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Shelburne, VT 05482-0639

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www.angolanoandcompany.com

January 13, 2011

Moretown School District
Att: Michelle Baker, Bus. Mgr.
1673 Main Street, Ste. A
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, 2010. In addition I will be mailing you 12 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, 2010

Moretown School District
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For The Year Ended June 30, 2010

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Independent Auditors' Report

To The School Board
Moretown School District

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, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the School District's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of Moretown School District's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Moretown School District, Vermont, as of June 30, 2010, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of Moretown School District, as of June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010 on our consideration of Moretown School District's internal control over

financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 and 28 through 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Moretown School District'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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Angolano & Company

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

December 22, 2010

MORETOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

Introduction

The discussion and analysis of The Moretown 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, 2010 (FY 10). 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 \$1,332,317 and government-wide liabilities totaled \$1,179,140.
- Long-term debt (more than one year) totaled \$1,059,171 at year end, an increase of \$654,282.
- The District's general fund actual revenues were \$2,040,573, while the budgeted revenues were \$2,049,850, a decrease of \$9,277. The district was not eligible to receive Title I funds; \$10,000 in Title I revenue was budgeted.
- The District's general fund actual expenditures were \$1,933,323, while the budgeted expenditures were \$2,006,991, a decrease of \$73,688. Expenses were lower due to savings on fuel oil \$13,930, electricity \$5,500, savings on the transportation fuel surcharge \$9,979, food services \$4,632, compensatory education \$23,938 and debt service \$40,351.
- Special Revenue Funds totaling \$14,895 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, 2010 is \$31,906. The water project has a deficit balance at June 30, 2010. Proceeds due from the loan for the water project were received in FY2011.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Moretown 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 7-10.

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 11-27.

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, ADM Audit Report, and a Report on Compliance and Internal Control.

Government-Wide Financial Analysis

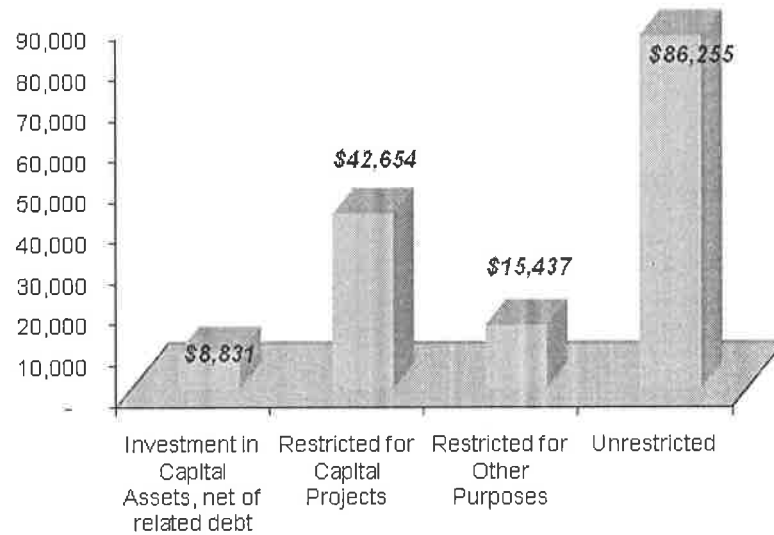
Our analysis of the District's major funds begins on Table 1. The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District's Board of Directors 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.

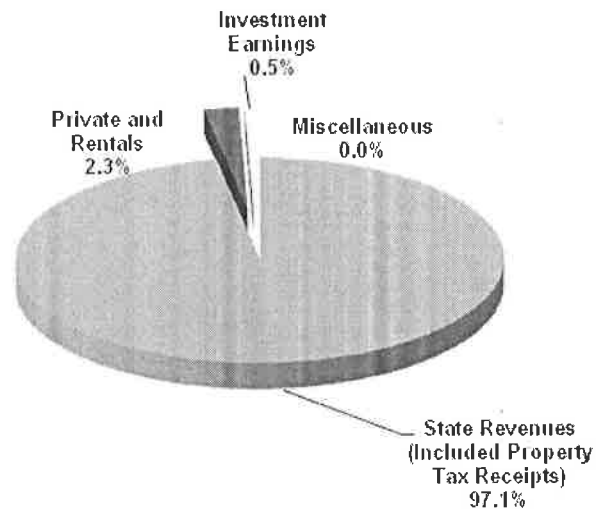
Moretown School District
Statement of Net Assets and Fund Balance Reconciliation
June 30, 2010

	Summary of Financial Operations and Fund Balance	Governmental Activities Government-Wide	Difference
ASSETS			
<u>Current Assets:</u>			
Cash	188,488	188,488	-
Other	390	390	-
Supervisory Union	5,748	5,748	-
Other LEA's	9,689	9,689	-
Total Current Assets	204,315	204,315	-
<u>Non-current Assets:</u>			
<u>Capital Assets:</u>			
Building & Equipment, net of Accum. Depr.	-	1,128,002	(1,128,002)
Total Non-current Assets	-	1,128,002	(1,128,002)
TOTAL ASSETS	204,315	1,332,317	(1,128,002)
LIABILITIES			
<u>Current Liabilities:</u>			
<u>Accounts Payable</u>			
State	45,692	45,692	-
Other	11,127	11,127	-
Deferred Revenue	3,150	3,150	-
Current Portion of Long-Term Obligations	-	60,000	(60,000)
Total Current Liabilities	59,969	119,969	(60,000)
<u>Non-current Liabilities:</u>			
Bonds Payable	-	1,059,171	(1,059,171)
Total Non-current Liabilities	-	1,059,171	(1,059,171)
TOTAL LIABILITIES	59,969	1,179,140	(1,119,171)
NET ASSETS			
Investment in Capital Assets, net of related Debt	-	8,831	(8,831)
Restricted for Capital Projects	42,654	42,654	-
Restricted for Other Purposes	15,437	15,437	-
Unrestricted	86,255	86,255	-
TOTAL NET ASSETS	144,346	153,177	(8,831)
TOTAL LIABILITIES AND NET ASSETS	204,315	1,332,317	(1,128,002)

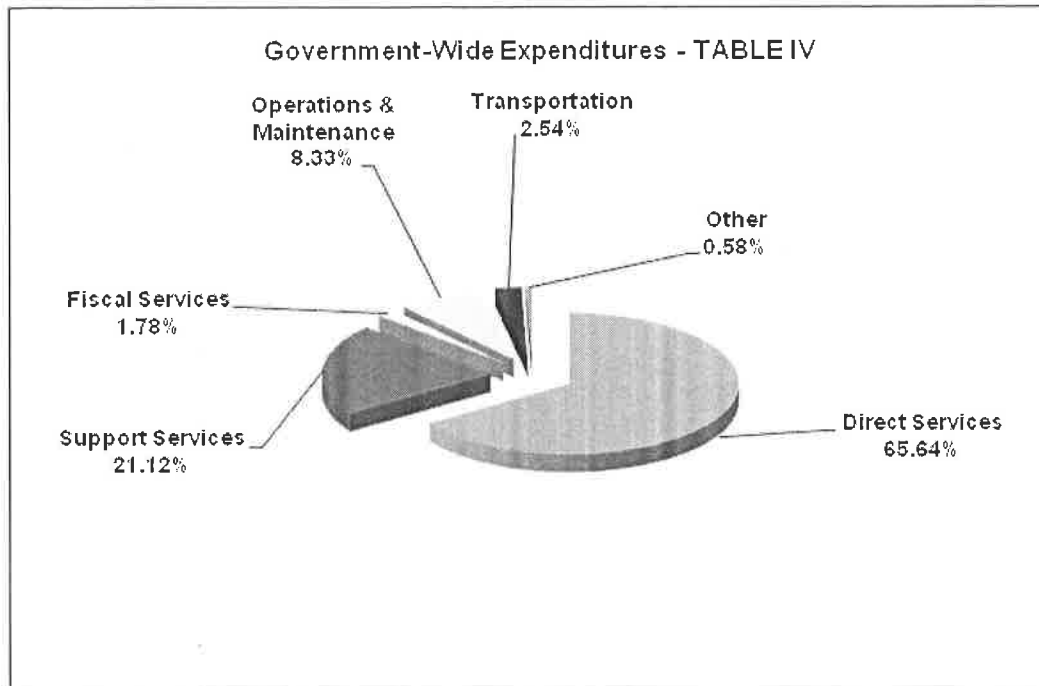
Government-Wide Net Assets - TABLE II



Government-Wide Revenues - TABLE III



Government-wide revenues consisted of \$0 in federal revenue, \$1,897,259 in state revenue and \$10,669 in investment earnings and \$45,673 in grants, \$150 in rental and \$108 miscellaneous revenues.



Government-wide expenses consist of \$1,235,363 in direct services, \$397,552 in support services, \$33,546 in fiscal services, \$156,783 in operations and maintenance, \$47,802 in transportation and \$10,893 in other expenditures for a total of \$1,881,939.

Governmental Activities:

Governmental Activities revenues totaled \$1,953,859 and expenses net of program revenues totaled \$1,881,939 resulting in an increase in net assets of \$71,920.

Fund Financial Analysis

Governmental Fund Types:

Fund balances in the Governmental Fund types decreased from \$32,822 to \$144,346, an increase of \$111,524. This increase was reflected in the General Fund by an increase of \$13,697, a decrease of \$5,310 in the Special Revenue Funds and an increase of \$103,137 in the Capital Project Fund.

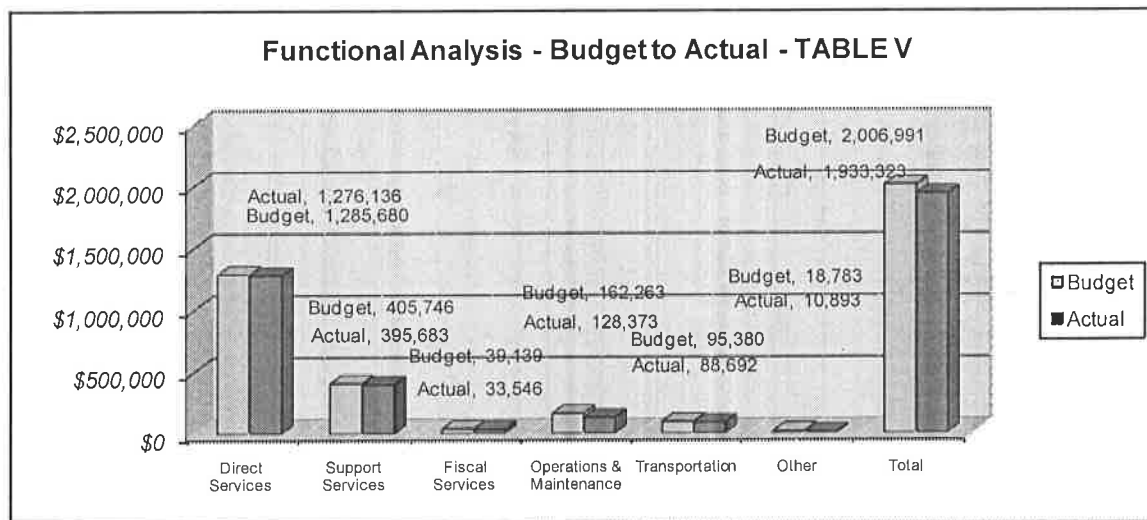


Table VI summarizes the state of the District's capital assets.

Moretown School District			TABLE VI
Capital Assets			
June 30, 2010			
	Cost	Accumulated Depreciation	Net Value
Governmental Activities:			
Construction in Progress	-	-	-
Buildings and Improvements	1,595,077	\$ 476,285	\$ 1,118,792
Furniture and Equipment	16,676	7,466	9,210
Total	\$ 1,611,753	\$ 483,751	\$ 1,128,002

Long-Term Debt

The District has one category of long-term debt, defined as debt due and payable beyond one year. At June 30, 2010, the District had \$1,119,171 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 continues.
- A \$690,000 Qualified School Construction Bond for the Roof Replacement Project was obtained in July 2010. The original project was estimated at \$700,000 and completed at a \$10,000 savings
- Moretown has an above average cost per pupil. In FY2011 the statewide average cost per equalized pupil was 12,204, Moretown's cost per equalized pupil in FY2011 is \$14,643.
- The Moretown Elementary School facility and property have deferred maintenance that is leading to increased maintenance costs. The Board has identified the capital needs and a maintenance reserve fund has been established.
- Act 153 requires special education, compensatory and remedial services to be provided by the Supervisory Union by July 1, 2012. The effects of this Legislation are unknown at this time as no implementation guidance has been received regarding the new legislation.

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, 1673 Main Street – Suite A, Waitsfield, Vermont 05673 or at (802) 496-2272 ext. 117.

Moretown School District
Statement of Net Assets
Government-Wide
June 30, 2010

EXHIBIT I

	Governmental Activities	Total
ASSETS:		
Cash and Cash Equivalents	\$ 188,488	\$ 188,488
Accounts Receivable - Supervisory Union	5,748	5,748
Accounts Receivable - Other LEAs	9,688	9,688
Accounts Receivable - Other	390	390
Due From Other Funds	1	1
Capital Assets, net (Note 4)	<u>1,128,002</u>	<u>1,128,002</u>
Total Assets	<u>1,332,317</u>	<u>1,332,317</u>
LIABILITIES:		
Accounts Payable - State	45,692	45,692
Accounts Payable - Other	11,127	11,127
Deferred Revenues	3,150	3,150
Long-Term Liabilities (Note 9):		
Due Within One Year	60,000	60,000
Due in More Than One Year	<u>1,059,171</u>	<u>1,059,171</u>
Total Liabilities	<u>1,179,140</u>	<u>1,179,140</u>
NET ASSETS:		
Investment in Capital Assets, net of related debt	8,831	8,831
Restricted for Capital Projects	42,654	42,654
Restricted for Other Purposes	15,437	15,437
Unrestricted	<u>86,255</u>	<u>86,255</u>
Total Net Assets	<u>\$ 153,177</u>	<u>\$ 153,177</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, 2010

EXHIBIT II

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Operating Grants	Governmental Activities	Total
Instructional:				
Direct Services	\$ 1,327,540	\$ 92,177	\$ (1,235,363)	\$ (1,235,363)
Support Services:				
Student Services	139,557		(139,557)	(139,557)
Instructional Services	34,303		(34,303)	(34,303)
General Administrative Services	61,511		(61,511)	(61,511)
Area Administrative Services	162,181		(162,181)	(162,181)
Fiscal Services	33,546		(33,546)	(33,546)
Building Operations and Maintenance	156,783		(156,783)	(156,783)
Transportation	88,692	40,890	(47,802)	(47,802)
Other Support Services	10,893	-	(10,893)	(10,893)
Total	<u>\$ 2,015,006</u>	<u>\$ 133,067</u>	(1,881,939)	(1,881,939)
General Revenues:				
State Revenues not Restricted to Specific Programs			1,897,259	1,897,259
Private Revenues not Restricted to Specific Programs			45,673	45,673
Investment Earnings			10,669	10,669
Rentals			150	150
Miscellaneous			108	108
Total General Revenues			<u>1,953,859</u>	<u>1,953,859</u>
Excess (Deficiency) of Revenues Over Expenses			71,920	71,920
Net Assets - Beginning			<u>81,257</u>	<u>81,257</u>
Net Assets - Ending			<u>\$ 153,177</u>	<u>\$ 153,177</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, 2010

EXHIBIT III

	Governmental Fund Types			Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Capital Project Fund	
ASSETS:				
Current Assets:				
Cash	\$ 144,927		\$ 43,561	\$ 188,488
Accounts Receivable - Supervisory Union		\$ 5,748		5,748
Accounts Receivable - Other LEAs	9,688			9,688
Accounts Receivable - Other	390			390
Due From Other Funds	1,710	14,895	-	16,605
Total Current Assets	<u>156,715</u>	<u>20,643</u>	<u>43,561</u>	<u>220,919</u>
TOTAL ASSETS	<u>\$ 156,715</u>	<u>\$ 20,643</u>	<u>\$ 43,561</u>	<u>\$ 220,919</u>
LIABILITIES AND FUND EQUITIES:				
Liabilities:				
Accounts Payable - State	\$ 45,692			\$ 45,692
Accounts Payable - Other	10,846	\$ 281		11,127
Due to Other Funds		4,949	\$ 11,655	16,604
Deferred Revenue	3,150	-	-	3,150
Total Liabilities	<u>59,688</u>	<u>5,230</u>	<u>11,655</u>	<u>76,573</u>
Fund Equity:				
Fund Balances:				
Unreserved	97,027	(24)	(10,748)	86,255
Reserved	-	15,437	42,654	58,091
Total Fund Equities	<u>97,027</u>	<u>15,413</u>	<u>31,906</u>	<u>144,346</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$ 156,715</u>	<u>\$ 20,643</u>	<u>\$ 43,561</u>	<u>\$ 220,919</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, 2010

Fund Balances – total governmental funds	\$ 144,346
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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	1,611,753
Less accumulated depreciation	(483,751)

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

Bonds Payable	(400,000)
Notes Payable	<u>(719,171)</u>

Net Assets of Governmental Activities	<u>\$ 153,177</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, 2010

EXHIBIT IV

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Totals (Memorandum Only)
REVENUES:					
Interest on Investments	\$ 9,989		\$ 680		\$ 10,669
Rental Income	150				150
Miscellaneous	108				108
Private/Local/Other		\$ 19,753	45,209		64,962
State	1,938,149	3,348			1,941,497
Federal	92,177	10,000	-	-	102,177
TOTAL REVENUES	2,040,573	33,101	45,889	\$ -	2,119,563
EXPENDITURES:					
Direct Services	1,276,136	38,411			1,314,547
Support Services:					
Students	138,886				138,886
Instructional Staff	30,948				30,948
General Administration	61,511				61,511
Area Administration	164,338				164,338
Fiscal Services	33,546				33,546
Operation & Maintenance of Building	128,373		652,034		780,407
Transportation	88,692				88,692
Food Service	10,893				10,893
Construction Services			5,000		5,000
Debt Service:					
Interest Charges				33,553	33,553
Principal Retirement	-	-	-	60,000	60,000
TOTAL EXPENDITURES	1,933,323	38,411	657,034	93,553	2,722,321
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	107,250	(5,310)	(611,145)	(93,553)	(602,758)
OTHER FINANCING SOURCES (USES):					
Bond/Loan Proceeds			714,282		714,282
Transfers In				93,553	93,553
Transfers Out	(93,553)	-	-	-	(93,553)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	13,697	(5,310)	103,137	-	111,524
FUND BALANCE, JULY 1, 2009	83,330	20,723	(71,231)	-	32,822
FUND BALANCE, JUNE 30, 2010	\$ 97,027	\$ 15,413	\$ 31,906	\$ -	\$ 144,346

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, 2010

Net Changes in fund Balances – total governmental funds	\$ 111,524
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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	662,509
Less current year depreciation	(50,324)

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.

Note proceeds	(714,282)
Repayment of bonds	60,000

Expense reported in the Statement of Activities does not require
the use of current financial resources and is therefore not
reported as expenditures in governmental funds:

Vested Vacation Payable Change	<u>2,493</u>
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Change in Net Assets of Governmental Funds	<u>\$ 71,920</u>
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Moretown School District
Notes to Financial Statements
For The Year Ended June 30, 2010

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. Except where noted, the accounting policies conform to generally accepted accounting principles, as applicable to governmental units.

The School District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in the Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriated version 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.

Government -Wide and Fund Financial Statements:

The statement of net assets and the statement of activities are government -wide financial statements. They report information on all of the Moretown School District's non-fiduciary activities with most of the Interfund activities removed. *Governmental Activities* include programs supported primarily by Taxes (collected by the Town on behalf of the State), State funds, grants and other intergovernmental revenues.

The statement of activities demonstrates how other people or entities that participate in programs the School District operates have shared in the payment of the direct costs. The "charges for Services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the School District. The "grants and contributions" column includes amounts paid by organizations outside the School District to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the School District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due from on the governmental fund balance sheet and proprietary fund statement of net assets and as other

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance and on the proprietary fund statement of revenues, expenses and changes in fund net assets. All Interfund transactions between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide statement of activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for School District operations, they are not included in the government-wide statements. The School District considers some governmental funds major and reports their financial condition and results of operations in a separate column. The major funds are:

Governmental Fund Types:

- General Fund – The general fund is the School District’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds – The School District accounts for resources restricted to, or designated for, specific purposes by the School District or a grantor in a special revenue fund. Most federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.
- Capital Project Fund – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.
- Debt Service Fund – The School District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental funds financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases (revenues and other financing sources) and decreases (expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become available and measurable and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The School District considers all revenues available if they are collectible within 60 days after year end.

Revenues received from the State are recognized under the susceptible -to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the School District to refund all or part of the unused amount.

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 six 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".

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable:

The accounts receivable balances at year end are from government al entities, and 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,

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Funds, and Capital Projects Fund. Encumbrances are not liabilities and, 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 uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used. Net assets on the Statement of Net Assets include the following:

Investment in Capital Assets, net of Related Debt – The component of net assets reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Other Purposes – The component of net assets that reports the amount of revenue from a federal, state, or other program in excess of expenditures. These funds are restricted for use of the related federal, state or other program.

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 is 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 either a reserved fund balance or an unreserved fund balance.

Reserved Fund Balance – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Unreserved Fund Balance – Composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods.

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$188,488. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

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

These four levels of risk are as follows:

- Category 1 Deposits which are insured or collateralized with securities held by the School District or by its agent in the School District's name. (repurchase agreements)
- Category 2 Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Bank's name.
- Category 3 Private commercial insurance protection or letter of credit for funds in excess of FDIC limits.
- Category 4 Deposits which are not collateralized or insured. (includes cash on hand)

Balances held in each area are as follows:

	Carrying Amount	Bank Balance
- Insured (FDIC) and/or (SIPC)	\$188,488	\$652,198
- Category 1	0	0

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 2 - CASH AND REPURCHASE AGREEMENTS (CONTINUED)

	Carrying Amount	Bank Balance
- Category 2	\$ 0	\$ 0
- Category 3	0	0
- Category 4	<u>0</u>	<u>0</u>
Total deposits	<u>\$188,488</u>	<u>\$652,198</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.

NOTE 3 - 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, 2010 is as follows:

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	925
Exxon Mobil Grant	General Fund	431
Book Fair	General Fund	464
Medicaid	General Fund	12,959
	Special Revenue Fund:	
General Fund	Title II A	4,925
General Fund	Safe Route to School	24
	Capital Project Fund:	
General Fund	Maintenance Reserve	814
General Fund	Roof Construction	93
General Fund	Water System Improvements	<u>10,748</u>
Total		<u>\$31,499</u>

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 4 – CAPITAL ASSETS

Capital activity for the School District for the year ended June 30, 2010 was as follows:

	<u>Primary Government</u>			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depr.				
Construction in Progress	<u>\$ 76,595</u>	<u>\$ 652,033</u>	<u>\$728,628</u>	<u>\$ 0</u>
Total capital assets not being depreciated	<u>76,595</u>	<u>652,033</u>	<u>728,628</u>	<u>0</u>
Other Capital Assets:				
Land Improvements	89,106	0	0	89,106
Buildings	26,567	0	0	26,567
Building Improvements	750,776	688,709	0	1,439,485
Infrastructure	0	39,919	0	39,919
Furniture and Equipment	<u>6,200</u>	<u>10,476</u>	<u>0</u>	<u>16,676</u>
Total other capital assets at historical costs	<u>872,649</u>	<u>739,104</u>	<u>0</u>	<u>1,611,753</u>
Less accumulated depreciation:				
Land Improvements	66,828	4,455	0	71,283
Buildings	26,567	0	0	26,567
Building Improvements	335,074	42,563	0	377,637
Infrastructure	0	798	0	798
Furniture and Equipment	<u>4,958</u>	<u>2,508</u>	<u>0</u>	<u>7,466</u>
Total accum. depr.	<u>433,427</u>	<u>50,324</u>	<u>0</u>	<u>483,751</u>
Other Capital Assets, Net	<u>439,222</u>	<u>688,780</u>	<u>0</u>	<u>1,128,002</u>
Governmental activities				
Capital Assets, Net	<u>\$515,817</u>	<u>\$1,340,813</u>	<u>\$728,628</u>	<u>\$1,128,002</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Direct Services	\$17,110
Support Services:	
Students	0
Instructional Staff	0
General Administration	0
Area Administration	0
Fiscal Services	0

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Operation and Maintenance of Plant	\$33,214
Transportation	0
Other Support Services	<u>0</u>
Total governmental activities depreciation expense	<u>\$50,324</u>

NOTE 5 - ACCRUED VACATION & LEAVE TIME

Accrued vacation and leave time represent vested time earned by employees but not used. If the employee were to leave, this accrued time must be paid. Therefore, it is a liability to the School District at June 30, 2010. Teachers do not receive paid vacations, and are paid only for the number of days they are required to work each year. Administrative and maintenance personnel are granted vacation leave in varying amounts. The School District has a liability for unused vacation that was allowed to be carried forward. No liability is shown in the fund based financial statement. The liability is reported in the Statement of Financial Position as an accrued liability. The amount accrued at year end was \$0. Vacation pay is charged to operations when taken by the employee of the School District.

NOTE 6 - DEFERRED REVENUE

The deferred revenues reported at year end are summarized as following:

Other funds	<u>\$3,150</u>
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NOTE 7 - 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 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.

Teaching staff earn 20 sick days per year, and may accumulate a maximum of 90 days. Non-teaching staff earn 12 sick days per year, and may accumulate a maximum of 120 days.

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 8 - RETIREMENT INCENTIVES

From time to time the Board may desire to offer a retirement incentive to teachers. The decision to offer such an incentive is at the Board's discretion. No such incentive was offered during the 2009-2010 school year.

NOTE 9 - 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, 2009	Borrowings	Retirements	Balance June 30, 2010
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 building addition.	\$460,000	\$ 0	\$60,000	\$ 400,000
Vermont Environmental Protection Agency, water planning loan payable, interest at 0%, principal of \$880 due on July 1 st of each year starting in 2013 until 2017. Originally approved for \$5,200 in 2008 for water project.	4,889	0	0	4,889
Vermont Environmental Protection Agency, water construction loan payable, interest at 1.0%, administrative fee of 2.0%, total payments of \$1,734.17 due on January 1 st of each year starting in 2011				

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 9 - LONG-TERM DEBT (CONTINUED)

	Balance July 1, 2009	Borrowings	Retirements	Balance June 30, 2010
until 2030. Originally approved for \$25,800 in 2009 for water project.	\$ 0	\$ 24,282	\$ 0	\$ 24,282
Merchants Bank, bond payable, interest at 1%, interest paid semi - annually, Sinking fund payment of \$40,000 due on March 1 st of each year until 2027, originally borrowed \$690,000 on July 1, 2010 for	<u>0</u>	<u>690,000</u>	<u>0</u>	<u>690,000</u>
Total Long-Term Debt	<u>\$464,889</u>	<u>\$714,282</u>	<u>\$60,000</u>	<u>\$1,119,171</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, 2011	\$ 60,000	\$ 22,666	\$ 82,666
2012	103,259	26,696	129,955
2013	97,321	23,106	120,426
2014	97,361	16,635	116,995
2015	97,402	16,283	113,686
Thereafter	<u>674,576</u>	<u>104,658</u>	<u>779,234</u>
Totals	<u>\$1,119,171</u>	<u>\$210,101</u>	<u>\$1,329,272</u>

NOTE 10 - RESERVED FUND BALANCES (Fund Financial Statements)

Reserved 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. Reservations at year end are for the following:

Special Revenue Funds:

Medicaid	\$ 13,782
Vermont Energy Grant	56
VKAT	60
Exxon/Mobil Grant	431

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 10 - RESERVED FUND BALANCES (Fund Financial Statements) (CONTINUED)

Special Revenue Funds (continued):

Girls on the Run	\$ 644
Book Fair	<u>464</u>
Total	<u>\$15,437</u>

Capital Projects Fund:

Capital Improvements	\$40,694
Roof Construction	<u>1,960</u>
Total	<u>\$42,654</u>

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:

Net Assets Restricted For Capital Projects:

Capital Improvements	\$40,694
Roof Construction	<u>1,960</u>
Total	<u>\$42,654</u>

Net Assets Restricted For Other Purposes:

Medicaid	\$13,782
Vt. Energy Grant	56
VKAT	60
Exxon/Mobil Grant	431
Girls on the Run	644
Book Fair	<u>464</u>
Total	<u>\$15,437</u>

NOTE 12 - 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

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 12 – PENSIONS (CONTINUED)

VERMONT TEACHERS' RETIREMENT SYSTEM (CONTINUED)

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.

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 7.41% or approximately \$63,470.

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 3.54% of gross earnings and are withheld pre income tax by the School District. Such withholdings totaled \$30,321 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees during the year was \$1,179,761, with \$856,541 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

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

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 12 – PENSIONS (CONTINUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

members is age 65 and the completion of 5 years of creditable service, or age 55 and completion of 35 years of creditable service. Normal retirement for Group B members is age 62 and the completion of 5 years of creditable service, or age 55 and completion of 30 years of creditable service. Normal retirement for Group C and D members is age 55 and the completion of 5 years of creditable service. A member may receive reduced benefits at age 55 if they have 5 years of service and have made contributions for at least 2.5 years.

The System is an actuarial reserve, joint-contributory program. Both the members and the School District make contributions to the fund according to the following schedule:

	Group A	Group B	Group C	Group D
Employees' Contributions (% of gross wages)	2.5%	4.5%	9.0%	11.0%
The School District's contributions (% of gross wages)	4.0%	5.0%	6.0%	9.0%

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

Employee contributions are withheld pre income tax by the School District and are remitted to the State of Vermont. Such withholdings totaled \$10,967 during the year. The School District contributed \$12,186 during the year. The School District's total payroll for all employees during the year was \$1,179,761, with \$243,715 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System.

NOTE 13 - 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; and natural disasters for which the School District carries commercial insurance. 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 is a member of Vermont School Boards Association (Association). The Association has set up two insurance Trust; 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

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 13 - RISK MANAGEMENT (CONTINUED)

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.

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

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 13 - RISK MANAGEMENT (CONTINUED)

the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 14 - OPERATING LEASES

On October 25, 2007 Moretown School District entered into a lease agreement with IKON Office Solutions, Inc. for the lease of a copier. The total amount due is \$39,260, to be paid in monthly installments of \$527.40 for the first 12 months and \$686.06 for the next 48 months. The following is a schedule of future minimum lease payments under this lease.

During the year ended June 30, 2011	\$ 8,233
2012	8,233
2014	2,744
Thereafter	<u>0</u>
Total	<u>\$19,210</u>

Total lease payments made this year were \$8,233.

NOTE 15 - SUBSEQUENT EVENTS

On July 1, 2010 Moretown School District borrowed \$400,000 from Merchants Bank in a Revenue Anticipation Note at 2.75%. The interest and principal are due at maturity on June 30, 2011.

NOTE 16 - COMMITMENTS

The School District entered into an agreement with Washington West Supervisory Union for contracted bus transportation services provided by Transportation Rentals, Inc. through June 30, 2010. The contract calls for various costs for different routes, field trips, and activities. The minimum cost to the School District for the year ended June 30, 2010 is \$79,746.

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

Moretown School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 16 – COMMITMENTS (CONTINUED)

of any money recovered may be required and the collectibility of any related receivable at June 30, 2010 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 17 - RELATED PARTY

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

The School District is part of the Harwood Union School District and has an ongoing financial responsibility as defined in GASB 14, paragraph 71. As a member of the Union School District, the School District is responsible for a share of any debt carried by the Union School District. Separate financial statements on the Union School District are available from Washington West Supervisory Union.

NOTE 18 - 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 would have to be repaid out of the proceeds. The amount of State construction aid received since July 1970 is available only from the State of Vermont who at this time is unwilling to provide the amount to the School District. The amount of State construction aid is thought to be material.

Moretown School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended June 30, 2010

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Interest on Investments		\$ 17,000	\$ 9,989	\$ (7,011)
Building Use		-	150	150
Miscellaneous		-	108	108
State:				
Education Spending Grant		1,703,109	1,645,063	(58,046)
Transportation Aid		42,272	40,890	(1,382)
Mainstream Block Grant		42,896	42,896	-
Special Education Expenditures Reimbursement		180,448	181,354	906
Essential Early Education		15,553	27,946	12,393
Federal:				
ARRA Education Spending Grant		-	58,046	58,046
Title I		10,000	-	(10,000)
IDEIA-B		34,805	34,131	(674)
IDEIA-B Preschool		<u>3,767</u>	<u>-</u>	<u>(3,767)</u>
TOTAL REVENUES		<u>2,049,850</u>	<u>2,040,573</u>	<u>(9,277)</u>
EXPENDITURES:				
ARRA Education Spending Grant 1000:				
Salaries	101	-	35,256	(35,256)
Energy Oil	624	-	<u>22,790</u>	<u>(22,790)</u>
Subtotal		<u>-</u>	<u>58,046</u>	<u>(58,046)</u>
Regular Instruction 1100:				
Salaries	110	399,986	362,370	37,616
Aide Salaries	115	28,629	29,007	(378)
Temporary Salaries	120	12,000	11,470	530
Personal Days	125	-	910	(910)
Health Insurance	210	96,334	94,918	1,416
Section 125 Plan	211	500	254	246
Insurance Compensation	212	1,456	1,904	(448)
Social Security	220	33,707	32,531	1,176
Life Insurance	230	2,820	1,973	847
Retirement	240	1,431	1,511	(80)
Workers Compensation	250	2,344	2,709	(365)
Unemployment Compensation	260	526	173	353
Tuition Reimbursement	270	10,000	7,673	2,327
Dental Insurance	280	5,888	6,845	(957)

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, 2010

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Purchased Services	330	\$ 1,300	\$ 3,092	\$ (1,792)
Copier	410	8,232	9,477	(1,245)
Travel	580	-	88	(88)
Supplies	610	14,500	12,667	1,833
Books and Periodicals	640	14,000	4,385	9,615
Equipment	730	3,000	2,598	402
Subtotal		<u>636,653</u>	<u>586,555</u>	<u>50,098</u>
Early Education 1100:				
Salaries	110	43,255	43,255	-
Aide Salaries	115	9,635	9,913	(278)
Personal Days	125	-	175	(175)
Insurance Compensation	212	1,185	1,512	(327)
Social Security	220	4,046	4,196	(150)
Life Insurance	230	378	261	117
Retirement	240	482	542	(60)
Workers Compensation	250	289	325	(36)
Unemployment Compensation	260	107	21	86
Purchased Services	330	-	82	(82)
Supplies	610	500	499	1
Subtotal		<u>59,877</u>	<u>60,781</u>	<u>(904)</u>
Art 1102:				
Salaries	110	23,373	23,373	-
Personal Days	125	-	14	(14)
Insurance Compensation	212	700	280	420
Social Security	220	1,788	1,811	(23)
Life Insurance	230	242	159	83
Workers Compensation	250	128	144	(16)
Unemployment Compensation	260	58	9	49
Supplies	610	2,400	1,641	759
Subtotal		<u>28,689</u>	<u>27,431</u>	<u>1,258</u>
Foreign Language 1106:				
Salaries	110	45,978	45,978	-
Personal Days	125	-	70	(70)
Health Insurance	210	5,631	5,549	82
Social Security	220	3,517	3,458	59
Life Insurance	230	333	231	102
Workers Compensation	250	251	283	(32)
Unemployment Compensation	260	59	18	41

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, 2010

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Dental Insurance	280	\$ 367	\$ 405	\$ (38)
Supplies	610	-	455	(455)
Books and Periodicals	640	<u>1,000</u>	<u>172</u>	<u>828</u>
Subtotal		<u>57,136</u>	<u>56,619</u>	<u>517</u>
Physical Education 1108:				
Salaries	110	21,714	21,714	-
Personal Days	125	-	27	(27)
Insurance Compensation	212	700	322	378
Social Security	220	1,661	1,688	(27)
Life Insurance	230	234	11	223
Workers Compensation	250	119	133	(14)
Unemployment Compensation	260	59	9	50
Dental Insurance	280	449	493	(44)
Equipment	730	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Subtotal		<u>25,936</u>	<u>24,397</u>	<u>1,539</u>
Music 1112:				
Salaries	110	22,351	22,351	-
Personal Days	125	-	21	(21)
Insurance Compensation	212	700	350	350
Social Security	220	1,710	1,738	(28)
Life Insurance	230	238	156	82
Workers Compensation	250	122	137	(15)
Unemployment Compensation	260	58	9	49
Supplies	610	-	421	(421)
Books and Periodicals	640	2,000	-	2,000
Software	650	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Subtotal		<u>28,179</u>	<u>25,183</u>	<u>2,996</u>
Computer Technology 1123:				
Social Security	220	-	96	(96)
Purchased Services	330	15,500	7,444	8,056
Supplies	610	1,800	1,122	678
Equipment	730	<u>3,250</u>	<u>10,743</u>	<u>(7,493)</u>
Subtotal		<u>20,550</u>	<u>19,405</u>	<u>1,145</u>
Special Education 1200:				
Salaries	110	112,945	115,745	(2,800)
Tutor	112	9,495	9,514	(19)
Aide Salaries	115	60,389	73,498	(13,109)

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, 2010

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Temporary Salaries	120	\$ 5,000	\$ 5,775	\$ (775)
Health Insurance	210	46,670	54,562	(7,892)
Insurance Compensation	212	2,156	952	1,204
Social Security	220	13,258	15,616	(2,358)
Life Insurance	230	1,371	855	516
Retirement	240	4,210	4,236	(26)
Workers Compensation	250	1,078	1,301	(223)
Unemployment Compensation	260	432	85	347
Tuition Reimbursement	270	2,500	5,344	(2,844)
Dental Insurance	280	1,318	1,809	(491)
Purchased Services	330	10,000	7,218	2,782
Testing Services	332	10,000	16,287	(6,287)
Related Services	333	13,500	2,311	11,189
Travel	580	1,000	245	755
Supplies	610	1,600	1,340	260
Books and Periodicals	640	2,400	1,595	805
Audio Visual Materials	650	500	-	500
Equipment	730	2,000	-	2,000
Subtotal		<u>301,822</u>	<u>318,288</u>	<u>(16,466)</u>
Special Education - EEE 1200:				
Summer Services	112	1,500	-	1,500
Aide Salaries	115	9,635	10,431	(796)
Insurance Compensation	212	485	-	485
Social Security	220	738	16	722
Life Insurance	230	-	38	(38)
Retirement	240	482	520	(38)
Workers Compensation	250	53	-	53
Unemployment Compensation	260	58	-	58
Testing Services	332	1,500	-	1,500
Purchased Services	333	2,500	34	2,466
Supplies	610	400	-	400
Subtotal		<u>17,351</u>	<u>11,039</u>	<u>6,312</u>
IDEIA-B Special Education 1230:				
Aide Salaries	115	23,810	25,027	(1,217)
Health Insurance	210	-	1,479	(1,479)
Social Security	220	1,822	1,860	(38)
Life Insurance	230	-	10	(10)
Retirement	240	-	820	(820)

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, 2010

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Contract Services	300	\$ 8,500	\$ 8,728	\$ (228)
Subtotal		<u>34,132</u>	<u>37,924</u>	<u>(3,792)</u>
EEE Special Education 1230:				
Evaluations	300	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Subtotal		<u>1,000</u>	<u>-</u>	<u>1,000</u>
Compensatory Education 1250:				
Salaries	110	29,273	14,383	14,890
Aide Salaries	115	20,364	20,473	(109)
Personal Days	125	-	67	(67)
Health Insurance	210	19,252	11,659	7,593
Social Security	220	3,797	2,458	1,339
Life Insurance	230	379	79	300
Retirement	240	1,018	1,024	(6)
Workers Compensation	250	272	305	(33)
Unemployment Compensation	260	-	20	(20)
Subtotal		<u>74,355</u>	<u>50,468</u>	<u>23,887</u>
Health Services 2130:				
Salaries	110	26,791	19,271	7,520
Long-Term Substitute Salaries	110	-	3,046	(3,046)
Health Insurance	210	-	2,182	(2,182)
Insurance Compensation	212	420	336	84
Social Security	220	2,049	1,619	430
Life Insurance	230	255	170	85
Workers Compensation	250	146	165	(19)
Unemployment Compensation	260	59	11	48
Dental Insurance	280	585	112	473
Supplies	610	<u>1,000</u>	<u>958</u>	<u>42</u>
Subtotal		<u>31,305</u>	<u>27,870</u>	<u>3,435</u>
Special Education - Speech 2150:				
Salaries	110	55,561	55,561	-
Summer Services	112	5,000	1,827	3,173
Aide Salaries	116	24,242	23,759	483
Personal Days	125	-	126	(126)
Health Insurance	210	20,859	20,552	307
Social Security	220	6,105	6,014	91
Life Insurance	230	502	353	149
Retirement	240	1,212	1,279	(67)

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, 2010

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Workers Compensation	250	\$ 436	\$ 372	\$ 64
Unemployment Compensation	260	117	34	83
Dental Insurance	280	976	1,076	(100)
Travel	580	-	63	(63)
Subtotal		<u>115,010</u>	<u>111,016</u>	<u>3,994</u>
Improvement of Instruction 2210:				
Curricular Development	322	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Subtotal		<u>2,000</u>	<u>-</u>	<u>2,000</u>
Media Center 2220:				
Salaries	110	22,961	22,961	-
Assistant Salaries	115	4,952	1,815	3,137
Health Insurance	210	1,505	(19)	1,524
Insurance Compensation	212	700	420	280
Social Security	220	2,135	1,893	242
Life Insurance	230	265	164	101
Retirement	240	248	91	157
Workers Compensation	250	153	141	12
Unemployment Compensation	260	77	9	68
Dental Insurance	280	-	(54)	54
Repairs and Maintenance	430	600	(510)	1,110
Supplies	610	300	1,823	(1,523)
Books and Periodicals	640	<u>3,900</u>	<u>2,214</u>	<u>1,686</u>
Subtotal		<u>37,796</u>	<u>30,948</u>	<u>6,848</u>
Board of Education 2310:				
Social Security	220	-	15	(15)
Reimbursement	310	500	200	300
Legal	360	7,000	17,445	(10,445)
Insurance	523	-	1,570	(1,570)
Advertising	540	1,000	924	76
Miscellaneous	550	500	47	453
Dues and Fees	810	<u>1,200</u>	<u>1,200</u>	<u>-</u>
Subtotal		<u>10,200</u>	<u>21,401</u>	<u>(11,201)</u>
District Treasurer 2313:				
Town Office	300	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Subtotal		<u>2,500</u>	<u>2,500</u>	<u>-</u>

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, 2010

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
WWSU Assessment 2321:				
Assessment	331	\$ 37,614	\$ 37,610	\$ 4
Subtotal		<u>37,614</u>	<u>37,610</u>	<u>4</u>
Administration 2400:				
Salaries	110	85,000	82,000	3,000
Support Staff Salaries	111	30,968	30,968	-
Health Insurance	210	32,564	32,788	(224)
Social Security	220	8,872	8,582	290
Life Insurance	230	908	543	365
Retirement	240	1,548	1,548	-
Workers Compensation	250	634	713	(79)
Unemployment Compensation	260	115	46	69
Tuition Reimbursement	270	2,000	1,773	227
Dental Insurance	280	2,012	2,113	(101)
Postage	531	1,000	737	263
Travel	580	200	57	143
Supplies	610	1,000	180	820
Equipment	730	2,500	2,290	210
Subtotal		<u>169,321</u>	<u>164,338</u>	<u>4,983</u>
Fiscal Services 2520:				
Business Manager Assessment	331	7,835	7,817	18
Accounting Services Assessment	331	16,119	16,067	52
Audit	370	2,900	2,900	-
Current Interest	830	12,285	6,762	5,523
Subtotal		<u>39,139</u>	<u>33,546</u>	<u>5,593</u>
Building Maintenance & Operation 2600:				
Salaries	110	38,202	39,172	(970)
Assistant Salaries	111	15,160	16,083	(923)
Health Insurance	210	-	5,800	(5,800)
Insurance Compensation	212	1,456	952	504
Social Security	220	4,082	4,117	(35)
Life Insurance	230	263	134	129
Retirement	240	2,668	2,054	614
Workers Compensation	250	3,510	313	3,197
Unemployment Compensation	260	126	21	105
Dental Insurance	280	-	558	(558)
Snow Removal	422	2,700	1,330	1,370
Repairs and Maintenance	430	15,000	24,749	(9,749)

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, 2010

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Property Insurance	521	\$ 5,896	\$ 4,069	\$ 1,827
Telephone	530	7,670	4,824	2,846
E-Rate - Telephone	535	(1,670)	-	(1,670)
Supplies	610	8,500	10,020	(1,520)
Electricity	622	21,000	15,475	5,525
Gas	623	1,200	490	710
Oil	624	34,400	(2,320)	36,720
Equipment	730	2,100	532	1,568
Subtotal		<u>162,263</u>	<u>128,373</u>	<u>33,890</u>
Special Education Transportation 2700:				
Transportation	519	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Subtotal		<u>1,500</u>	<u>-</u>	<u>1,500</u>
Contracted Transportation 2710:				
Contracted Transportation	519	<u>90,380</u>	<u>82,202</u>	<u>8,178</u>
Subtotal		<u>90,380</u>	<u>82,202</u>	<u>8,178</u>
Co-Curricular Transportation 2720:				
Field Trips	519	<u>3,500</u>	<u>3,108</u>	<u>392</u>
Subtotal		<u>3,500</u>	<u>3,108</u>	<u>392</u>
Lunch Transportation 2750:				
Salaries	110	2,701	2,354	347
Social Security	220	207	180	27
Travel	580	350	848	(498)
Subtotal		<u>3,258</u>	<u>3,382</u>	<u>(124)</u>
Food Service 3100:				
Contracted Services	500	<u>15,525</u>	<u>10,893</u>	<u>4,632</u>
Subtotal		<u>15,525</u>	<u>10,893</u>	<u>4,632</u>
TOTAL EXPENDITURES		<u>2,006,991</u>	<u>1,933,323</u>	<u>73,668</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		42,859	107,250	(64,391)
OTHER FINANCING SOURCES (USES):				
Transfer To Debt Service Fund		<u>(128,380)</u>	<u>(93,553)</u>	<u>(34,827)</u>

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, 2010

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		\$ (85,521)	\$ 13,697	\$ (99,218)
FUND BALANCE, JULY 1, 2009		<u>85,521</u>	<u>83,330</u>	<u>(2,191)</u>
FUND BALANCE, JUNE 30, 2010		<u>\$ -</u>	<u>\$ 97,027</u>	<u>\$ 97,027</u>

The accompanying notes are an integral part of these financial statements

Moretown School District
Combining Balance Sheet
Special Revenue Funds
June 30, 2010

Schedule 2

	VKAT	Vermont Energy Grant	Exxon Mobil Grant	Safe Routes to School	Girls on the Run	Title II-A	Book Fair	Medicaid	Totals
ASSETS:									
Current Assets:									
Accounts Receivable - Supervisory Union						\$ 4,925		\$ 823	\$ 5,748
Due From Other Funds	\$ 60	\$ 56	\$ 431	-	\$ 925	-	\$ 464	12,959	14,895
Total Current Assets	<u>60</u>	<u>56</u>	<u>431</u>	<u>\$ -</u>	<u>925</u>	<u>4,925</u>	<u>464</u>	<u>13,782</u>	<u>20,643</u>
TOTAL ASSETS	\$ 60	\$ 56	\$ 431	\$ -	\$ 925	\$ 4,925	\$ 464	\$ 13,782	\$ 20,643
LIABILITIES AND FUND BALANCES:									
Liabilities:									
Accounts Payable - Other					\$ 281				\$ 281
Due To Other Funds	-	-	-	\$ 24	-	\$ 4,925	-	-	4,949
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>24</u>	<u>281</u>	<u>4,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,230</u>
Fund Balances:									
Unreserved				(24)					(24)
Reserved	60	56	431	-	644	-	464	13,782	15,437
Total Fund Balances	<u>60</u>	<u>56</u>	<u>431</u>	<u>(24)</u>	<u>644</u>	<u>-</u>	<u>464</u>	<u>13,782</u>	<u>15,413</u>
TOTAL LIABILITIES & FUND BALANCES	\$ 60	\$ 56	\$ 431	\$ -	\$ 925	\$ 4,925	\$ 464	\$ 13,782	\$ 20,643

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, 2010

Schedule 3

	VKAT	Vermont Energy Grant	Exxon Mobil Grant	Safe Routes to School	Girls on the Run	Title II-A	Book Fair	Medicaid	Totals
REVENUES:									
Private/Local/Other			\$ 750				\$ 464	\$ 18,539	\$ 19,753
State				\$ 3,348					3,348
Federal	-	-	-	-	-	\$ 10,000	-	-	10,000
TOTAL REVENUES	<u>\$ -</u>	<u>\$ -</u>	<u>750</u>	<u>3,348</u>	<u>\$ -</u>	<u>10,000</u>	<u>464</u>	<u>18,539</u>	<u>33,101</u>
EXPENDITURES:									
Direct Services	-	-	1,319	3,372	1,356	10,000	-	22,364	38,411
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>1,319</u>	<u>3,372</u>	<u>1,356</u>	<u>10,000</u>	<u>-</u>	<u>22,364</u>	<u>38,411</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(569)	(24)	(1,356)	-	464	(3,825)	(5,310)
FUND BALANCES, JULY 1, 2009	<u>60</u>	<u>56</u>	<u>1,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>17,607</u>	<u>20,723</u>
FUND BALANCES, JUNE 30, 2010	<u>\$ 60</u>	<u>\$ 56</u>	<u>\$ 431</u>	<u>\$ (24)</u>	<u>\$ 644</u>	<u>\$ -</u>	<u>\$ 464</u>	<u>\$ 13,782</u>	<u>\$ 15,413</u>

The accompanying notes are an integral part of these financial statements

Moretown School District
Combining Balance Sheet
Capital Project Funds
June 30, 2010

Schedule 4

	Capital Improvement	Roof Construction Fund	Water System Improvement	Totals
ASSETS:				
Current Assets:				
Cash	\$ 41,508	\$ 2,053	-	\$ 43,561
Total Current Assets	<u>41,508</u>	<u>2,053</u>	<u>\$ -</u>	<u>43,561</u>
TOTAL ASSETS	<u>\$ 41,508</u>	<u>\$ 2,053</u>	<u>\$ -</u>	<u>\$ 43,561</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Due To Other Funds	\$ 814	\$ 93	\$ 10,748	\$ 11,655
Total Liabilities	<u>814</u>	<u>93</u>	<u>10,748</u>	<u>11,655</u>
Fund Balances:				
Unreserved			(10,748)	(10,748)
Reserved	40,694	1,960	-	42,654
Total Fund Balances	<u>40,694</u>	<u>1,960</u>	<u>(10,748)</u>	<u>31,906</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 41,508</u>	<u>\$ 2,053</u>	<u>\$ -</u>	<u>\$ 43,561</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, 2010

Schedule 5

	Capital Improvement	Roof Construction Fund	Water System Improvement	Totals
REVENUES:				
Investment Income		\$ 680		\$ 680
Private/Local	<u>\$ 45,209</u>	<u>-</u>	<u>\$ -</u>	<u>45,209</u>
TOTAL REVENUES	<u>45,209</u>	<u>680</u>	<u>-</u>	<u>45,889</u>
EXPENDITURES:				
Operation and Maintenance of Building		617,004	35,030	652,034
Construction Services	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
TOTAL EXPENDITURES	<u>5,000</u>	<u>617,004</u>	<u>35,030</u>	<u>657,034</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	40,209	(616,324)	(35,030)	(611,145)
OTHER FINANCING SOURCES (USES):				
Bond/Loan Proceeds	<u>-</u>	<u>690,000</u>	<u>24,282</u>	<u>714,282</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	40,209	73,676	(10,748)	103,137
FUND BALANCES, JULY 1, 2009	<u>485</u>	<u>(71,716)</u>	<u>-</u>	<u>(71,231)</u>
FUND BALANCES, JUNE 30, 2010	<u>\$ 40,694</u>	<u>\$ 1,960</u>	<u>\$ (10,748)</u>	<u>\$ 31,906</u>

The accompanying notes are an integral part of these financial statements



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**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

We have audited the 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, 2010, which collectively comprise the entity's basic financial statements and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Moretown School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Moretown School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Moretown School District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the School Board, management, others within the entity, and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Angolano & Company

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

December 22, 2010