,069,958)

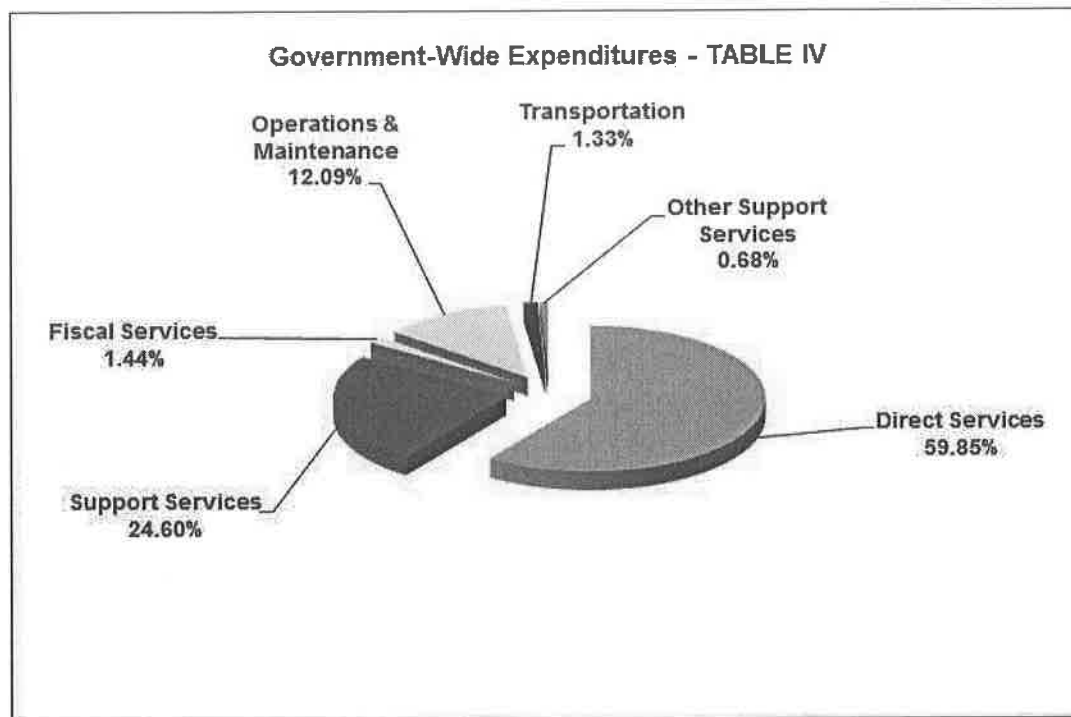
Government-Wide Net Assets - TABLE II



Government-Wide Revenues - TABLE III



Government-wide revenues consisted of \$101,713 in federal revenue, \$1,877,862 in state revenue, \$17,571 in private revenues, \$6,231 in investment earnings, \$850 in rentals and \$2,387 in miscellaneous income.



Government-wide expenses net of program revenues consist of \$1,182,838 in direct services, \$486,177 in support services, \$28,528, in fiscal services, \$238,965 in operations and maintenance, \$26,347 in transportation and \$13,342 in other expenditures for a total of \$1,976,197.

Governmental Activities:

Governmental Activities revenues totaled \$2,006,614 and expenses net of program revenues totaled \$1,976,197 resulting in an increase in net assets of \$30,417.

Fund Financial Analysis

Governmental Fund Types:

Fund balances in the Governmental Fund types decreased from \$374,618 to \$367,365 a decrease of \$6,983. This increase was reflected in the General Fund by a decrease of \$35,486, a decrease of \$9,172 in the Special Revenue Funds, an increase of \$39 in the Capital Project Fund, and an increase of \$37,636 in Other Governmental Funds.

	Governmental Fund Based 6/30/2013	Governmental Fund Based 6/30/2012	Governmental Fund Based 6/30/2011	Governmental Fund Based 6/30/2010	Governmental Fund Based 6/30/2009
ASSETS					
Current Assets:					
Cash	279,523	243,675	279,613	188,488	24,337
Investments	122,729	85,093	40,088	-	
Accounts Receivable					
State	35,463	78,168	1,377	-	20,114
Supervisory Union	18,177	13,365	13,332	5,748	19,874
Other LEA's	-	-	-	9,688	-
Other	7,706	12,099	8,520	390	8,861
Prepaid Expenses	-	4,955	-	-	3,430
Total Current Assets	463,598	437,355	342,930	204,314	76,616
LIABILITIES					
Current Liabilities:					
Accounts Payable					
State	-	14,703	-	45,692	13,903
Supervisory Union	281	374			
Other LEA's	1,634	96	-	-	2,036
Other	82,030	44,425	76,426	11,127	26,705
Accrued Expenses	10,868	1,989			
Deferred Revenue	1,150	1,150	3,150	3,150	1,150
Total Current Liabilities	95,963	62,737	79,576	59,969	43,794
NET ASSETS					
Restricted for Capital Projects	-	79,091	36,719	42,654	485
Restricted for Debt Service	79,130	85,093	40,088	-	
Restricted for Other Purposes	122,729	123,438	137,152	15,437	106,244
Assigned	140,206	14,483			
Unassigned	25,570	72,513	49,395	86,254	(73,907)
TOTAL NET ASSETS	367,635	374,618	263,354	144,345	32,822
TOTAL LIABILITIES AND NET ASSETS	463,598	437,355	342,930	204,314	76,616

Table VI summarizes the state of the District's capital assets.

Moretown School District			TABLE VI
Capital Assets			
June 30, 2013			
		Accumulated	
	<u>Cost</u>	<u>Depreciation</u>	<u>Net Value</u>
Governmental Activities:			
Construction in Progress	-	-	-
Land Improvements	89,106	84,648	4,458
Buildings	26,567	26,567	-
Building Improvements	1,541,138	\$ 514,461	1,026,677
Infrastructure	39,919	\$ 3,192	36,727
Furniture and Equipment	16,676	14,580	2,096
Total	\$ 1,713,406	\$ 643,448	\$ 1,069,958

Long-Term Debt

The District has one category of long-term debt, defined as debt due and payable beyond one year. At June 30, 2013, the District had \$919,646 in outstanding principal and interest. Bond principal and interest are being paid from the General Fund

Current Issues

- Student enrollment has progressively decreased in Moretown and has continued steadily for some time. Enrollment will likely dip below 95 students at Moretown Elementary School next school year. The cost per pupil for operating the school is the highest in the WWSU. The affordability and future of the school should be a topic of current action.
- The Moretown Elementary School facility and property have some deferred maintenance. The Board has identified the capital needs and a maintenance reserve fund has been established.
- Act 153/156 requires transportation, special education, compensatory and remedial services to be provided by the Supervisory Union by July 1, 2015 or for a waiver to be obtained from the Agency of Education. The financial effects on the Moretown School District associated with this legislation are unknown at this time.
- The Legislature is evaluating the Act 60/68 education funding formula and school governance. How any future legislation may affect the Moretown School District is unknown at this time; however it appears change is on the horizon.

Contact for Further Information

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Michelle J. Baker, Business Manager, Washington West Supervisory Union, 340 Mad River Park—Suite 7, Waitsfield, Vermont 05673 or at (802) 496-2272 ext. 117.

Moretown School District
Statement of Net Assets
Government-Wide
June 30, 2013

EXHIBIT I

	Governmental Activities	Total
ASSETS:		
Cash and Cash Equivalents	\$ 279,523	\$ 279,523
Investments	122,729	122,729
Accounts Receivable - State	35,463	35,463
Accounts Receivable - Supervisory Union	18,177	18,177
Accounts Receivable - Other	7,706	7,706
Capital Assets, net (Note 5)	<u>1,069,958</u>	<u>1,069,958</u>
Total Assets	<u>1,533,556</u>	<u>1,533,556</u>
LIABILITIES:		
Accounts Payable - Supervisory Union	281	281
Accounts Payable - Other LEAs	1,634	1,634
Accounts Payable - Other	82,031	82,031
Accrued Expenses	10,867	10,867
Deferred Revenues	1,150	1,150
Capital Leases Payable (Note 9)	1,696	1,696
Long-Term Liabilities (Note 8):		
Due Within One Year	55,396	55,396
Due in More Than One Year	<u>864,250</u>	<u>864,250</u>
Total Liabilities	<u>1,017,305</u>	<u>1,017,305</u>
NET ASSETS:		
Investment in Capital Assets, net of related debt	148,616	148,616
Restricted for Capital Projects	79,130	79,130
Restricted for Debt Service	122,729	122,729
Restricted for Other Purposes	140,206	140,206
Unrestricted	<u>25,570</u>	<u>25,570</u>
Total Net Assets	<u>\$ 516,251</u>	<u>\$ 516,251</u>

The accompanying notes are an integral part of these financial statements

Moretown School District
Statement of Activities
Government-Wide
For The Year Ended June 30, 2013

EXHIBIT II

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Operating Grants	Governmental Activities	Total
Instructional:				
Direct Services	\$ 1,203,621	\$ 20,783	\$ (1,182,838)	\$ (1,182,838)
Support Services:				
Student Services	215,557		(215,557)	(215,557)
Instructional Services	46,340		(46,340)	(46,340)
General Administrative Services	46,226		(46,226)	(46,226)
Area Administrative Services	178,054		(178,054)	(178,054)
Fiscal Services	28,528		(28,528)	(28,528)
Building Operations and Maintenance	238,965		(238,965)	(238,965)
Transportation	60,801	34,454	(26,347)	(26,347)
Other Support Services	100,059	86,717	(13,342)	(13,342)
Total	<u>\$ 2,118,151</u>	<u>\$ 141,954</u>	(1,976,197)	(1,976,197)
General Revenues:				
State Revenues not Restricted to Specific Programs			1,877,862	1,877,862
Federal Revenues not Restricted to Specific Programs			101,713	101,713
Private Revenues not Restricted to Specific Programs			17,571	17,571
Investment Earnings			6,231	6,231
Rentals			850	850
Miscellaneous			2,387	2,387
Total General Revenues			<u>2,006,614</u>	<u>2,006,614</u>
Excess (Deficiency) of Revenues Over Expenses			30,417	30,417
Net Assets - Beginning			<u>485,834</u>	<u>485,834</u>
Net Assets - Ending			<u>\$ 516,251</u>	<u>\$ 516,251</u>

The accompanying notes are an integral part of these financial statements

Moretown School District
Combined Balance Sheet
All Fund Types - Fund Base
June 30, 2013

EXHIBIT III

	Governmental Fund Types				Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Capital Project Fund	Other Governmental Fund	
ASSETS:					
Current Assets:					
Cash	\$ 202,021		\$ 77,502		\$ 279,523
Investments				\$ 122,729	122,729
Due From Other Funds		\$ 65,964	1,628		67,592
Accounts Receivable - State	34,092	1,371			35,463
Accounts Receivable - Supervisory Union	16,683	1,494			18,177
Accounts Receivable - Other	4,446	3,260	-	-	7,706
Total Current Assets	<u>257,242</u>	<u>72,089</u>	<u>79,130</u>	<u>122,729</u>	<u>531,190</u>
TOTAL ASSETS	<u>\$ 257,242</u>	<u>\$ 72,089</u>	<u>\$ 79,130</u>	<u>\$ 122,729</u>	<u>\$ 531,190</u>
LIABILITIES AND FUND EQUITIES:					
Liabilities:					
Due To Other Funds	\$ 59,700	\$ 7,893			\$ 67,593
Accounts Payable - Supervisory Union	281				281
Accounts Payable - Other LEAs	1,634				1,634
Accounts Payable - Other	82,012	18			82,030
Accrued Expenses	10,867				10,867
Deferred Revenue	1,150	-	-	-	1,150
Total Liabilities	<u>155,644</u>	<u>7,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>163,555</u>
Fund Equity:					
Fund Balances:					
Unassigned	28,832	(3,262)			25,570
Committed	72,766		79,130		151,896
Restricted	-	67,440	-	122,729	190,169
Total Fund Equities	<u>101,598</u>	<u>64,178</u>	<u>79,130</u>	<u>122,729</u>	<u>367,635</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$ 257,242</u>	<u>\$ 72,089</u>	<u>\$ 79,130</u>	<u>\$ 122,729</u>	<u>\$ 531,190</u>

The accompanying notes are an integral part of these financial statements

Moretown School District
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2013

Fund Balances – total governmental funds	\$ 367,635
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the
governmental funds:

Governmental capital assets	1,713,406
Less accumulated depreciation	(643,448)

Bonds payable and contractual obligations have not been
included in the governmental fund financial statements.

Bonds Payable	(910,000)
Notes Payable	(9,646)
Capital Lease Obligations	<u>(1,696)</u>

Net Assets of Governmental Activities	<u>\$ 516,251</u>
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Moretown School District
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types - Fund Base
For The Year Ended June 30, 2013

EXHIBIT IV

	General Fund	Special Revenue Fund	Capital Project Fund	Other Governmental Fund	Totals (Memorandum Only)
REVENUES:					
Interest on Investments	\$ 6,702		\$ 39	\$ 1,049	\$ 7,790
Unrealized Gain/Loss on Investments				(1,559)	(1,559)
Rental Income	850				850
Miscellaneous	517	\$ 1,870			2,387
Private/Local/Other		114,631			114,631
State	1,911,602	11,154			1,922,756
Federal	<u>71,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,824</u>
TOTAL REVENUES	<u>1,991,495</u>	<u>127,655</u>	<u>39</u>	<u>(510)</u>	<u>2,118,679</u>
EXPENDITURES:					
Direct Services	1,125,005	42,562			1,167,567
Support Services:					
Students	214,954	157			215,111
Instructional Staff	44,112				44,112
General Administration	45,372			854	46,226
Area Administration	179,441				179,441
Fiscal Services	28,528				28,528
Operation & Maintenance of Building	186,454	14,695			201,149
Transportation	59,939	862			60,801
Food Service	9,560				9,560
Debt Services	82,668				82,668
Other Outlays	<u>-</u>	<u>90,499</u>	<u>-</u>	<u>-</u>	<u>90,499</u>
TOTAL EXPENDITURES	<u>1,976,033</u>	<u>148,775</u>	<u>-</u>	<u>854</u>	<u>2,125,662</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,462	(21,120)	39	(1,364)	(6,983)
OTHER FINANCING SOURCES (USES):					
Transfers In	3,922	15,870		39,000	58,792
Transfers Out	<u>(54,870)</u>	<u>(3,922)</u>	<u>-</u>	<u>-</u>	<u>(58,792)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(35,486)	(9,172)	39	37,636	(6,983)
FUND BALANCE, JULY 1, 2012	<u>137,084</u>	<u>73,350</u>	<u>79,091</u>	<u>85,093</u>	<u>374,618</u>
FUND BALANCE, JUNE 30, 2013	<u>\$ 101,598</u>	<u>\$ 64,178</u>	<u>\$ 79,130</u>	<u>\$ 122,729</u>	<u>\$ 367,635</u>

The accompanying notes are an integral part of these financial statements

Moretown 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, 2013

Net Changes in fund Balances – total governmental funds	\$ (6,983)
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Amount reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of those assets is
depreciated over their estimated useful lives:

Expenditures for capital assets	0
Less current year depreciation	(54,483)

Bond proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the
statement of Net Assets. Repayment of bond principal is an
expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the Statement of Net Assets.

Repayment of bonds	60,000
Repayment of notes	30,273
Repayment of capital lease obligation	<u>1,610</u>

Change in Net Assets of Governmental Funds	<u>\$ 30,417</u>
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Moretown School District
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Moretown School District ("School District") is organized as a public educational district under the applicable laws and regulations of the State of Vermont. It is governed by a Board of School Directors elected by registered voters of the District to provide public education to the residents of the Town. Except where noted, the accounting policies conform to generally accepted accounting principles, as applicable to governmental units.

The School District 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 more significant accounting policies established in GAAP and used by the School District are discussed below. School District also complies with the requirements of the Vermont Department of Education's Handbook for Financial Accounting of Vermont School Systems (The Handbook).

Reporting Entity:

The schoolboard is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, School District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14. There are no component units included within the reporting entity.

Basic Financial Statements - Government-Wide:

The School District's basic financial statements include both government-wide (reporting School District as a whole) and fund financial statements (reporting School Districts major funds). Both the government-wide and fund financial statements categorized primary activities as either governmental or business type.

In the government-wide Statement of Net Position, both the governmental and business-type activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activity reports both the gross and net cost of the School District's functions and business-type activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function, or a business-type activity. Operating grants include operating-specific and discretionary grants.

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The net costs are normally covered by general revenue.

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

Basis Financial Statements – Fund Financial Statements:

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The major funds are:

Governmental Fund Types:

- General Fund – The general fund is the School District's primary operating fund and accounts for typical general government revenues and a wide variety of activities that benefit the School District's as a whole. It accounts for all financial resources not accounted for or reported in another fund.
- Special Revenue Funds – The special revenue funds focus on revenues that are restricted or committed to expenditures for specific purposes. The School District accounts for resources restricted to, or committed for, specific purposes by the School District or a grantor in a special revenue fund. Most federal, some State financial assistance and voter committed funds are accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor or the voters at the close of specified project periods.
- Capital Project Fund – The capital projects funds are *required* when the acquisition or construction of capital assets is financed with general obligation debt. Capital project funds are *permitted* to be used for accounting and reporting whenever the School District has financial resources that are restricted, committed, or assigned to expenditures for capital outlays for general capital assets, including purchasing or constructing any type of general capital asset.
- Other Governmental Funds – The School District accounts for resources not considered part of any other fund that is that is restricted or committed for specific purposes by the School District or a grantor in another governmental fund. Some of the financial assistance accounted for in this fund that is unused must be returned to the grantor or the voters at the close of a specific project period.

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Exchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "available" means collectible within the current period or within 60 days after year end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

Other Accounting Policies:

Cash and Cash Equivalents:

For purposes of the statement of cash flows for proprietary and similar fund-types, the School District considers highly liquid investments to be cash equivalents if they have a maturity of twelve months or less when purchased.

Interfund Receivables and Payables:

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". All other outstanding balances between funds are also reported as "due to/from other funds".

Investments:

Investments are reported at fair value unless a legal contract exists which guarantees a higher value.

Accounts Receivable:

All receivables are reported net of estimated uncollectible amounts. The accounts receivable

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

balances at year end are from governmental entities, no allowance for doubtful accounts is considered necessary.

Capital Assets:

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities column in the governmental wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Land Improvements, buildings, furniture and equipments of the School District are depreciated using the straight line method over the estimated useful lives with a full year of depreciation taken in the year acquired and none taken in the year of disposal.

Long-term Debt:

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The face amount of debt issued is reported as other financing sources.

Budgets:

The School District is required by state law to adopt a budget for the General Fund. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles ("GAAP"). The operating budget is prepared by the School District's administration with direction from the School Board and assistance from the Superintendent and Business Manager of the Washington West Supervisory Union and approved by the Moretown School District School Board at a properly warned meeting for presentation to the voters. The operating budget includes proposed expenditures by line item and the means of financing them. The budget is approved by School District Voters at a properly warned annual meeting. The voters vote on the total expense amount and not on the individual line items presented in these financial statements.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Fund. Encumbrances are not liabilities and,

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

therefore, should not be recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The School District has elected to treat its encumbrances as liabilities for budgetary control purposes.

Net Assets and Fund Balance:

Government -Wide Financial Statements:

When the School District incurs an expense for which it may use either restricted or unrestricted net assets, it generally uses restricted net assets first. Net assets on the Statement of Net Assets include the following:

Net Investment in Capital Assets, net of Related Debt – It consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows or resources related to those assets.

Restricted For Other Purposes – It consist of assets that are restricted by the School District's creditors, by the state enabling legislation, by grantors and by other contributors.

Restricted For Capital Projects – The component of net assets that reports the amount of revenue from bond proceeds, grants, and special assessments in excess of expenditures. These funds are restricted for the construction or acquisition of capital assets.

Unrestricted – The difference between the assets and liabilities that are not reported in net Assets Invested in Capital Assets, net of Related Debt, Net Assets Restricted for Other Purposes, or Net Assets Restricted for Capital Projects.

Fund Based Financial Statements:

In the fund financial statements, governmental funds report fund balances as unassigned, assigned, restricted, committed, spendable, or non-spendable fund balance.

Unassigned Fund Balance – That portion of the general fund, fund balance that contains all spendable amounts not contained in the other classifications. It is used in other funds only to report a deficit.

Assigned Fund Balance – Includes amounts intended to be used by the government for specific purposes, as determined by the Board, but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Fund Balance – Includes amounts that can be spent only for the specific Purposes stipulated by constitution, external resource providers (grantors and contributors), or through enabling legislation.

Committed Fund Balance – Includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, generally the voters.

Spendable Fund Balance – The portion of the permanent fund balance that is available to be spent on the designated purpose of the fund.

Non-spendable Fund Balance – The portion of the permanent fund balance that has to be maintained, and cannot be spent, or an asset such as inventory or prepaid that are not expected to be converted to cash.

Function and Object Codes:

Function and object codes refer to the account code structure prescribed by the Vermont Department of Education. The Vermont Department of Education requires School District to use these codes in order to insure accuracy in building and maintaining a statewide database for policy development and funding plans.

Memorandum Only Columns:

The total columns are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to make financial analysis easier. Data in these columns do not present financial position, results of operations, or cash flows in accordance with GAAP. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND REPURCHASE AGREEMENTS

Cash deposits with financial institutions at June 30th amounted to \$279,523. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

FDIC insures all accounts held by the same financial institution up to a combined total of \$250,000. There are some special provisions which increase this limit.

The cash deposits held at financial institutions and cash on hand can be categorized according to four levels of risk.

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 2 - CASH AND REPURCHASE AGREEMENTS (CONTINUED)

These four levels of risk are as follows:

- Category 1 Repurchase Agreements - Deposits which are invested in government securities held by the School District or by its agent in the School District's name.
- Category 2 Collateralized Accounts - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Bank's name.
- Category 3 Letter of Credit - Private commercial insurance protection or letter of credit issued by the financial institution to cover funds in excess of FDIC limits.
- Category 4 Deposits which are not collateralized or insured. (includes cash on hand)

The School District uses repurchase agreements and a letter of credit to protect deposits not otherwise insured by the FDIC and/or SIPC.

Balances held in each area are as follows:

	Carrying Amount	Bank Balance
- Insured (FDIC) and/or (SIPC)	\$ 87,502	\$ 87,502
- Category 1	192,021	228,188
- Category 2	0	0
- Category 3	0	0
- Category 4	0	0
Total deposits	<u>\$279,523</u>	<u>\$315,690</u>

The difference between the book balance and bank balance is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flows at certain times during the year, the amount of uninsured and not collateralized cash could have been much higher than at year end.

Repurchase agreements of \$228,188 are securities held by the bank's trust department or agent in the School District's name. Securities consist of municipal bonds, U.S. Government obligations and U.S. Government Agency Bonds.

The School District also holds a letter of credit to cover uninsured deposits. The letter of credit is drawn on the Federal Home Loan Bank of Boston.

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 3 – INVESTMENTS

The School District invests its assets in various entities and/or debt instruments as described below. As noted some are insured by the SIPC (Securities Investor Protections Corporation). If the broker-dealer fails, the SIPC provides protection for customer accounts by returning securities registered in the name of the investor, distributing all remaining customer assets on a pro rata basis, and providing SIPC funds for all remaining claims of each customer up to a maximum of \$500,000, including up to \$100,000 on claims for cash.

Investments of the balance sheets of the School District are stated at cost plus applicable accrued interest. Market values include applicable accrued interest.

	Cost	Market Value
Securities held by School District registered to School District uninsured by SIPC	\$ 0	\$ 0
Insured (SIPC) and registered held by dealer/ broker in School District's name (Book Entry)		
U. S. treasury Notes	35,167	37,113
Certificate of Deposits	85,224	85,224
Money Market	391	391
Uninsured, registered held by dealer/broker in School District's name (Book Entry)	0	0
Insured (SIPC) unregistered held by dealer/broker	0	0
Uninsured, unregistered held by dealer/broker	<u>0</u>	<u>0</u>
TOTAL	<u>\$120,782</u>	<u>\$122,728</u>

NOTE 4 - INTERFUND RECEIVABLES

In compliance with GASB 1300.109 School District does not maintain separate bank accounts for each fund, unless it is required by law, or grant agreement. The composition of amounts due to and from other funds as of June 30, 2013, is as follows:

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 4 - INTERFUND RECEIVABLES (CONTINUED)

Fund Financial Statements:		
Receivable Fund	Payable Fund	Amount
Special Revenue Fund:		
Vermont Energy Grant	General Fund	\$ 56
VKAT	General Fund	60
Girls on the Run	General Fund	490
Exxon Mobil Grant	General Fund	931
Book Fair	General Fund	7
Medicaid	General Fund	43,004
VSBIT Wellness Grant	General Fund	61
Field Trip Grade 1-2	General Fund	822
Educator Grant	General Fund	204
Field trip Grade 3-4	General Fund	440
Kindergarten Outdoor Prog.	General Fund	668
Eco-Ed Children Outdoor	General Fund	4,489
Lice Busters	General Fund	600
VT Rural Ed Collaborative	General Fund	3,544
Moretown Ptn	General Fund	10,582
	Special Revenue Fund:	
General Fund	MECA	7,893
Capital Project Fund:		
Roof Construction	General Fund	940
Maintenance Reserve	General Fund	688
Total		<u>\$75,479</u>

NOTE 5 – CAPITAL ASSETS

Capital activity for the School District for the year ended June 30, 2013, was as follows:

	<u>Primary Government</u>			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital Assets:				
Land Improvements	\$ 89,106	\$ 0	\$ 0	\$ 89,106
Buildings	26,567	0	0	26,567
Building Improvements	1,541,138	0	0	1,541,138

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	<u>Primary Government</u>			
	Beginning Balance	Increases	Decreases	Ending Balance
Infrastructure	\$ 39,919	\$ 0	\$ 0	\$ 39,919
Furniture and Equipment	<u>16,676</u>	<u>0</u>	<u>0</u>	<u>16,676</u>
Total other capital assets at historical costs	<u>1,713,406</u>	<u>0</u>	<u>0</u>	<u>1,713,406</u>
Less accumulated depreciation:				
Land Improvements	80,193	4,455	0	84,648
Buildings	26,567	0	0	26,567
Building Improvements	467,329	47,132	0	514,461
Infrastructure	2,394	798	0	3,192
Furniture and Equipment	<u>12,482</u>	<u>2,098</u>	<u>0</u>	<u>14,580</u>
Total accum. Depr.	<u>588,965</u>	<u>54,483</u>	<u>0</u>	<u>643,448</u>
Governmental activities				
Capital Assets, Net	<u>\$1,124,441</u>	<u>\$(54,483)</u>	<u>\$ 0</u>	<u>\$1,069,958</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Direct Services	\$17,113
Support Services:	
Students	0
Instructional Staff	0
General Administration	0
Area Administration	0
Fiscal Services	0
Operation and Maintenance of Plant	37,370
Transportation	0
Other Support Services	<u>0</u>
Total governmental activities depreciation expense	<u>\$54,483</u>

NOTE 6 - SICK LEAVE

It is the School District's policy to permit employees to accumulate earned but unused sick pay benefits. Such leave benefits do not vest under the School District's policy, accordingly benefits must be used during employment. Since the employees' accumulating rights to receive

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 6 - SICK LEAVE (CONTINUED)

compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

All teaching staff shall earn 20 sick days per year, and may accumulate a maximum of 90 days. Full year non-teaching staff shall earn 12 sick days per year, and may accumulate a maximum of 90 days. Partial year non-teaching staff shall earn 10 sick days per year, and may accumulate a maximum of 90 days. There are no sick day buy backs or buy outs.

NOTE 7 – RETIREMENT INCENTIVES

From time to time School Board decides whether or not to offer a retirement incentive to teachers. This decision to offer an incentive is at the board's discretion. The board did offer an incentive in FY 2012-2013 to all teachers who retired at 06/30/13 with a total payout to all teachers combined not to exceed \$24,000. Total contingent liability to the District was \$24,000. No teachers accepted the offer.

NOTE 8 - LONG-TERM DEBT

The School District issues general obligation bonds and notes to finance the acquisition and construction of major capital facilities, renovations, and equipment purchases. General obligation bonds are direct obligations and pledge the full faith and credit of the issuing entity. These bonds are generally issued as 5 to 20-year serial bonds with equal amounts of principal maturing each year.

The following is a summary of general obligation bonds & notes:

	Balance July 1, 2012	Borrowings	Retirements	Balance June 30, 2013
Vermont Municipal Bond Bank, bond payable, interest at 4.971% interest paid semi-annually, principle of \$60,000 due on December 1 st of each year until 2013, then \$55,000 due on December 1 st of each year until 2016, originally borrowed \$1,180,000 on July 31, 1996, for a building addition.	\$ 280,000	\$ 0	\$60,000	\$220,000

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 8 - LONG-TERM DEBT (CONTINUED)

	Balance July 1, 2012	Borrowings	Retirements	Balance June 30, 2013
Vermont Environmental Protection Agency, Water Planning Loan Payable, interest at 0%, principal of \$978 due on December 1 st of each year starting in 2011 until 2015; Originally approved for \$5,200 in 2008 for water project, amended to \$4,889 on June 14, 2010. Entire loan was forgiven by the State of VT	\$ 4,889	\$ 0	\$ 4,889	\$ 0
Vermont Environmental Protection Agency, Water Construction Loan Payable, interest at 1.0%, administrative fee of 2.0%, total payments of \$674.17 due on December 1 st of each year starting in 2011 until 2030; originally approved for \$25,800 in 2009 for water project, amended to \$35,030 on June 23, 2010. The State of VT forgave \$25,000.	35,030	0	25,384	9,645
Merchants Bank, Bond Payable, interest at 1%, interest paid semi-annually, sinking fund payment of \$39,000 due on March 1 st of each year until 2027, originally borrowed \$690,000 on July 1, 2010	<u>690,000</u>	<u>0</u>	<u>0</u>	<u>690,000</u>
Total Long-Term Debt	<u>\$1,009,919</u>	<u>\$ 0</u>	<u>\$90,273</u>	<u>\$919,646</u>

The annual debt service requirement to maturity for general obligation bonds and notes including interest are as follows:

	Principal	Interest	Total
During the year ended June 30, 2014	\$ 55,396	\$ 18,841	\$ 74,237
2015	55,408	15,519	70,927

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 8 - LONG-TERM DEBT (CONTINUED)

	Principal	Interest	Total
During the year ended June 30, 2016	\$ 55,420	\$ 12,175	\$ 67,595
2017	55,433	8,837	64,270
2018	446	7,128	7,574
Thereafter	<u>697,543</u>	<u>63,695</u>	<u>761,238</u>
Totals	<u>\$919,646</u>	<u>\$126,196</u>	<u>\$1,045,841</u>

NOTE 9 - CAPITAL LEASES

On May 22, 2012, the Moretown School District entered into a non-cancellable lease agreement with Hewlett-Packard Financial Services for the lease of a server. This lease agreement qualifies as a capital lease, for accounting purposes and thus, has been recorded at the present value of the future minimum lease payments at the inception of the lease in the general long-term debt account group. The total amount due is \$5,364, to be paid in yearly installments of \$1,788 over 3 years with a buyout at the end of \$1.

The future minimum lease obligations and the net present value of these minimum lease payments are as follows:

During the year ended June 30, 2014	\$1,788
Thereafter	<u>0</u>
Total minimum lease payments	1,788
Less amount representing interest	<u>92</u>
Present value of minimum lease payments	<u>\$1,696</u>

Interest rate on the capitalized lease is approximately 5.4 percent.

NOTE 10 – RESTRICTED, COMMITTED AND ASSIGNED FUND BALANCES (Fund Financial Statements)

Restricted, committed and assigned fund balances represent amounts that must be used for specific purposes within that fund and cannot be spent otherwise without prior approval of funding source. A more detailed explanation is provided in Note 1. Reservations at year end are for the following:

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 10 – RESTRICTED, COMMITTED AND ASSIGNED FUND BALANCES (Fund Financial Statements) (CONTINUED)

General Fund:

Fiscal Year 2013-2014 Budget	<u>\$ 72,766</u>
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Special Revenue Fund:

Medicaid	\$ 44,480
Vermont Energy Grant	56
VKAT	60
Exxon/Mobil Grant	931
Girls on the Run	490
Book Fair	7
VSBIT Wellness Grant	67
Field Trip Grade 1-2	822
Educator Grant	204
Lice Busters	600
Field Trip Grade 3-4	440
Kindergarten Outdoor Program	668
Eco-Ed Children Outdoor	4,489
Vermont Rural Ed Collaborative	3,544
Moretown Ptn	<u>10,582</u>
Total	<u>\$ 67,440</u>

Capital Projects Fund:

Maintenance Reserve	\$ 78,190
Roof Construction	<u>940</u>
Total	<u>\$ 79,130</u>

Other Governmental Fund:

Bond Sinking Fund	<u>\$122,728</u>
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NOTE 11 – NET ASSETS RESTRICTED (Government-Wide Financial Statements)

Restricted net asset balances represent amounts that must be used for specific purposes and cannot be spent otherwise without prior approval of the funding source. Restrictions at year end are for the following:

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 11 – NET ASSETS RESTRICTED (Government-Wide Financial Statements)
(CONTINUED)

Net Assets Restricted For Capital Projects:

Maintenance Reserve	\$ 78,190
Roof Construction	<u>940</u>
Total	<u>\$ 79,130</u>

Net Assets Restricted For Other Purposes:

Fiscal Year 2013-2014 Budget	\$ 72,766
Medicaid	44,480
Vermont Energy Grant	56
VKAT	60
Exxon/Mobil Grant	931
Girls on the Run	490
Book Fair	7
VSBIT Wellness Grant	67
Field Trip Grade 1-2	822
Educator Grant	204
Lice Busters	600
Field Trip Grade 3-4	440
Kindergarten Outdoor Program	668
Eco-Ed Children Outdoor	4,489
Vermont Rural Ed Collaborative	3,544
Moretown Ptn	<u>10,582</u>
Total	<u>\$140,206</u>

Net Assets Restricted For Debt Retirement:

Bond Sinking Fund	<u>\$122,728</u>
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NOTE 12 – TRANSFERS IN THE FUND BASED FINANCIAL STATEMENTS

The School District transfers funds to cover expenditures made in one fund for which the revenues are in another fund, or at the request of the voters. The following transfers were made during the year.

Funds of \$12,448 were transferred from the General Fund to the Special revenue Fund – VISBIT Insurance Claim to retire the deficit.

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

**NOTE 12 – TRANSFERS IN THE FUND BASED FINANCIAL STATEMENTS
(CONTINUED)**

Funds of \$39,000 were transferred from the General Fund to the Other Governmental Fund – Bond Sinking Fund as per bond agreement to accumulate funds to pay off the bond upon maturity.

Funds of \$3,422 were transferred from the General Fund to the Special Revenue Fund – Field Trips Grade 5-6 for the purpose of subsidizing trips.

NOTE 13 - PENSIONS

VERMONT TEACHERS' RETIREMENT SYSTEM

All of the teachers employed by School District participate in the Vermont Teachers' Retirement System ("TRS"), a statewide multiple-employer public employee retirement system covering all teachers in local school districts within the State of Vermont. The Vermont State statutes provide the authority under which benefit provisions and the State's obligation to contribute are established. The State Legislature has sole authority to amend benefit provisions.

Required contributions to the system are made by the State of Vermont based upon a valuation report prepared by the System's actuary. TRS 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. TRS 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 as required by Government Accounting Standards Board (GASB) Statement 24 to be 8.45% or approximately \$69,945.

Vesting occurs upon reaching five years of creditable service. Normal retirement requires the employee to be either 62 years of age or have 30 years of service. A member may receive a reduced benefit at age 55 with 10 or more years of service. A member that has 10 or more years of service and leaves teaching before age 55 is entitled to a vested retirement benefit payable at age 62 or a reduced amount at age 55.

Contributions by the employees are 5% of gross earnings and are withheld pre income tax by the School District. Such withholdings totaled \$41,388 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 13 – PENSIONS (CONTINUED)

VERMONT TEACHERS' RETIREMENT SYSTEM (CONTINUED)

plan. The School District's total payroll for all employees during the year was \$1,204,473, with \$827,750 of such amount related to employees covered by the retirement plan.

Additional information and ten-year historical trend information can be obtained from the separately issued Vermont State Teachers' Retirement System Comprehensive Annual Financial Report.

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (Cost sharing pension plan)

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. 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 Group 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. The State Legislature has sole authority to amend benefit provisions. 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%

There is a municipal defined contribution plan option with a 5% withholding and a 5.125% match.

Employee contributions are withheld pre income tax by the School District and are remitted to the State of Vermont. Such withholdings totaled \$11,755 during the year. The School District contributed \$13,061 during the year. The School District's total payroll for all employees

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 13 – PENSIONS (CONTINUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (Cost sharing pension plan) (CONTINUED)

during the year was \$1,204,473 , with \$261,219 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System. The plan had 11 members at June 30, 2013.

Additional information and ten-year historical trend information can be obtained from the separately issued Vermont State Municipal Retirement System Comprehensive Annual Financial Report.

NOTE 14 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, students and guests; as well as natural disasters. School District uses risk sharing pools and carries commercial insurance to cover these risks. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District.

In addition, Moretown School District as a member of Vermont School Boards Association (Association), participates in that entity's public entity risk pools. The Association has set up two insurance Trusts; Vermont School Board Insurance Trust, Inc. (VSBIT) for Workers Compensation , Multi-Line Intermunicipal School Program, and Unemployment Compensation Program, and the Vermont Education Health Initiative (VEHI) for Medical Benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont school districts and is owned by the participating districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

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

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 14 - RISK MANAGEMENT (CONTINUED)

To provide unemployment coverage, VSBIT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and to provide excess reinsurance protection. Contributions are based on payroll expense and the previous two year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

To provide worker's compensation coverage, VSBIT has established a separate trust of funds from member contributions to pay administrative costs and workers compensation coverage. Contributions are based upon formulas applied to payroll expense. At the end of the coverage period, the members will be assessed or refunded any difference between estimated contributions and actual expenses.

Multi-Line Intermunicipal School Program provides coverage for Property; Inland Marine and Boiler & Machinery; Crime; Commercial General Liability; Automobile/Garagekeepers; and Educators legal Liability. Annual contributions are based upon appropriate rates applicable to each Member; such rates are set based on recommendations of a qualified actuary, plus a proportionate share of all operational and administrative cost including excess reinsurance premiums incurred by the trust. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 15 - OPERATING LEASES

On May 13, 2013, the Moretown School District entered into a lease agreement with Ikon Office Solutions for the lease of a copier. The total amount due is \$25,085, to be paid in monthly installments of \$696.81 over 3 years. The following is a schedule of future minimum lease payments under this lease.

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 15 - OPERATING LEASES (CONTINUED)

During the year ended June 30, 2014	\$ 8,362
2015	8,362
2016	<u>8,363</u>
Total	<u>\$25,087</u>

Total minimum lease payments made this year under a prior lease were \$8,232.

NOTE 16 - SUBSEQUENT EVENTS

On July 1, 2013, the Moretown School District borrowed \$300,000 from Merchants Bank in a Revenue Anticipation Note at 2.3 %. Any outstanding principal and interest are due at maturity on June 30, 2014.

NOTE 17 - COMMITMENTS

On June 24, 2013, the School District entered into an agreement with SB Collins, Inc. to prepay a fixed note for 8,500 gallons of fuel at \$3.065 per gallon. The minimum prepayment to the School District for fiscal year 2013-2014 will be \$26,053. Any unused account balance at June 30, 2014 will be refunded to the School District.

The School District participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any money recovered may be required and the collectibility of any related receivable at June 30, 2013, may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 18 - RELATED PARTY

As defined by GASB No. 14, paragraph 71, the School District is related to and has an ongoing financial responsibility to the Washington West Supervisory Union. The Washington West Supervisory Union Assesses the School District annually for a share of the net projected

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 18 - RELATED PARTY (CONTINUED)

expenses in excess of revenues, plus a share of other budgetary provisions. The Washington West Supervisory Union also provides the busing for the District, the cost of which for FY 13 was \$52,359 and was paid directly by the School District to the bussing company. Separate financial statements on the Washington West Supervisory Union are available from Washington West Supervisory Union.

The School District is part of the Harwood Union School District #19 and has an ongoing financial responsibility as defined in GASB No. 14, paragraph 71. Separate financial statements on the Union School District are available from Washington West Supervisory Union.

NOTE 19 - CONTINGENCY

Annually, before November 1st, the Commissioner of the Vermont Department of Education notifies each school of its net cost per elementary and/or secondary pupil for the previous school year. If the School District received tuition students from other Vermont School Districts it must determine whether it overcharged the sending District. If it did, it must provide the overcharged District with a credit against current tuition or refund the overcharged amount.

The School District received State construction aid in the past for various projects. In the event that the school building was to be sold, this construction aid might have to be repaid out of the proceeds. The amount of State construction aid received since July 1970 is not available but can be calculated by the State of Vermont in the event that a repayment is sought.

Moretown School District
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General Fund
For The Year Ended June 30, 2013

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Interest on Investments		\$ 9,500	\$ 6,702	\$ (2,798)
Building Use		-	850	850
Miscellaneous		-	517	517
State:				
Education Spending Grant		1,598,478	1,598,478	-
Small Schools Grant		24,000	24,095	95
Transportation Aid		34,054	34,454	400
Mainstream Block Grant		39,074	39,074	-
Special Education Expenditures Reimbursement		129,516	202,057	72,541
Essential Early Education		-	13,444	13,444
Federal:				
FEMA		-	900	900
Education Jobs Fund		30,390	30,841	451
School Wide Program		15,000	20,249	5,249
IDEA-B		18,480	19,468	988
IDEA-B Preschool		<u>2,000</u>	<u>366</u>	<u>(1,634)</u>
TOTAL REVENUES		<u>1,900,492</u>	<u>1,991,495</u>	<u>91,003</u>
EXPENDITURES:				
Regular Instruction 1100:				
Salaries	110	381,641	389,067	(7,426)
Mentoring Salaries	110	4,500	3,750	750
Aide Salaries	115	11,002	11,324	(322)
Temporary Salaries	120	12,000	18,631	(6,631)
Personal Days	125	-	628	(628)
Health Insurance	210	91,924	89,918	2,006
Section 125 Plan	211	500	371	129
Insurance Compensation	212	-	700	(700)
Social Security	220	30,955	31,315	(360)
Life Insurance	230	2,894	1,916	978
Retirement	240	550	470	80
Workers Compensation	250	3,416	2,528	888
Unemployment Compensation	260	467	265	202
Tuition Reimbursement	270	14,000	22,115	(8,115)
Dental Insurance	280	6,610	6,278	332
Purchased Services	330	1,910	252	1,658
Copier	410	10,033	8,597	1,436

The accompanying notes are an integral part of these financial statements

Moretown School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended June 30, 2013

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Travel	580	\$ -	\$ 274	\$ (274)
Supplies	610	14,350	14,940	(590)
Books and Periodicals	640	10,500	839	9,661
Equipment	730	3,500	1,521	1,979
Subtotal		<u>600,752</u>	<u>605,699</u>	<u>(4,947)</u>
Early Education 1100:				
Salaries	110	30,488	33,304	(2,816)
Aide Salaries	115	17,626	18,596	(970)
Health Insurance	210	1,701	12,533	(10,832)
Insurance Compensation	212	-	560	(560)
Social Security	220	3,681	4,061	(380)
Life Insurance	230	395	364	31
Retirement	240	881	930	(49)
Workers Compensation	250	419	297	122
Unemployment Compensation	260	105	31	74
Professional Development	270	-	293	(293)
Testing Services	332	324	-	324
Supplies	610	500	272	228
Subtotal		<u>56,120</u>	<u>71,241</u>	<u>(15,121)</u>
English as a Second Language 1101:				
Purchased Services	330	-	260	(260)
Subtotal		<u>-</u>	<u>260</u>	<u>(260)</u>
Art 1102:				
Salaries	110	24,850	25,861	(1,011)
Personal Days	125	-	84	(84)
Insurance Compensation	212	824	280	544
Social Security	220	1,901	2,006	(105)
Life Insurance	230	263	172	91
Workers Compensation	250	216	154	62
Unemployment Compensation	260	58	16	42
Supplies	610	2,000	1,822	178
Subtotal		<u>30,112</u>	<u>30,395</u>	<u>(283)</u>
Foreign Language 1106:				
Salaries	110	19,979	20,666	(687)
Personal Days	125	-	66	(66)
Health Insurance	210	2,560	-	2,560
Insurance Compensation	212	-	280	(280)

The accompanying notes are an integral part of these financial statements

Moretown School District
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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Social Security	220	\$ 1,528	\$ 1,607	\$ (79)
Life Insurance	230	239	-	239
Workers Compensation	250	174	123	51
Unemployment Compensation	260	58	13	45
Dental Insurance	280	175	-	175
Supplies	610	-	65	(65)
Books and Periodicals	640	500	282	218
Subtotal		<u>25,213</u>	<u>23,102</u>	<u>2,111</u>
Physical Education 1108:				
Salaries	110	19,452	19,606	(154)
Personal Days	125	-	14	(14)
Insurance Compensation	212	797	280	517
Social Security	220	1,488	1,522	(34)
Life Insurance	230	239	116	123
Workers Compensation	250	169	120	49
Unemployment Compensation	260	58	13	45
Dental Insurance	280	466	466	-
Equipment	730	500	535	(35)
Subtotal		<u>23,169</u>	<u>22,672</u>	<u>497</u>
Music 1112:				
Salaries	110	18,421	19,096	(675)
Personal Days	125	-	84	(84)
Insurance Compensation	212	792	-	792
Social Security	220	1,409	1,467	(58)
Life Insurance	230	235	-	235
Workers Compensation	250	160	114	46
Unemployment Compensation	260	58	12	46
Supplies	610	1,000	628	372
Software	650	1,000	-	1,000
Equipment	730	-	122	(122)
Subtotal		<u>23,075</u>	<u>21,523</u>	<u>1,552</u>
Computer Technology 1123:				
Purchased Services	330	-	1,735	(1,735)
Supplies	610	2,500	803	1,697
Equipment	730	10,800	9,364	1,436
Subtotal		<u>13,300</u>	<u>11,902</u>	<u>1,398</u>

The accompanying notes are an integral part of these financial statements

Moretown School District
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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Special Education 1200:				
Salaries	110	\$ 63,560	\$ 87,293	\$ (23,733)
Tutor	112	5,390	7,897	(2,507)
Aide Salaries	115	90,836	75,473	15,363
Temporary Salaries	120	5,000	4,000	1,000
Personal Days	125	-	39	(39)
Health Insurance	210	42,296	57,650	(15,354)
Insurance Compensation	212	-	941	(941)
Social Security	220	10,410	12,585	(2,175)
Life Insurance	230	1,008	634	374
Retirement	240	4,542	3,949	593
Workers Compensation	250	1,343	1,018	325
Unemployment Compensation	260	350	107	243
Tuition Reimbursement	270	2,500	3,071	(571)
Dental Insurance	280	1,164	1,582	(418)
Tuition	560	26,000	30,281	(4,281)
Travel	580	1,000	423	577
Supplies	610	600	1,037	(437)
Books and Periodicals	640	900	1,114	(214)
Audio Visual Materials	650	500	234	266
Equipment	730	1,000	1,011	(11)
Subtotal		<u>258,399</u>	<u>290,339</u>	<u>(31,940)</u>
Essential Early Education 1200:				
Aide Salaries	115	-	2,621	(2,621)
Health Insurance	210	-	1,274	(1,274)
Social Security	220	-	165	(165)
Life Insurance	230	-	5	(5)
Retirement	240	-	131	(131)
Supplies	610	400	-	400
Subtotal		<u>400</u>	<u>4,196</u>	<u>(3,796)</u>
Compensatory Education 1250:				
Salaries	110	2,278	3,448	(1,170)
Aide Salaries	115	11,002	11,078	(76)
Personal Days	125	-	83	(83)
Health Insurance	210	7,063	6,266	797
Insurance Compensation	212	-	295	(295)
Social Security	220	2,110	1,057	1,053
Life Insurance	230	318	175	143

The accompanying notes are an integral part of these financial statements

Moretown School District
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	Object	Budget	Actual	Variance Favorable (Unfavorable)
Retirement	240	\$ 550	\$ 597	\$ (47)
Workers Compensation	250	288	205	83
Unemployment Compensation	260	-	21	(21)
Subtotal		<u>23,609</u>	<u>23,225</u>	<u>384</u>
School Wide Program 1270:				
Salaries	110	19,826	18,998	828
Social Security	220	423	1,453	(1,030)
Subtotal		<u>20,249</u>	<u>20,451</u>	<u>(202)</u>
Guidance Services 2120:				
Salaries	110	17,369	20,700	(3,331)
Personal Days	125	-	84	(84)
Health Insurance	210	2,547	2,465	82
Social Security	220	1,329	1,421	(92)
Life Insurance	230	229	105	124
Workers Compensation	250	151	107	44
Unemployment Compensation	260	58	11	47
Dental Insurance	280	175	175	-
Supplies	610	100	154	(54)
Books and Periodicals	640	50	134	(84)
Subtotal		<u>22,008</u>	<u>25,356</u>	<u>(3,348)</u>
Health Services 2130:				
Salaries	110	34,242	24,890	9,352
Assistant Salaries	115	9,010	9,033	(23)
Temporary Salaries	120	-	306	(306)
Personal Days	125	-	195	(195)
Health Insurance	210	3,371	-	3,371
Insurance Compensation	212	-	420	(420)
Social Security	220	2,620	2,633	(13)
Life Insurance	230	321	168	153
Retirement	240	451	(6)	457
Workers Compensation	250	298	267	31
Unemployment Compensation	260	117	28	89
Dental Insurance	280	698	699	(1)
Supplies	610	1,000	869	131
Subtotal		<u>52,128</u>	<u>39,502</u>	<u>12,626</u>
SPED Psychological Services 2140:				
Contracted Services	300	15,000	36,813	(21,813)

The accompanying notes are an integral part of these financial statements

Moretown School District
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	Object	Budget	Actual	Variance Favorable (Unfavorable)
Equipment	739	\$ -	\$ 2,211	\$ (2,211)
Subtotal		<u>15,000</u>	<u>39,024</u>	<u>(24,024)</u>
EEE Psychological Services 2140:				
Contracted Services	300	<u>2,500</u>	<u>366</u>	<u>2,134</u>
Subtotal		<u>2,500</u>	<u>366</u>	<u>2,134</u>
SPED Speech Services 2150:				
Salaries	110	57,241	59,241	(2,000)
Summer Services	112	3,000	1,302	1,698
Personal Days	125	-	70	(70)
Health Insurance	210	16,492	16,241	251
Social Security	220	4,379	4,451	(72)
Life Insurance	230	418	293	125
Workers Compensation	250	498	372	126
Unemployment Compensation	260	58	39	19
Dental Insurance	280	1,164	1,166	(2)
Travel	580	-	39	(39)
Subtotal		<u>83,250</u>	<u>83,214</u>	<u>36</u>
SPED Occupational Therapy Services 2160:				
Contracted Services	300	<u>1,730</u>	<u>3,758</u>	<u>(2,028)</u>
Subtotal		<u>1,730</u>	<u>3,758</u>	<u>(2,028)</u>
SPED Physical Therapy Services 2190:				
Contracted Services	300	<u>1,750</u>	<u>23,734</u>	<u>(21,984)</u>
Subtotal		<u>1,750</u>	<u>23,734</u>	<u>(21,984)</u>
Media Center 2220:				
Salaries	110	33,684	36,064	(2,380)
Personal Days	125	-	98	(98)
Insurance Compensation	212	2,373	560	1,813
Social Security	220	2,577	2,766	(189)
Life Insurance	230	306	207	99
Workers Compensation	250	293	208	85
Unemployment Compensation	260	58	22	36
Repairs and Maintenance	430	600	365	235
Supplies	610	300	271	29
Books and Periodicals	640	<u>3,400</u>	<u>3,551</u>	<u>(151)</u>
Subtotal		<u>43,591</u>	<u>44,112</u>	<u>(521)</u>
Board of Education 2310:				
Social Security	220	-	23	(23)

The accompanying notes are an integral part of these financial statements

Moretown School District
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	Object	Budget	Actual	Variance Favorable (Unfavorable)
Reimbursement	310	\$ 500	\$ 400	\$ 100
Legal	360	8,000	-	8,000
Insurance	523	2,000	1,592	408
Advertising	540	1,000	733	267
Miscellaneous	550	500	148	352
Dues and Fees	810	1,200	1,225	(25)
Subtotal		13,200	4,121	9,079
District Treasurer 2313:				
Town Office	300	2,500	2,500	-
Subtotal		2,500	2,500	-
WWSU Assessment 2321:				
Assessment	331	38,477	38,751	(274)
Subtotal		38,477	38,751	(274)
Administration 2400:				
Salaries	110	84,895	85,727	(832)
Support Staff Salaries	111	32,402	33,054	(652)
Temporary Salaries	120	-	945	(945)
Health Insurance	210	35,951	35,437	514
Social Security	220	8,973	9,072	(99)
Life Insurance	230	989	595	394
Retirement	240	1,620	1,634	(14)
Workers Compensation	250	1,020	725	295
Unemployment Compensation	260	117	76	41
Tuition Reimbursement	270	2,500	1,461	1,039
Dental Insurance	280	2,400	2,425	(25)
Postage	531	1,000	863	137
Travel	580	200	349	(149)
Supplies	610	1,000	1,810	(810)
Equipment	730	2,500	4,668	(2,168)
Dues and Fees	810	-	600	(600)
Subtotal		175,567	179,441	(3,874)
Fiscal Services 2520:				
Business Manager Assessment	331	6,640	6,551	89
Accounting Services Assessment	331	13,955	13,770	185
Audit	370	2,981	3,300	(319)
Current Interest	830	7,500	4,907	2,593
Subtotal		31,076	28,528	2,548

The accompanying notes are an integral part of these financial statements

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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Building Maintenance & Operation 2600:				
Salaries	110	\$ 39,978	\$ 44,422	\$ (4,444)
Assistant Salaries	111	14,362	14,549	(187)
Personal Days	125	-	350	(350)
Health Insurance	210	17,295	16,525	770
Insurance Compensation	212	-	596	(596)
Social Security	220	4,157	4,385	(228)
Life Insurance	230	299	151	148
Retirement	240	2,717	2,233	484
Workers Compensation	250	3,684	338	3,346
Unemployment Compensation	260	117	35	82
Dental Insurance	280	-	456	(456)
Repairs and Maintenance	430	25,000	36,585	(11,585)
Property Insurance	521	6,000	5,005	995
Insurance Deductible	522	-	(25)	25
Telephone	530	5,000	5,061	(61)
Supplies	610	8,500	7,091	1,409
Electricity	622	16,720	15,690	1,030
Gas	623	650	571	79
Oil	624	30,100	24,902	5,198
Equipment	730	2,100	7,534	(5,434)
Subtotal		<u>176,679</u>	<u>186,454</u>	<u>(9,775)</u>
Special Education Transportation 2700:				
Contracted Services	519	-	613	(613)
Subtotal		<u>-</u>	<u>613</u>	<u>(613)</u>
EEE Transportation 2700:				
Contracted Services	519	-	507	(507)
Subtotal		<u>-</u>	<u>507</u>	<u>(507)</u>
Contracted Transportation 2710:				
Contracted Services	519	80,441	52,359	28,082
Subtotal		<u>80,441</u>	<u>52,359</u>	<u>28,082</u>
Co-Curricular Transportation 2720:				
Field Trips	519	1,750	3,027	(1,277)
Subtotal		<u>1,750</u>	<u>3,027</u>	<u>(1,277)</u>
Lunch Transportation 2750:				
Salaries	110	2,701	2,363	338
Social Security	220	207	181	26

The accompanying notes are an integral part of these financial statements

Moretown School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended June 30, 2013

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Travel	580	\$ 900	\$ 889	\$ 11
Subtotal		<u>3,808</u>	<u>3,433</u>	<u>375</u>
Food Service 3100:				
Contracted Services	500	<u>7,125</u>	<u>9,560</u>	<u>(2,435)</u>
Subtotal		<u>7,125</u>	<u>9,560</u>	<u>(2,435)</u>
Debt Services 5100"				
Interest Charges	830	22,494	22,284	210
Principal Reduction	910	<u>61,855</u>	<u>60,384</u>	<u>1,471</u>
Subtotal		<u>84,349</u>	<u>82,668</u>	<u>1,681</u>
TOTAL EXPENDITURES		<u>1,911,327</u>	<u>1,976,033</u>	<u>(64,706)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		(10,835)	15,462	(26,297)
OTHER FINANCING SOURCES (USES):				
Transfer From Special Revenue Fund		-	3,922	(3,922)
Transfer To Special Revenue Fund		-	(15,870)	15,870
Transfer To Other Governmental Fund		<u>(39,000)</u>	<u>(39,000)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		(49,835)	(35,486)	(14,349)
FUND BALANCE, JULY 1, 2012		<u>49,835</u>	<u>137,084</u>	<u>87,249</u>
FUND BALANCE, JUNE 30, 2013		<u>\$ -</u>	<u>\$ 101,598</u>	<u>\$ 101,598</u>

The accompanying notes are an integral part of these financial statements

Moretown School District
Combining Balance Sheet
Special Revenue Funds
June 30, 2013

Schedule 2
(page 1 of 3)

	MECA	VKAT	Vermont Energy Grant	Exxon Mobil Grant	Book Fair	Girls on the Run	Subtotals
ASSETS:							
Current Assets:							
Due From Other Funds		\$ 60	\$ 56	\$ 931	\$ 7	\$ 490	\$ 1,544
Accounts Receivable - State	\$ 1,371						1,371
Accounts Receivable - Supervisory Union							-
Accounts Receivable - Other	<u>3,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,260</u>
Total Current Assets	<u>4,631</u>	<u>60</u>	<u>56</u>	<u>931</u>	<u>7</u>	<u>490</u>	<u>6,175</u>
TOTAL ASSETS	<u>\$ 4,631</u>	<u>\$ 60</u>	<u>\$ 56</u>	<u>\$ 931</u>	<u>\$ 7</u>	<u>\$ 490</u>	<u>\$ 6,175</u>
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Due To Other Funds	\$ 7,893						\$ 7,893
Accounts Payable - Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>7,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>7,893</u>
Fund Balances:							
Unassigned	(3,262)						(3,262)
Restricted	<u>-</u>	<u>60</u>	<u>56</u>	<u>931</u>	<u>7</u>	<u>490</u>	<u>1,544</u>
Total Fund Balances	<u>(3,262)</u>	<u>60</u>	<u>56</u>	<u>931</u>	<u>7</u>	<u>490</u>	<u>(1,718)</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 4,631</u>	<u>\$ 60</u>	<u>\$ 56</u>	<u>\$ 931</u>	<u>\$ 7</u>	<u>\$ 490</u>	<u>\$ 6,175</u>

The accompanying notes are an integral part of these financial statements

Moretown School District
Combining Balance Sheet
Special Revenue Funds
June 30, 2013

Schedule 2
(page 2 of 3)

	VSBIT Wellness	Field Trip Grades 1-2	Field Trip Grades 3-4	Educator Grant	Kindergarten Outdoor Program	Lice Busters	Subtotals
ASSETS:							
Current Assets:							
Due From Other Funds	\$ 67	\$ 822	\$ 440	\$ 204	\$ 668	\$ 600	\$ 2,801
Accounts Receivable - State							-
Accounts Receivable - Supervisory Union							-
Accounts Receivable - Other	-	-	-	-	-	-	-
Total Current Assets	<u>67</u>	<u>822</u>	<u>440</u>	<u>204</u>	<u>668</u>	<u>600</u>	<u>2,801</u>
TOTAL ASSETS	<u>\$ 67</u>	<u>\$ 822</u>	<u>\$ 440</u>	<u>\$ 204</u>	<u>\$ 668</u>	<u>\$ 600</u>	<u>\$ 2,801</u>
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Due To Other Funds							\$ -
Accounts Payable - Other	-	-	-	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Fund Balances:							
Unassigned							-
Restricted	<u>67</u>	<u>822</u>	<u>440</u>	<u>204</u>	<u>668</u>	<u>600</u>	<u>2,801</u>
Total Fund Balances	<u>67</u>	<u>822</u>	<u>440</u>	<u>204</u>	<u>668</u>	<u>600</u>	<u>2,801</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 67</u>	<u>\$ 822</u>	<u>\$ 440</u>	<u>\$ 204</u>	<u>\$ 668</u>	<u>\$ 600</u>	<u>\$ 2,801</u>

The accompanying notes are an integral part of these financial statements

Moretown School District
Combining Balance Sheet
Special Revenue Funds
June 30, 2013

Schedule 2
(page 3 of 3)

	Vermont Rural Ed Collaborative	Eco-Ed Children Outdoor	Moretown Ptn	Medicaid	Subtotals	Totals
ASSETS:						
Current Assets:						
Due From Other Funds	\$ 3,544	\$ 4,489	\$ 10,582	\$ 43,004	\$ 61,619	\$ 65,964
Accounts Receivable - State					-	1,371
Accounts Receivable - Supervisory Union				1,494	1,494	1,494
Accounts Receivable - Other	-	-	-	-	-	3,260
Total Current Assets	<u>3,544</u>	<u>4,489</u>	<u>10,582</u>	<u>44,498</u>	<u>63,113</u>	<u>72,089</u>
TOTAL ASSETS	<u>\$ 3,544</u>	<u>\$ 4,489</u>	<u>\$ 10,582</u>	<u>\$ 44,498</u>	<u>\$ 63,113</u>	<u>\$ 72,089</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Due To Other Funds					\$ -	\$ 7,893
Accounts Payable - Other	-	-	-	\$ 18	18	18
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>18</u>	<u>18</u>	<u>7,911</u>
Fund Balances:						
Unassigned					-	(3,262)
Restricted	<u>3,544</u>	<u>4,489</u>	<u>10,582</u>	<u>44,480</u>	<u>63,095</u>	<u>67,440</u>
Total Fund Balances	<u>3,544</u>	<u>4,489</u>	<u>10,582</u>	<u>44,480</u>	<u>63,095</u>	<u>64,178</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 3,544</u>	<u>\$ 4,489</u>	<u>\$ 10,582</u>	<u>\$ 44,498</u>	<u>\$ 63,113</u>	<u>\$ 72,089</u>

The accompanying notes are an integral part of these financial statements

Moretown School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Special Revenue Funds
For The Year Ended June 30, 2013

Schedule 3
(page 1 of 3)

	MECA	Care and Custody	VKAT	Vermont Energy Grant	Exxon Mobil Grant	Girls on the Run	Book Fair	VSBIT Wellness	Subtotals
REVENUES:									
Miscellaneous	\$ 520								\$ 520
Private/Local/Other	78,775				\$ 500				79,275
State	<u>7,942</u>	<u>\$ 3,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,154</u>
TOTAL REVENUES	<u>87,237</u>	<u>3,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>90,949</u>
EXPENDITURES:									
Direct Services		2,498							2,498
Support Services:									
Students									-
Operation and Maintenance of Building									-
Transportation									-
Other Outlays	<u>90,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,499</u>
TOTAL EXPENDITURES	<u>90,499</u>	<u>2,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,997</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,262)	714	-	-	500	-	-	-	(2,048)
OTHER FINANCING SOURCES (USES):									
Transfers In									-
Transfers Out	<u>-</u>	<u>(3,922)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,922)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(3,262)	(3,208)	-	-	500	-	-	-	(5,970)
FUND BALANCES, JULY 1, 2012	<u>-</u>	<u>3,208</u>	<u>60</u>	<u>56</u>	<u>431</u>	<u>490</u>	<u>7</u>	<u>67</u>	<u>4,319</u>
FUND BALANCES, JUNE 30, 2013	<u>\$ (3,262)</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 56</u>	<u>\$ 931</u>	<u>\$ 490</u>	<u>\$ 7</u>	<u>\$ 67</u>	<u>\$ (1,651)</u>

The accompanying notes are an integral part of these financial statements

Moretown School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Special Revenue Funds
For The Year Ended June 30, 2013

Schedule 3
(page 2 of 3)

	Field Trip Grades 1-2	Field Trip Grades 3-4	Field Trip Grades 5-6	Educator Grant	Kindergarten Outdoor Program	Nature Adventure Program	Lice Busters	Vermont Rural Ed Collaborative	Subtotals
REVENUES:									
Miscellaneous	\$ 1,350								\$ 1,350
Private/Local/Other State	-	-	\$ 900	-	-	-	-	\$ 2,000	2,900
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>1,350</u>	<u>\$ -</u>	<u>900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,000</u>	<u>4,250</u>
EXPENDITURES:									
Direct Services	464		3,390			6,616			10,470
Support Services:									
Students									-
Operation and Maintenance of Building									-
Transportation	183		679						862
Other Outlays	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>647</u>	<u>-</u>	<u>4,069</u>	<u>-</u>	<u>-</u>	<u>6,616</u>	<u>-</u>	<u>-</u>	<u>11,332</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	703	-	(3,169)	-	-	(6,616)	-	2,000	(7,082)
OTHER FINANCING SOURCES (USES):									
Transfers In			3,422						3,422
Transfers Out	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	703	-	253	-	-	(6,616)	-	2,000	(3,660)
FUND BALANCES, JULY 1, 2012	<u>119</u>	<u>440</u>	<u>(253)</u>	<u>204</u>	<u>668</u>	<u>6,616</u>	<u>600</u>	<u>1,544</u>	<u>9,938</u>
FUND BALANCES, JUNE 30, 2013	<u>\$ 822</u>	<u>\$ 440</u>	<u>\$ -</u>	<u>\$ 204</u>	<u>\$ 668</u>	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ 3,544</u>	<u>\$ 6,278</u>

The accompanying notes are an integral part of these financial statements

Moretown School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Special Revenue Funds
For The Year Ended June 30, 2013

Schedule 3
(page 3 of 3)

	VSBIT Insurance Claim	Eco-Ed Children Outdoor	Community Donations - Irene	Adventure Program	Moretown Ptn	Medicaid	Subtotals	Totals
REVENUES:								
Miscellaneous							\$ -	\$ 1,870
Private/Local/Other		\$ 5,103		\$ 640	\$ 10,582	\$ 16,131	32,456	114,631
State	-	-	-	-	-	-	-	11,154
TOTAL REVENUES	\$ -	5,103	\$ -	640	10,582	16,131	32,456	127,655
EXPENDITURES:								
Direct Services		614	10,063	890		18,027	29,594	42,562
Support Services:								
Students						157	157	157
Operation and Maintenance of Building	14,695						14,695	14,695
Transportation							-	862
Other Outlays	-	-	-	-	-	-	-	90,499
TOTAL EXPENDITURES	14,695	614	10,063	890	-	18,184	44,446	148,775
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,695)	4,489	(10,063)	(250)	10,582	(2,053)	(11,990)	(21,120)
OTHER FINANCING SOURCES (USES):								
Transfers In	12,448						12,448	15,870
Transfers Out	-	-	-	-	-	-	-	(3,922)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,247)	4,489	(10,063)	(250)	10,582	(2,053)	458	(9,172)
FUND BALANCES, JULY 1, 2012	2,247	-	10,063	250	-	46,533	59,093	73,350
FUND BALANCES, JUNE 30, 2013	\$ -	\$ 4,489	\$ -	\$ -	\$ 10,582	\$ 44,480	\$ 59,551	\$ 64,178

The accompanying notes are an integral part of these financial statements

Moretown School District
Combining Balance Sheet
Capital Project Funds
June 30, 2013

Schedule 4

	Capital Improvement	Roof Construction Fund	Totals
ASSETS:			
Current Assets:			
Cash	\$ 77,502		\$ 77,502
Due From Other Funds	688	\$ 940	1,628
Total Current Assets	<u>78,190</u>	<u>940</u>	<u>79,130</u>
TOTAL ASSETS	<u>\$ 78,190</u>	<u>\$ 940</u>	<u>\$ 79,130</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
None	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Committed	<u>78,190</u>	<u>940</u>	<u>79,130</u>
Total Fund Balances	<u>78,190</u>	<u>940</u>	<u>79,130</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 78,190</u>	<u>\$ 940</u>	<u>\$ 79,130</u>

The accompanying notes are an integral part of these financial statements

Moretown School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Funds
For The Year Ended June 30, 2013

Schedule 5

	Capital Improvement	Roof Construction Fund	Totals
REVENUES:			
Investment Income	\$ 39	-	\$ 39
TOTAL REVENUES	<u>39</u>	<u>\$ -</u>	<u>39</u>
EXPENDITURES:			
None	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	39	-	39
FUND BALANCES, JULY 1, 2012	<u>78,151</u>	<u>940</u>	<u>79,091</u>
FUND BALANCES, JUNE 30, 2013	<u>\$ 78,190</u>	<u>\$ 940</u>	<u>\$ 79,130</u>

The accompanying notes are an integral part of these financial statements



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the School Board
Moretown School District, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Moretown School District, Vermont, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Moretown School District, Vermont's basic financial statements and have issued our report thereon dated February 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Moretown School District, Vermont'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Moretown School District, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of Moretown School District, Vermont'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 Moretown School District, Vermont's financial statements are free from 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Angolano & Company

Angolano & Company
Shelburne, Vermont
Firm Registration Number 92-0000141

February 18, 2014



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To the School Board
Moretown School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Moretown School District** for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 29, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Moretown School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the lives of property, plant, and equipment is based on expected usefulness. We evaluated the key factors and assumptions used to develop the lives of property, plant, and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

Management estimates the final receivable or payable with the State of Vermont Department of Education for special education expense reimbursement.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Fund Balances and Net Assets in Notes 10 and 11 to the financial statements as to how any surplus is to be used in future fiscal years.

The disclosure of retirement incentives in Note 7 to the financial statements as to how it is being offered and any contingent and real liabilities that exist.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of School Board and management of Moretown School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Angolano & Company

Angolano & Company,
Shelburne, Vermont
Firm Registration Number 92-0000141