

ADDISON TOWN SCHOOL DISTRICT
FINANCIAL & COMPLIANCE REPORTS
JUNE 30, 2015

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Morrison & Bradley CPAs, P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Addison Town School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Addison Town School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Addison Town 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, each major fund, and the aggregate remaining fund information of Addison Town School District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 23 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 Addison Town School District's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major 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 non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2016, on our consideration of Addison Town School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Addison Town School District's internal control over financial reporting and compliance.

Morrison & Bradley CPAs P.C.

Morrison & Bradley CPAs, P.C.
January 14, 2016
Rutland, Vermont

ADDISON TOWN SCHOOL DISTRICT

Management's Discussion and Analysis

The following discussion and analysis of the Addison Town School District, Vermont's (the School Board) financial performance provides an overview of the School Board's financial activities as of and for the fiscal year ended June 30, 2015. The analysis focuses on the School Board's financial performance as a whole. Please read it in conjunction with the transmittal letter at the front of this report and the School Board's financial statements, which follow this section.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School 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.

The School Board's financial statements consist of two kinds of statements that present different views of the School Board's financial activities.

- The Statement of Net Position and Statement of Activities provide information on a government-wide basis. The statements present an aggregate view of the School Board's finances. The government-wide financial statements provide both long-term and short-term information about the School Board's overall financial status.
- The fund financial statements focus on the individual parts of the School Board, reporting School Board operations with more information and detail than the government-wide statements.
- Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year, or government to government) and enhance the School Board's accountability. The notes to the financial statements explain some of the information in the statements and provide additional disclosures so that statement users have a complete picture of the School Board's financial activities and position. The required supplementary information further explains and supports the financial statements.

Governmental Fund Financial Statements

Traditional users of government financial statements will find the fund financial presentation more familiar. The focus is on the School Board's only significant fund, the General Fund. The All of the School Board's other funds are considered non-major funds. They are summarized into one total, but the details of each fund are also shown.

Financial Analysis of the School Board as a Whole

The School Board presents its financial statements under the reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

The government-wide financial statements report information about the School Board as a whole using accounting methods similar to those used by private-sector companies. An important question one could ask about the School Board's finances is, "Is the School Board as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide

statements, report information about the School Board as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The School District adopts an annual appropriated budget for its general fund, a budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 9-13 of this report.

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 14-19 of this report.

Other information - The combining statements referred to earlier in connection with non-major governmental funds can be found immediately following the footnotes. Combining and individual fund statements can be found on pages 22-23.

FINANCIAL HIGHLIGHTS

- The School District's net assets (assets minus liabilities) from governmental activities increased \$54,345 by as a result of this year's operations.
- Capital assets did not increase in the current fiscal year.
- At the close of the current fiscal year, the School District's governmental funds reported total ending fund balances of \$146,075, an increase of \$137,599.
- Key factors in the General Fund favorable outcome are the less than anticipated instructional and student transportation costs for a total of \$170,827. On the revenue side, less than anticipated Federal and State grant receipts contributed to the overall unfavorable outcome of (\$65,997) for the General Fund. Therefore, the General Fund balance increased \$104,830 to the ending fund balance carry forward of \$160,181.

By the far the largest portion of the School District's net assets (\$1,204,484) reflects investments in capital assets (e.g., land, buildings, structures, systems, machinery, equipment, infrastructure, and intangible assets), net of any related debt used to acquire those assets that is still outstanding. The School District uses assets to provide services to citizens; consequently, these assets are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. A small portion of the School District's net assets represent resources that are subject to internal and external restrictions on how they can be used.

Government-wide total unrestricted net assets increased \$185,050. The increase in governmental activities restricted net assets is primarily from through instructional and student transportation cost savings in the current fiscal year.

Governmental Activities - The most significant revenues of the governmental activities are tax revenue from the State of Vermont (81%). Grants and contributions and fees for service account for the remaining 19%. Instructional costs are the most significant (44%), expenses followed by special education (18%); administration (13%) and plant operations (buildings and grounds 19%). Food service cost account for the remaining 6%.

Governmental revenues increased 2.8% in the current year, with the most significant portion of the growth attributable to the Education Spending grant. Governmental activities expenses decreased (9%) in the current year. The most significant changes in program expenses were as follows: Operational costs remained largely unchanged, decrease due to instructional and transportation costs. There were not any other programs with significant or unusual changes.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

<i>Capital Investment</i>	Balance - July 1, 2014	Net Activity	Depreciation	Beginning Accumulated Depreciation	Net Asset Value - June 30, 2015
Land, Buildings & Improvements	\$1,961,464	\$0	(\$65,333)	(\$808,989)	\$1,087,142
Equipment & Furnishings	\$285,334	0	(29,429)	(138,563)	117,342
GRAND TOTALS	\$2,246,798	\$0	(\$94,672)	(\$947,552)	\$1,204,484

<i>Long Term Obligations</i>	Balance - July 1, 2014	Additions	Retirements or Other Change in Value	Balance - June 30, 2015	Amount Due Within 1 Year
Capital Leases	\$12,449	\$0	(\$3,726)	\$8,723	\$3,789
Early Retirement Incentives	8,713	0	(8,713)	0	0
Net Pension Liability for Municipal Employees	18,175	0	(13,496)	4,679	N/K
Totals	\$39,337	\$0	(25,985)	\$13,352	\$3,789

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Municipal expenditures in the General Fund are budgeted to decrease 1% from \$1,534,180 to \$1,531,685 as compared to fiscal year 2015. The \$11,453 decrease is due to the need for decreased instructional materials and supplies. The School District has added no major new major programs or initiatives to the fiscal year 2015 budget. If these estimates are realized, the School District's budgetary general fund balance is not expected to change appreciably by the close of fiscal year 2016.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School District's finances for all those interested in governmental finance. Questions concerning any information in the report or requests for additional information should be addressed to Addison Northwest Supervisory Union, 100 Main Street, Suite B100, Vergennes, VT 05491.

COMPARATIVE FINANCIAL INFORMATION: The following schedules detail the changes in the Statement of Net Position and Statement of Activities for the fiscal years ended June 30, 2015 and 2014:

STATEMENT OF NET POSITION

	<u>2015</u>	<u>2014</u>
Current Assets	\$ 232,341	\$ 103,622
Capital Assets	1,204,484	1,299,246
Total Assets	<u>\$ 1,436,826</u>	<u>\$ 1,402,868</u>
Current Liabilities	\$ 89,909	\$ 90,670
Noncurrent Liabilities	9,759	45,755
Total Liabilities	<u>99,668</u>	<u>136,425</u>
Net Municipal Pension Liability	4,679	18,175
Deferred Municipal Pension Items	9,357	(20,509)
Nonspendable General Fixed Assets	1,204,484	1,299,246
Other Net Position	118,638	(30,469)
Total Net Position	<u>1,323,122</u>	<u>1,268,777</u>
Total Liabilities and Net Position	<u>\$ 1,436,826</u>	<u>\$ 1,402,868</u>

STATEMENT OF ACTIVITIES

	<u>2015</u>	<u>2014</u>
<i>Program Revenues:</i>		
Operating Grants and Charges for Services	\$ 293,824	\$ 237,045
<i>General Revenues:</i>		
Education Spending & Other State Grants	1,283,165	1,206,517
On Behalf Retirement Payments	-	63,856
Interest Earnings	262	350
Miscellaneous	6,627	1,042
Total General Revenues	<u>1,290,053</u>	<u>1,271,765</u>
Total Revenues	<u>1,583,877</u>	<u>1,508,810</u>
<i>Programs:</i>		
Instructional & Operating Costs	667,975	822,398
Special Education	281,025	123,477
General Administration	211,308	305,719
Food Service	85,001	89,719
Plant Operations and Transportation	186,871	193,827
Debt Service	2,589	25,415
Depreciation	94,762	93,825
Total Expenses	<u>1,529,532</u>	<u>1,654,380</u>
Change in Net Position	54,345	(145,570)
Net Position - Beginning	1,268,777	1,414,346
Net Position - Ending	<u>1,323,122</u>	<u>1,268,777</u>

**ADDISON TOWN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	June 30, 2015
ASSETS	<u><i>Governmental Activities</i></u>
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 195,046
Due from Fiduciary Funds	2,971
Accounts Receivable	33,755
Inventory	569
Total Current Assets	<u>232,341</u>
<i>Noncurrent Assets:</i>	
Property, Plant & Equipment, net of applicable depreciation	<u>1,204,484</u>
<i>Deferred Outflow of Resources:</i>	
Proportional Share of Multi-Employer Pension Plan	391
TOTAL ASSETS	<u><u>\$ 1,437,217</u></u>
LIABILITIES, DEFERRED ITEMS AND NET POSITION	
<i>Liabilities:</i>	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 17,478
Due from Other Governments	10,219
Accrued Payroll & Benefits	58,570
Current Portion of Capital Lease Liability	3,643
Total Current Liabilities	<u>89,909</u>
<i>Noncurrent Liabilities:</i>	
Net Pension Liability - Municipal Retirement Plan	4,679
Capital Lease Liability	5,080
Total Noncurrent Liabilities	<u>9,759</u>
Total Liabilities	<u>99,668</u>
<i>Deferred Inflows of Resources:</i>	
Proportional Share of Multi-Employer Pension Plan	<u>14,427</u>
<i>Net Position:</i>	
Nonspendable General Fixed Assets	1,204,484
Restricted For Special Purposes	(17,234)
Unassigned	135,871
Total Net Position	<u>1,323,122</u>
TOTAL LIABILITIES, DEFERRED ITEMS & NET POSITION	<u><u>\$ 1,437,217</u></u>

The accompanying notes are an integral part of these financial statements.

ADDISON TOWN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>June 30, 2015 Total</u>
<i>Governmental Activities:</i>					
Interest Expense	2,589	\$ -	\$ -	\$ (2,589)	\$ (2,589)
Regular Instruction & Related Support	540,835	-	68,210	(472,625)	(472,625)
Cocurricular	568	-	-	(568)	(568)
Guidance Services	35,937	-	-	(35,937)	(35,937)
Health Services	17,094	-	-	(17,094)	(17,094)
Educational Media Services	15,451	-	-	(15,451)	(15,451)
Board of Education Services	8,432	-	-	(8,432)	(8,432)
Supervisory Union Assessment	81,261	-	-	(81,261)	(81,261)
Principal's Office	121,616	-	-	(121,616)	(121,616)
Plant Operations	123,940	900	-	(123,040)	(123,040)
Student Transportation	62,932	-	-	(62,932)	(62,932)
Special Education	281,025	-	172,812	(108,213)	(108,213)
Early Education	58,090	-	10,258	(47,832)	(47,832)
Food Service	85,001	41,643	-	(43,358)	(43,358)
Depreciation	94,762	-	-	(94,762)	(94,762)
<i>Total Governmental Activities</i>	<u>1,529,532</u>	<u>42,543</u>	<u>251,280</u>	<u>(1,235,709)</u>	<u>(1,235,709)</u>
<i>General revenues:</i>					
Education Spending				1,153,765	1,153,765
Misc State Grants				129,400	129,400
Investment earnings				262	262
Miscellaneous				6,628	6,628
Total General Revenues				<u>1,290,054</u>	<u>54,345</u>
Change in Net Position				<u>54,345</u>	<u>54,345</u>
Net Position - Beginning (As adjusted)				<u>1,268,777</u>	<u>1,268,777</u>
Net Position - Ending				<u>\$ 1,323,122</u>	<u>\$ 1,323,122</u>

The accompanying notes are an integral part of these financial statements.

**ADDISON TOWN SCHOOL DISTRICT
COMBINED BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<i>Governmental Fund Types</i>			Totals June 30, 2015
	General Fund	Nonmajor Governmental Funds	Food Service Fund	
ASSETS				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 149,306	\$ 20,822	\$ 24,919	\$ 195,046
Accounts Receivable	27,178	-	6,577	33,755
Inventory	-	-	569	569
Due from Other Funds	73,091	-	-	73,091
TOTAL ASSETS	\$ 249,575	\$ 20,822	\$ 32,065	\$ 302,461
LIABILITIES & FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts Payable	17,478	\$ -	\$ -	\$ 17,478
Accrued Payroll & Benefits	58,570	-	-	58,570
Due from Other Governments	10,219	-	-	10,219
Due to Other Funds	-	3,154	66,966	70,120
Total Current Liabilities	86,266	3,154	66,966	156,386
<i>Fund Balances:</i>				
<i>Restricted:</i>				
For Special Purposes	-	17,668	(34,901)	(17,234)
<i>Unassigned:</i>				
Unobligated	163,308	-	-	163,309
Total Fund Balances (Deficit)	163,308	17,668	(34,901)	146,075
TOTAL LIABILITIES & FUND EQUITY	\$ 249,574	\$ 20,822	\$ 32,065	\$ 302,461

The accompanying notes are an integral part of these financial statements.

**ADDISON TOWN SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2015**

Fund Balances - Governmental Funds Balance Sheet	\$	146,075
 <i>Amounts reported for Governmental Activities in the Statement of Net Position are different due to the following:</i>		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		1,204,484
Deferred outflows and deferred inflows of resources are reported as governmental activities, but are not current financial resources, or uses, and are not reported in the fund financials.		(18,715)
Capital lease principal is not recorded in the governmental fund financial statements. However, the government wide financial statements require the inclusion of long term debt.		<u>(8,723)</u>
Net Position - Government-Wide Financial Statements	\$	<u><u>1,323,122</u></u>

The accompanying notes are an integral part of these financial statements.

**ADDISON TOWN SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -
CHANGES IN FUND BALANCES -GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<i>Governmental Fund Types</i>			TOTALS June 30, 2015
	General Fund	Nonmajor Governmental Funds	Food Service Fund	
<i>Revenues:</i>				
Education Spending	\$ 1,153,765	\$ -	\$ -	\$ 1,153,765
Miscellaneous State Grants	129,400	-	-	129,400
Special Education	172,812	-	-	172,812
Early Education	10,258	-	-	10,258
Food Program Revenue	-	-	20,801	20,801
State & Federal Food Program	-	-	19,337	19,337
Construction Revenue	-	20,841	-	20,841
Fee for Services	900	-	-	900
On-behalf Teachers' Retirement System Contributions	69,141	-	-	69,141
Interest Income	262	-	-	262
Miscellaneous	787	-	-	787
<i>Total Revenues</i>	<u>1,537,324</u>	<u>20,841</u>	<u>40,138</u>	<u>1,598,304</u>
<i>Expenditures:</i>				
Regular Instruction & Related Support	566,770	-	-	566,770
Cocurricular	568	-	-	568
Guidance Services	35,937	-	-	35,937
Health Services	17,094	-	-	17,094
Educational Media Services	15,451	-	-	15,451
Board of Education Services	8,432	-	-	8,432
Supervisory Union Assessment	81,261	-	-	81,261
Principal's Office	121,616	-	-	121,616
Fiscal Services	2,589	-	-	2,589
Plant Operations	123,858	81	-	123,940

The accompanying notes are an integral part of these financial statements.

**ADDISON TOWN SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -
 CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<i>Governmental Fund Types</i>			TOTALS June 30, 2015
	General Fund	Nonmajor Governmental Funds	Food Service Fund	
<i>Expenditures (continued):</i>				
Student Transportation	62,932	-	-	62,932
Special Education	281,025	-	-	281,025
Early Education	58,090	-	-	58,090
Food Service	53,744	-	31,257	85,001
<i>Total Expenditures</i>	<u>1,429,366</u>	<u>81</u>	<u>31,257</u>	<u>1,460,705</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>107,957</u>	<u>20,760</u>	<u>8,881</u>	<u>137,599</u>
Fund Balances (Deficit) - Beginning	<u>55,351</u>	<u>(3,093)</u>	<u>(43,782)</u>	<u>8,476</u>
Fund Balances (Deficit) - Ending	<u>\$ 163,309</u>	<u>\$ 17,668</u>	<u>\$ (34,901)</u>	<u>\$ 146,075</u>

The accompanying notes are an integral part of these financial statements.

**ADDISON TOWN SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Governmental Fund Financial Statements	\$	137,599
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Amounts reported for governmental activities in the statement of activities are different because:

Changes in Early Retirement Incentive liability are not reported in the Governmental Funds Financial Statements.		8,713
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In the Statement of Activities, the cost of fixed assets is allocated over their estimated useful lives and reported as depreciation expense annually.		(94,762)
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In the statement of activities, deferred pension expenses are reported as deferred outflows. In the governmental fund statements, expenditures for pension expense is measured by the amount of financial resources used.		(931)
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Repayment of long term debt principal is not an expense in the Statement of Activities.		3,726
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Change in Net Position - Statement of Activities	\$	54,345
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The accompanying notes are an integral part of these financial statements.

**ADDISON TOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - Summary of significant accounting policies - The Addison Town School District (the District) provides educational services to the citizens of Addison, Vermont, and the financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units.

Reporting entity - The District is a primary unit of government under reporting criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include a separately elected governing body, separate legal standing, and fiscal independence from other state and local governmental entities. Based on these criteria, there are no other entities which are component units of the District.

Government-wide and fund financial statements - The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues.

In the Government-wide Statement of Net Position, the financial position of the District is consolidated and incorporates capital assets as well as all long-term debt and obligations. The Government-wide Statement of Activities reflects both the gross and net costs by category. Direct expenses that are clearly identifiable with the category are offset by program revenues of the category. Program revenues include charges for services provided by a particular function or program and grants that are restricted to meeting the operational or capital requirements of the particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds, if any, are summarized in a single column.

Basis of presentation - The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund balances or net position, revenues, and expenditures or expenses, as appropriate.

The District reports the following major governmental funds: *General Fund* is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund. *Other Governmental Funds* used to account for the assets and activity of monies left to the District through trust and grant agreements, or capital project expenditures incurred for specific District infrastructure projects.

Measurement focus and basis of accounting - Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**ADDISON TOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - Summary of significant accounting policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become both measurable and available. "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when the fund liability is incurred, if measurable, as under accrual accounting. However, debt service expenditures are recorded only when payment is made.

Budgets and budgetary accounting - The District approves a budget for the General Fund at an annual District Meeting. The accounting method used for budgetary presentation is the same method used for the financial presentation of operations under U.S. GAAP. Formal budgetary integration is employed as a management control during the year for the General Fund. The District does not legally adopt budgets for other governmental funds. All budgeted amounts lapse at year end.

Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Risk management - The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; environmental liability; and natural disasters. The District manages these risks through participation in the Vermont League of Cities and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.

Cash, cash equivalents and investments - The District considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents. Investments and unrealized gains and losses are reflected in the individual fund and government-wide financial statements. Investments of the District are reported at fair market value.

Capital assets - Capital assets, which include land, buildings, equipment, vehicles and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide and in the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial useful life of one year or greater and an initial individual cost equal to or greater than \$5,000. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest costs are capitalized on projects during the construction period. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

**ADDISON TOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - Summary of significant accounting policies (continued)

Equipment and furniture	5 - 20 years
Vehicles	3 - 15 years
Buildings and improvements	25 - 50 years

Compensated absences - Employees are entitled to certain compensated absences based on their length of employment. Sick leave accumulates and is paid upon illness during employment and the cumulative liability is not included in these financial statements. Vacation accrues for annual use.

Fund Balances/Net Position - In the fund financial statements, governmental funds may report five categories of fund balances: non-spendable, restricted, committed, assigned and unassigned. *Non-spendable* fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. *Committed* fund balance includes amounts that can be used only for specific purposes determined by the District's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Meetings. *Assigned* fund balance includes amounts that are intended to be used by the District for specific purposes, as authorized by the Select Board. *Unassigned* fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in another classification. Deficits are also classified as unassigned. The District's policy is to apply expenditures to fund balance in the order of restricted, committed, assigned and unassigned. The District maintains separate governmental funds to account for donor specified amounts (restricted), voter approved amounts (committed), and amounts set aside by management. Any residual fund balance amounts are reported as unassigned fund balance in the General Fund.

In addition to assets and liabilities, deferred outflows of resources (previously reported as assets) and deferred inflows of resources (previously reported as liabilities), if applicable, will be reported as separate sections in the statement of net position and the governmental funds balance sheet. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period. The District does currently report deferred outflows of resources with the adoption of GASB68 noted below.

New accounting standards - The District has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* as required. Vermont Municipal Employees' Retirement System (VMERS) and Vermont Teachers' Retirement System (VSTRS) are the public pension plans provided by the State of Vermont for participating municipalities' employees and is governed by Vermont Statutes Annotated in Title 24, Chapter 125 and Title 16, Chapter 55, respectively. If another entity is paying for a portion of the pension benefits of its employees, the cost of those benefits is nonetheless the District's cost of providing services. The District does not report an expense amount net of the state aid for that program; rather, it reports the full expense and revenue in the amount of the state aid. Likewise, an employer benefiting from a special funding situation reports its full pension expense and revenue equal to the amount of expense reported by the non-employer contributing entity.

**ADDISON TOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - Summary of significant accounting policies (continued)

The General Fund does not include on-behalf payments as a revenue or expenditure amounts to assess budgetary compliance.

NOTE 2 - Deposits and investments

As of June 30, 2015, the District's deposit accounts were fully insured or collateralized. Custodial credit risk deposits and investments - Custodial credit risk is the risk that in the event of a financial institution failure, the District will not be able to recover its deposits or investments or will not be able to recover collateral securities that are in the possession of an outside party. The District addresses this risk by requiring each institution to provide deposit insurance and/or proof of collateralization. The Treasurer is required to determine the types of collateralization after consultation with the Board.

Credit risk is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. The District addresses credit risk by limiting the types of investments the Treasurer can make to bank deposit accounts, collateralized repurchase agreements and U.S. Treasury obligations. *Concentration of credit risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2015, the District does not hold more than 5% of its investments in any one issuer.

NOTE 3 - Inter-fund receivable and payable balances

Inter-fund receivable and payable balances, due to the pooling of cash for cash receipts and disbursements, as decisions concerning the portfolio's assets; however, it shall not necessarily be bound solely. Inter-fund transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Transfers from Other Governmental Funds to the General Fund were to cover expenses that had been incurred on their behalf.

	General Fund	Other Governmental Funds
Food Service Funds	\$66,966	(\$66,966)
Construction Funds	9,252	(9,252)
Non-major Governmental Funds	(6,099)	6,099
Totals	\$70,120	(\$70,120)

NOTE 4 - Debt & Capital Leases

The District has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, the cost and depreciation of these assets are included with other capital assets of the District. The cost of the assets acquired by capital leases is the present value of the future lease payments. The amortized lease debt has been included in the long term debt section of these financial statements. The following is a schedule detailing the District's long term liabilities:

**ADDISON TOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - Debt & Capital Leases (continued)

<i>Long Term Obligations</i>	Balance - July 1, 2014	Additions	Retirements or Other Change in Value	Balance - June 30, 2015	Amount Due Within 1 Year
Capital Leases	\$12,449	\$0	(\$3,726)	\$8,723	\$3,789
Early Retirement Incentives	8,713	0	(8,713)	0	0
Net Pension Liability for Municipal Employees	18,175	0	(13,496)	4,679	N/K
Totals	\$39,337	\$0	(25,985)	\$13,352	\$3,789

NOTE 5 - Fixed Assets and Depreciation

<i>Investment in Capital Assets</i>	Balance - July 1, 2014	Net Activity	Depreciation	Beginning Accumulated Depreciation	Net Asset Value - June 30, 2015
Land, Buildings & Improvements	\$1,961,464	\$0	(\$65,333)	(\$808,989)	\$1,087,142
Equipment & Furnishings	\$285,334	0	(29,429)	(138,563)	117,342
GRAND TOTALS	\$2,246,798	\$0	(\$94,672)	(\$947,552)	\$1,204,484

NOTE 6 - Pension plan

Vermont Municipal Employees' Retirement System

The District contributes to the Vermont Municipal Employees' Retirement System (VMERS), a cost-sharing multiple-employer public employee retirement system (PERS) with defined benefit and defined contribution plans administered by the State of Vermont. VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Defined Benefit Plan members are required to contribute 2.5% (Group A), of their annual covered salary, and the District is required to contribute 4% (Group A). Defined Contribution Plan members are required to contribute 5% of their annual covered salary and the District is required to contribute an equal dollar amount. The amounts contributed based on covered payroll of \$171,572 were equal to the required contributions for each year.

**ADDISON TOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – Pension plan

This liability is actuarially determined annually by VMERS and the aggregate funding as compared to its potential liability is approximately 86%. The District's contributions to VMERS for the Defined Benefit Plan for the years ended June 30, 2015, 2014, and 2013 were \$6,863, \$6,613 and \$5,992, respectively.

During the fiscal year, it was determined that the net pension liability for the District's proportionate share of the Vermont Municipal Retirement System underfunded pension liability recognized in these financial statements decreased to \$4,679, a favorable outcome of \$13,546. In accordance with the implementation of GASB 68 *Accounting and Financial Reporting for Pensions*, the net position of the District were reduced \$18,175 as of June 30, 2014 as a prior period adjustment as a change in accounting principle to reflect the liability balance for the prior fiscal year.

The following is a discussion of the significant assumptions employed in the measurement of the net pension liability: A select and ultimate interest rate set is restarted each year based on the employee's entry date; employee salary increases are estimated at 5% per year; cost of living adjustments are made 1.5% for Group A members and 1.8% for Groups B, C & D. Inflation rates are consistent with stated assumptions for investment return, salary increases and cost of living adjustments are consistent with a 3% to 3.25% per year.

Assumptions related to the discount rate and the impact on the total pension liability of a 1 percentage point increase would increase the District's net pension liability by (\$24,463) and decrease in the discount rate would decrease the District net pension liability by \$39,414.

Vermont Teachers' Retirement System

The District contributes to the Vermont Teachers' Employees' Retirement System (VSTRS), a cost-sharing multiple-employer public employee retirement system (PERS) with defined benefit and defined contribution plans administered by the State of Vermont. VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Teachers become members of VSTRS upon employment, and vest in the system after 10 years of service. Group C members contribute 5% of salary. Total wages paid for the District during the fiscal year was \$584,490. Covered payroll under this plan equaled \$402,588, therefore an on-behalf payment of 12.75% (or \$51,330) of covered payroll has been recognized in these financial statements as an employee benefit paid by the Vermont State Government. Additionally, as discussed in Note 1, the District recognized \$18,742 as its proportionate share of the total pension expense less any proportional share of contributions. A corresponding revenue of the same amount was also recognized.

NOTE 7 – Commitments & Contingencies

The District is exposed to various risks of loss related to torts; theft, damage and destruction of its assets; injuries. Any claims under these policies have not exceeded coverage in any of the immediately preceding three fiscal years. If the insurance funds noted above should ever become insolvent, the District could be liable for a proportionate share of the Fund's liabilities.

**ADDISON TOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – Fund Balance Deficit

The food service program has experienced fund balance deficit for the past several years. During the fiscal year, the District reduced the operating deficit to (\$34,901) from (\$43,782) at June 30, 2015. Management states that the deficit will be retired utilizing cost savings measures and revenue increases in the coming fiscal year and possible deficit financing.

NOTE 9 – Fund Balance & Net Position Adjustments

The beginning fund balances and net position amounts have been adjusted as compared with previously issued financial statements. The adjustments were made as a result of the implementation of GASB 34, 37, 38 and 68 during the current fiscal year. The balances were increased as a result of asset capitalization, and reduced in order to recognize: the depreciation of general fixed assets; long term debt associated with these assets; as well as the District's proportionate share of the projected future net pension liability for past and present VMERS defined benefit participant employees of the District as discussed in Note 6.

NOTE 10 – Concentration of Support

The District's General Fund receives approximately 87% of its revenue from the Education Spending grant. The amount of Education Spending received by the School District is equal to the budgeted expenditures, approved by the voters less expected other revenues for the year. Education Spending is funded with statewide property taxes. The State determines a different education property tax rate for homestead and non-homestead properties based on statewide information. The tax rate on homesteads in the member district Districts are adjusted based on the amount of Education Spending in relation to the number of students from those Districts. The tax rate for non-homestead property in the member district Districts are not impacted by the amount of Education Spending received. The State uses a common level of appraisal to equalize property values between communities. In addition to Education Spending, the School District receives grants from the State of Vermont for special education, transportation and other programs.

NOTE 11 – Subsequent Events

On July 1, 2015, the District entered into a \$352,000 tax anticipation line of credit with a 1.25% interest due to be paid in full on December 30, 2015.

Morrison & Bradley CPAs, P.C.

~ Members ~

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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 Board of Directors
Addison Town School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Addison Town School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Addison Town School District's basic financial statements, and have issued our report thereon dated January 14, 2016.

Internal Control over Financial Reporting

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

Morrison & Bradley CPAs P.C.

Morrison & Bradley CPAs, P.C.

Rutland, Vermont

January 14, 2016

**ADDISON TOWN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND -
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<i>Original & Final</i>		<i>Variance</i>
	<i>Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
<i>Revenues:</i>			
Education Spending	\$ 1,144,158	\$ 1,153,765	\$ 9,607
State Miscellaneous Grants	129,400	129,400	-
Special Education	214,774	172,812	(41,962)
Federal & State Subgrants	33,590	-	(33,590)
Early Education	10,258	10,258	-
Fee for Services	1,000	900	(100)
Interest Income	-	262	262
Miscellaneous	1,000	787	(213)
<i>Total Revenues</i>	<u>1,534,180</u>	<u>1,468,183</u>	<u>(65,997)</u>
<i>Expenditures:</i>			
Regular Instruction	601,532	497,629	103,903
Cocurricular	700	568	132
Guidance Services	33,414	35,937	(2,523)
Health Services	14,857	17,094	(2,237)
Educational Media Services	21,551	15,451	6,100
Board of Education Services	6,718	8,432	(1,714)
Supervisory Union Assessment	73,862	81,261	(7,399)
Principal's Office	132,000	121,616	10,384
Fiscal Services	4,846	2,589	2,257
Plant Operations	142,923	123,858	19,065
Student Transportation	115,250	62,932	52,318
Special Education	278,205	281,025	(2,820)
Early Education	58,090	58,090	-
Food Service	50,232	53,744	(3,512)
<i>Total Expenditures</i>	<u>1,534,180</u>	<u>1,360,225</u>	<u>173,954</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ 107,957</u>	<u>\$ 107,957</u>

The accompanying notes are an integral part of these financial statements.

ADDISON TOWN SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2015

	June 30, 2015
	<i>Agency</i>
	<i>Funds</i>
	Student
	Activities
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 10,894
TOTAL ASSETS	\$ 10,894
 LIABILITIES AND NET POSITION	
<i>Current Liabilities:</i>	
Due to General Fund	\$ 2,971
Due to Student Groups	7,923
Total Current Liabilities	\$ 10,894
TOTAL LIABILITIES & NET POSITION	\$ 10,894