
A.M. PEISCH & COMPANY, LLP

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ADDISON NORTHWEST SUPERVISORY UNION

FINANCIAL REPORT

JUNE 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors
Addison Northwest Supervisory Union
Vergennes, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Addison Northwest Supervisory Union as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Supervisory Union'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 Northwest Supervisory Union as of June 30, 2014, 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 through 9 and 31 through 33 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015, on our consideration of Addison Northwest Supervisory Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Addison Northwest Supervisory Union's internal control over financial reporting and compliance.

AM. Peisch & Company, LLP

St. Albans, Vermont
March 20, 2015
VT. Reg. No. 92-0000102

Addison Northwest Supervisory Union Financial Statements
Fiscal Year Ended June 30, 2014
Management's Discussion and Analysis

Our discussion and analysis of Addison Northwest Supervisory Union's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the District's financial position and the result of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an accurate understanding of the District's financial activities have been included.

Introduction to Addison Northwest Supervisory Union

The Addison Northwest Supervisory Union (ANWSU) consists of the following school districts (hereinafter referred to as Members): Addison Town School District, Ferrisburgh Town School District, Vergennes Union Elementary School District # 44, and Vergennes Union High School District #5. ANWSU is governed by a 12 member elected Board.

The Addison Northwest Supervisory Union prepares an annual budget for the operation of the Superintendent's Office, which includes the superintendent, curriculum coordinator, prevention coordinator, director of instructional support services, business manager, and educational technology coordinator, as well as supporting staff for these positions and their essential functions. This budget is approved by the ANWSU Board of Directors and assessed to the Members for inclusion in their annual operating budgets. Assessments are based on the number of enrolled equalized students at each Member School.

The Addison Northwest Supervisory Union acts as the Local Education Agency for the receipt and administration of state and federal grants totaling more than 1.3 million dollars. These grants include, but are not limited to Titles I, IIA, special education IDEA grants and 21st Century grants. ANWSU is restricted as to the manner in which these grant funds may be used by the terms of the grants.

Overview of the Financial Statements

The financial statements for the ANWSU include the general fund (local operating budget), special revenue funds (grants and other restricted use funds) and fiduciary funds (scholarship funds.)

This annual report consists of four parts

- Management's discussion and analysis (this section)
- Basic financial statements
- Notes to the financial statements
- Required supplementary information.

The ANWSU operates multiple governmental funds, including the General Fund, federal grants and grants from various state agencies (Special Revenue Funds.) The primary source of state grants is the Department of Education; other state granting agencies include, but may not be limited to, the Department of Health, the Department of Agriculture and the Agency of Natural Resources.

The financial statements for the ANWSU include government-wide financial statements and fund financial statements.

Government-wide Financial Statements

- The government-wide financial statements include governmental activities. Most of the Supervisory Union's basic services are included here, such as instruction, special education, curriculum and staff development, and general administration. Operating assessments and grants finance most of these activities.
- The statement of net position includes all of the government's assets and liabilities.
- All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.
- These statements report the ANWSU's net assets and how they have changed. Over time, increases or decreases in the Supervisory Union's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Supervisory Union, one needs to consider additional non-financial factors such as changes in the Supervisory Union Member districts' tax base, changes in enrollment, effects of changes in state and federal funding mechanisms, and mandated modifications to curriculum based on student performance.

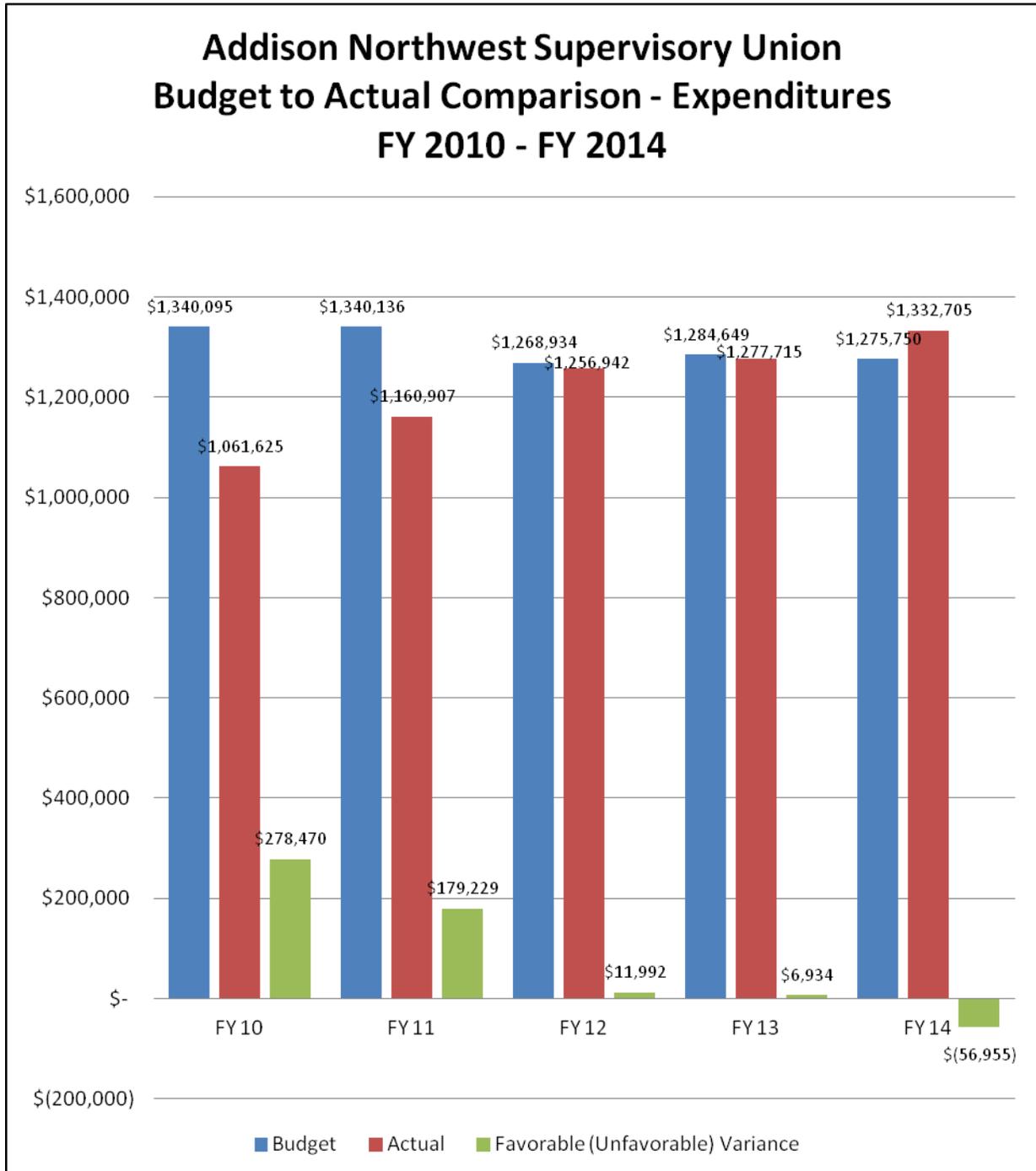
Fund Financial Statements

- Fund financial statements provide more detailed information about the Supervisory Union's most significant funds – not the Supervisory Union as a whole. Funds are accounting devices that the Supervisory Union uses to keep track of specific sources of funding and spending for particular purposes.
- Some funds are required by state law. Other funds are used to control and manage money for particular purposes or to show that it is properly used.
- Fund financial statements include a balance sheet, a statement of revenues, expenditures and changes in fund balance on a modified accrual basis for all governmental fund types (general fund and special revenue fund), and reconciliation of these reports to the government-wide financial statements. Fund financial statements also include a statement of fiduciary net position and a statement of changes in fiduciary net position. Fund financial statements focus on individual parts of the government, including the Supervisory Union's operations in more detail.

Required supplementary information for the Addison Northwest Supervisory Union consists of the Budgetary Comparison Schedule – General Fund and EEE Fund and the note to the Budgetary Comparison Schedule – General Fund.

Adopted Budget

The annual budget for the District is adopted at the Annual District Meeting of the Board of Directors held in May. The FY 2014 budget was approved for \$2,233,330, which includes \$1,275,750 for the general fund. The chart below is a budget to actual comparison for a five-year period which exhibits a closer budget to actual in FY 2014 than in recent fiscal years.

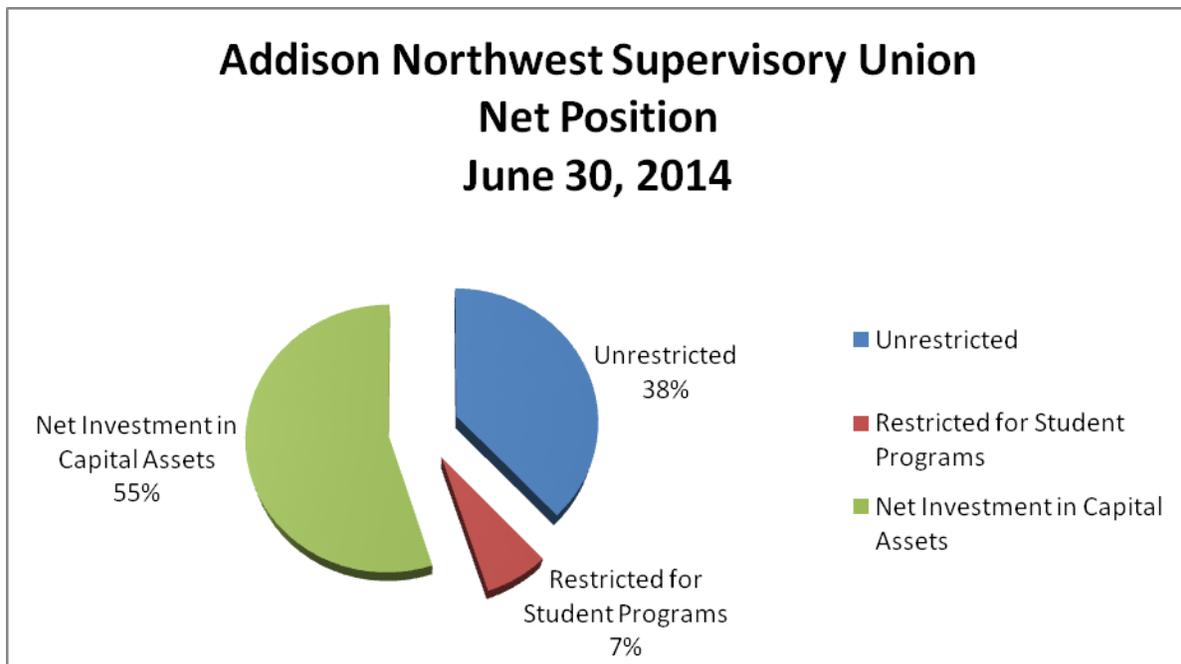


Condensed Comparative Financial Information

The Addison Northwest Supervisory Union presents financial statements that include its capital assets as required by GASB 34.

Statement of Net Position

	<u>FY2014</u>	<u>FY2013</u>
Current and other assets	\$ 951,213	\$1,163,672
Capital assets, net of depreciation	<u>207,232</u>	<u>295,557</u>
Total Assets	<u>\$1,158,445</u>	<u>\$1,459,229</u>
Current liabilities	\$ 468,750	\$ 530,759
Accrued compensated absences	5,933	5,483
Accrued retirement incentives	17,950	0
Capital lease obligation	<u>151,049</u>	<u>195,118</u>
Total Liabilities	<u>\$ 643,682</u>	<u>\$ 731,360</u>
Net Position		
Invested in capital assets	\$ 194,695	\$ 279,362
Restricted for student programs	33,490	40,870
Unrestricted	<u>286,578</u>	<u>407,637</u>
Total Net Position	<u>\$ 514,763</u>	<u>\$ 727,869</u>



The Statement of Governmental Activities reflects both local revenues and expenses in the General Fund and revenues and expenses related to Special Revenue Funds.

Statement of Governmental Activities

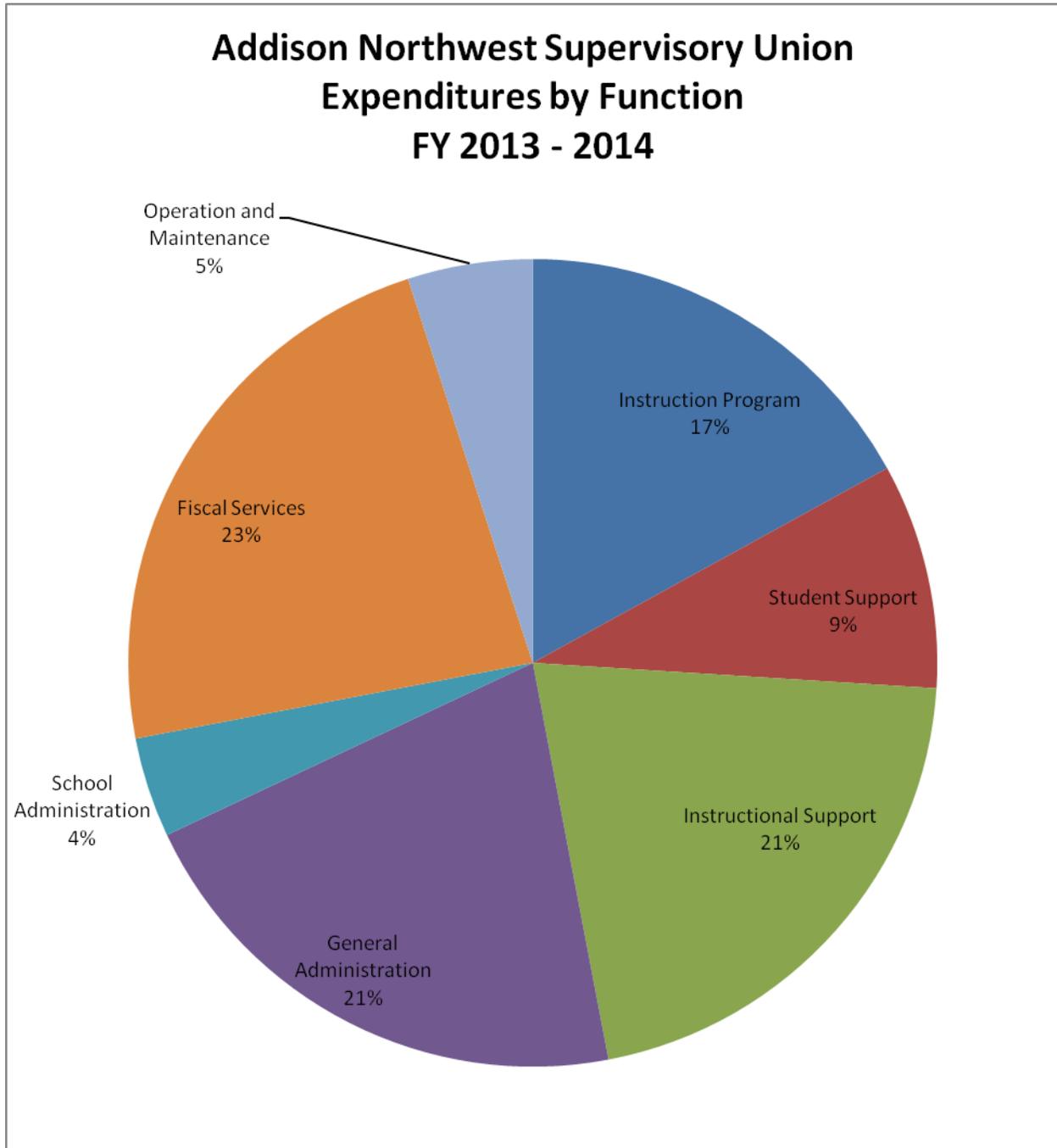
	<u>FY2014</u>	<u>FY2013</u>
<u>REVENUES</u>		
Program Revenues		
Charges for services	\$ 500,818	\$ 510,129
Operating grants & contribution	1,446,365	1,686,091
Revenues – General		
Assessments	1,219,251	1,184,648
Unrestricted investment earnings	645	1,330
Miscellaneous	<u>10,150</u>	<u>450</u>
TOTAL REVENUES	\$3,177,229	\$3,382,648
<u>EXPENSES</u>		
Governmental Activities		
Instruction & related services	\$1,399,327	\$1,493,199
Student support services	772,592	919,178
Staff support services	342,940	373,600
Administrative support services	<u>875,476</u>	<u>733,629</u>
TOTAL EXPENSES	\$3,390,335	\$3,519,606
CHANGE IN NET POSITION	\$ (213,106)	\$ (136,958)
NET POSITION BEGINNING	\$ 727,869	\$ 868,139
PRIOR PERIOD ADJUSTMENT	<u>\$ 0</u>	<u>\$ (3,312)</u>
NET POSITION ENDING	<u>\$ 514,763</u>	<u>\$ 727,869</u>

Analysis of Overall Financial Information

- The general fund, which serves as the operating fund for the local budget of the Addison Northwest Supervisory Union, ended the fiscal year on June 30, 2014 with a fund surplus \$310,461. This is a decrease in fund balance of \$102,659 over the prior fiscal year. This budget deficiency is \$2,659 less than the budgeted \$100,000.
- The major source of revenue for the ANWSU operating budget is the assessments to its Members. The only other resources available for the operating budget are a modest amount of earned interest on cash balances, occasional refunds, and any carryover (or deficit) from the prior year.
- State and federal grants, which make up the majority of the Special Revenue Funds reported in these financial statements, cover fixed time periods, usually corresponding with the fiscal year of the school district, and are intended to be fully spent during that period. Some grants allow carryover of unspent funds to a new grant period; others require a return of unexpended funds.

- The Consolidated Federal Grant, which includes Titles I and IIA, is used to fund a large portion of the ANWSU literacy programs and professional development. Annual declines in allocations have forced ANWSU to require more significant local contributions from the Members in order to maintain programs.

The chart below exhibits the breakdown of actual expenditures by function for the General Fund.



Capital Assets

As required under Governmental Accounting Standards Board #34, the ANWSU is reporting its capital assets as part of the financial statements. The district has researched and documented the historical costs of the various assets owned by the district and applied appropriate charges against the cost to record depreciation. The ANWSU' capital assets decreased \$88,325. This resulted in an ending balance of \$207,232 for the Supervisory Union for the year ended June 30, 2014.

Long Term Liabilities

The ANWSU has entered into a lease agreement with DeLage Landen Financial Services to finance the acquisition of copiers. Total capital lease obligations as of June 30, 2014 were \$151,049. The ANWSU has entered into employment agreements requiring the payment of accrued compensated absences. The liability payable for accrued compensated absences as of June 30, 2014 was \$5,933. A retirement incentive benefit plan was made available to eligible teachers resulting in payments of accrued retirement incentives. The liability payable for accrued retirement incentives as of June 30, 2014 was \$17,950.

Current Issues

- The majority of our Educational Funding comes from Vermont Statewide property taxes; annually the VT Legislature sets the statewide tax rate and base education amount. Education Grand List values are declining and the statewide tax rate has been increasing as school districts struggle to balance the needs of the students with taxpayer affordability.
- The Affordable Care Act and the VT State Health Exchange will begin for small employers as of January 2014. The Addison Northwest Supervisory Union provides all eligible employees with affordable coverage and our existing health plans are grandfathered under the rules of the ACA. We do not anticipate any financial penalties related to the Affordable Care Act to affect our district as we provide affordable insurance. We are concerned whether our plans, in the future may be subject to penalties for being too generous.
- In April 2014, the State of Vermont suspended payments to the ANWSU for federal and state grants until the financial audits and single audits have been completed for the years ended June 30, 2012 and June 30, 2013. This could cause significant cash flow issues for ANWSU.

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 JoAn Canning, Superintendent, Addison Northwest Supervisory Union, 48 Green Street, Vergennes, VT 05491 or at 802-877-3332, ext. 15.

ADDISON NORTHWEST SUPERVISORY UNION

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities
ASSETS	
Cash	\$ 681
Due from member school districts	396,068
Accounts receivable	26,312
Grants receivable	389,112
Prepaid expenses	528
Capital lease receivable - Current	41,433
Capital lease receivable - Non current	97,079
Capital assets:	
Equipment	870,460
Accumulated depreciation	<u>(663,228)</u>
Total assets	<u>1,158,445</u>
LIABILITIES	
Accounts payable	47,468
Due to member school districts	62,678
Accrued salaries and benefits	89,795
Unearned revenue	268,809
Long term liabilities:	
Due within one year:	
Accrued retirement incentives	8,975
Capital lease obligations	45,183
Due after one year:	
Accrued compensated absences	5,933
Accrued retirement incentives	8,975
Capital lease obligations	<u>105,866</u>
Total liabilities	<u>643,682</u>
NET POSITION	
Net investment in capital assets	194,695
Restricted for student programs	33,490
Unrestricted	<u>286,578</u>
Total net position	<u>\$ 514,763</u>

See accompanying notes.

ADDISON NORTHWEST SUPERVISORY UNION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions / Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction and instruction-related services	\$ 1,399,327	\$ 430,717	\$ 644,114	\$ (324,496)
Student support services	772,592	59,851	591,303	(121,438)
Staff support services	342,940	-	62,315	(280,625)
Administrative support services	<u>875,476</u>	<u>10,250</u>	<u>148,633</u>	<u>(716,593)</u>
Total governmental activities	<u>\$ 3,390,335</u>	<u>\$ 500,818</u>	<u>\$ 1,446,365</u>	<u>(1,443,152)</u>
General revenues:				
Local supervisory union assessments				1,219,251
Unrestricted investment earnings				645
Miscellaneous income				<u>10,150</u>
Total general revenues				<u>1,230,046</u>
Change in net position				(213,106)
Net position - Beginning of year				<u>727,869</u>
Net position - End of year				<u>\$ 514,763</u>

See accompanying notes.

ADDISON NORTHWEST SUPERVISORY UNION

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	Special Revenue Funds		Other Governmental Funds	Total Governmental Funds
		EEE	Migrant		
ASSETS					
Cash	\$ 681	\$ -	\$ -	\$ -	\$ 681
Accounts receivable	26,312	-	-	-	26,312
Grants receivable	-	-	139,978	249,134	389,112
Due from member school districts	390,684	-	-	5,384	396,068
Due from other funds	316,368	41,981	-	321,041	679,390
Prepaid expenses	466	-	-	62	528
	<u>466</u>	<u>-</u>	<u>-</u>	<u>62</u>	<u>528</u>
Total assets	<u>\$ 734,511</u>	<u>\$ 41,981</u>	<u>\$ 139,978</u>	<u>\$ 575,621</u>	<u>\$ 1,492,091</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 22,704	\$ 3,009	\$ 4,534	\$ 17,221	\$ 47,468
Due to member school districts	3,026	-	-	59,652	62,678
Due to other funds	363,022	-	135,444	180,924	679,390
Accrued salaries and benefits	35,298	14,885	-	39,612	89,795
Unearned revenue	-	-	-	268,809	268,809
	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,809</u>	<u>268,809</u>
Total liabilities	<u>424,050</u>	<u>17,894</u>	<u>139,978</u>	<u>566,218</u>	<u>1,148,140</u>
FUND BALANCES					
Nonspendable:					
Prepaid expenses	466	-	-	-	466
Restricted for:					
Student support services	-	24,087	-	9,403	33,490
Unassigned	309,995	-	-	-	309,995
	<u>309,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>309,995</u>
Total fund balances	<u>310,461</u>	<u>24,087</u>	<u>-</u>	<u>9,403</u>	<u>343,951</u>
Total liabilities and fund balances	<u>\$ 734,511</u>	<u>\$ 41,981</u>	<u>\$ 139,978</u>	<u>\$ 575,621</u>	<u>\$ 1,492,091</u>

ADDISON NORTHWEST SUPERVISORY UNION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances - Governmental funds		\$ 343,951
Capital lease receivable is not receivable in the current period and therefore are not reported as other assets in the funds.		138,512
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$870,460 and the accumulated depreciation is \$663,228.		207,232
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of		
Accrued compensated absences	\$ (5,933)	
Accrued retirement incentives	(17,950)	
Capital lease payable	<u>(151,049)</u>	<u>(174,932)</u>
Total net position - Governmental activities		<u>\$ 514,763</u>

See accompanying notes.

ADDISON NORTHWEST SUPERVISORY UNION

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

	General Fund	Special Revenue Funds EEE	Migrant	Other Governmental Funds	Total Governmental Funds
REVENUES					
Assessments	\$ 1,219,251	\$ 500,818	\$ -	\$ -	\$ 1,720,069
Interest income	645	-	-	-	645
Federal and state aid	-	-	148,373	1,154,680	1,303,053
Private grants	-	-	-	22,959	22,959
On behalf payments	91,826	-	-	-	91,826
Miscellaneous	10,150	-	-	28,527	38,677
	<u>1,321,872</u>	<u>500,818</u>	<u>148,373</u>	<u>1,206,166</u>	<u>3,177,229</u>
Total revenues					
EXPENDITURES					
Instructional program	221,469	452,193	137,821	435,648	1,247,131
Student support	121,438	44,695	-	531,829	697,962
Instructional support	280,625	-	-	52,979	333,604
General administration	278,619	-	-	-	278,619
School administration	56,394	-	9,950	109,809	176,153
Fiscal services	300,262	-	-	-	300,262
Operations and maintenance	73,898	11,310	602	4,758	90,568
Student transportation	-	-	-	71,143	71,143
On behalf payments	91,826	-	-	-	91,826
	<u>1,424,531</u>	<u>508,198</u>	<u>148,373</u>	<u>1,206,166</u>	<u>3,287,268</u>
Total expenditures					
Deficiency of revenues over expenditures	(102,659)	(7,380)	-	-	(110,039)
Fund balances - June 30, 2013	<u>413,120</u>	<u>31,467</u>	<u>-</u>	<u>9,403</u>	<u>453,990</u>
Fund balances - June 30, 2014	\$ 310,461	\$ 24,087	\$ -	\$ 9,403	\$ 343,951

See accompanying notes.

ADDISON NORTHWEST SUPERVISORY UNION

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

Total net change in fund balances - Governmental Funds \$ (110,039)

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

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets:

Depreciation expense	\$ (88,325)	
Capital asset additions, net of depreciation		(88,325)

Retirement incentive agreements are recognized in the governmental
funds to the extent the liabilities are expected to be liquidated with
expendable financial resources. However, in the statement of activities,
the expenditure and liabilities are recognized when the employee accepts
the offer and the amounts can be estimated. This year the value of
retirement incentives accepted exceeded those paid by \$17,950. (17,950)

Payments received on the capital lease receivable is a reduction in
expenditures in the governmental funds, but the payments received
reduces long-term receivables in the statement of net position. (40,411)

In the statement of activities, accrued compensated absences are measured
by the amounts earned during the year. In the governmental funds,
however, expenditures for these items are measured by the amount of
financial resources used (essentially the amounts actually paid). This
year, resources earned exceed the compensated absences used by \$450. (450)

Payments of the capital lease payable are expenditures in the
governmental funds, but the repayments reduce long-term liabilities in the
statement of net position. 44,069

Change in net position of governmental activities: \$ (213,106)

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Reporting entity

Addison Northwest Supervisory Union (Supervisory Union) operates under the authority of the Vermont Education Laws.

The Addison Northwest Supervisory Union provides services to the following member schools:

Addison Town School District
Ferrisburgh Town School District
Vergennes Union Elementary School
Vergennes Union High School

The Addison Northwest Supervisory Union is governed by a 12 member elected Board. Addison Northwest Supervisory Union, for financial reporting purposes, consists only of the funds of the Supervisory Union. The Supervisory Union's elected Board of Directors has no oversight responsibility for any other governmental entity. Control or dependence on the Board is determined on the basis of budget adoptions, designation of management, influence over operations, and accountability for fiscal matters.

Concentration of risk

The Supervisory Union receives a majority of its general fund revenue from assessments on its member school districts. Additionally, the Supervisory Union receives a majority of the revenue in its special revenue funds from Federal and State grants.

Basic Financial Statements - Government-Wide Statements

The Supervisory Union's basic financial statements include both government-wide (reporting the Supervisory Union as a whole) and fund financial statements (reporting the Supervisory Union's funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Supervisory Union's general administrative, fiscal, special education and grant-related services are classified as governmental activities. The Supervisory Union does not have any business-type activities. Fiduciary funds are not included in the government-wide financial statement.

In the government-wide Statement of Net Position, the governmental activities (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Supervisory Union's net position is reported in three parts – net investment in capital assets, restricted net position, and unrestricted net position. The Supervisory Union first utilizes restricted resources to finance qualifying activities.

Note 1. Summary of Significant Accounting Policies (Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the Supervisory Union's functions. The functions are also supported by general government revenues (member district assessments, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs by function are normally covered by general revenue (assessments, intergovernmental revenues, interest income, etc.). Indirect costs, if any, are allocated to general administration in the statement of activities.

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

Basic Financial Statements - Fund Financial Statements

The financial transactions of the Supervisory Union are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in the governmental activities category. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

GOVERNMENTAL FUNDS

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Addison Northwest Supervisory Union reports these major governmental funds and fund types:

- The general fund is the general operating fund of the Supervisory Union. It is used to account for all financial resources, except those required to be accounted for in another fund.
- The EEE fund accounts for local assessments revenue and expenses related to preschool students.
- The Migrant fund accounts for federal revenues and expenditures associated with providing high quality education programs to migratory children.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of accounting

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue, except for grant revenue, is recorded when susceptible to accrual, i.e. both measureable and available. The Supervisory Union considers this revenue to be available if it is collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditures of resources is the prime factor for determining eligibility for Federal, State or other grant resources, grant revenue is recognized at the time the expenditure is made.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

Budgets and budgetary accounting

The budgetary process adopted by the government is as follows:

The Superintendent's office prepares an operating budget in December for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures by line item and the means of financing them. The budget is approved at the Annual District Meeting by the Board of Directors.

Budgetary integration is employed as a management control device during the year for the general fund.

Budgets approved by the State of Vermont are used as a management control device for grant programs included in the special revenue funds. These are not considered to be legally adopted by the Supervisory Union.

The Board of Directors in a meeting on May 15, 2013 approved a budget of \$2,233,330, which includes budget expenditures for the general fund of \$1,275,750 and local early essential education fund of \$466,065.

Note 1. Summary of Significant Accounting Policies (Continued)

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation - is used in governmental funds. Unencumbered appropriations lapse at year end. Encumbrances outstanding at the year end are reported as assignments of fund balances in the GAAP basis financial statements and do not constitute expenditures or liabilities of the current year because the commitments will be performed in the subsequent year. There were no encumbrances at June 30, 2014 and 2013.

Deferred outflows/inflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then. *Deferred inflows of resources* occur when the Supervisory Union receives funds before it has a legal claim to them or when funds received do not meet the criteria for recognition in the current period. The Supervisory Union did not have any items that qualified for reporting in these categories.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets -- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position -- Consists of net positions with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position -- All other net positions that do not meet the definition of "restricted" or "net invested in capital assets."

Fund Statements

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – Amounts that are not in a spendable form (such as prepaid expenses or inventory) or are legally or contractually required to remain intact (such as the principal of an endowment fund).

Note 1. Summary of Significant Accounting Policies (Continued)

The spendable portion of fund balances is categorized based on a hierarchy of spending constraints.

- a. Restricted fund balance – Amounts constrained to specific purposes by external parties (such as grantors, bondholders, and higher levels of government), constitutional provisions, or enabling legislation.
- b. Committed fund balance – Fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. These amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- c. Assigned fund balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- d. Unassigned fund balance – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

Capital assets

Governmental activities:

GASB Statement No. 34 requires the Supervisory Union to report and depreciate infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. The Supervisory Union does not own any infrastructure assets for the year ended June 30, 2014.

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

Equipment	3-10 years
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Interfund activity

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are netted as part of the reconciliation to the government-wide statements. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Note 1. Summary of Significant Accounting Policies (Continued)

Accounts receivable

The accounts receivable balances at year end are primarily due from outside unrelated entities. No allowance for doubtful accounts is considered necessary.

Grants receivable

The grants receivable balances at year end are primarily due from governmental entities. No allowance for doubtful accounts is considered necessary.

Accrued compensated absences

Accumulated vacation leave is not accrued since it may not be carried forward into the next fiscal year. The Supervisory Union allows teachers to accumulate unused sick leave to a maximum of 100 days at \$10 per day after fifteen consecutive years of service. The accrual as of June 30, 2014 was \$4,433 and is recorded in long-term liabilities in the government-wide statement of net position. The Supervisory Union's support staff contract permits covered staff to accumulate unused sick leave days to a maximum of 15 days at \$100 per day after fifteen years of service. The accrual as of June 30, 2014 was \$1,500 and is recorded in long-term liabilities in the government-wide statement of net position.

Accrued retirement incentives

A retirement incentive benefit plan was made available to teachers effective for fiscal years ended June 30, 2009 to June 30, 2013. An eligible teacher who has accumulated the equivalent 25 years of full-time teaching, of which 20 years shall be in the Addison Northwest Supervisory Union by the end of the fiscal year, and retires under the plan shall receive 50% of the salary earned by the teacher in his/her last year of employment in the Supervisory Union. This will be paid in equal installments payable over three years. Annual installments will be made in three equal payments occurring on the first scheduled paydays after July 1, November 1, and March 1. Any teacher who participates in the program agrees not to accept a future teaching position in any school in Addison Northwest Supervisory Union.

On behalf payments

On behalf payments are contributions made by the State of Vermont to the State Teacher's Retirement System on behalf of the Supervisory Union's teaching employees. The general fund statement of revenues and expenditures prepared on a budgetary basis do not include these on behalf payments as revenue or expense.

Note 1. Summary of Significant Accounting Policies (Continued)

Use of restricted resources

When an expense is incurred that can be paid from either restricted or unrestricted resources (net position), the Supervisory Union's policy is to first apply the expense toward restricted resources and then to unrestricted resources. In governmental funds, the Supervisory Union's policy is to first apply the expenditure toward restricted fund balance and then to other less-restrictive classifications – committed then assigned fund balances before using unassigned fund balances.

Use of estimates

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

Implementation of new accounting principles

For the year ending June 30, 2014, the Supervisory Union implemented the following statement of financial accounting standards issued by the Governmental Accounting Standards Board:

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). There was no cumulative effect on beginning net position/fund balance as a result of the adoption of this standard.

Additionally, the Supervisory Union reviewed the following GASB Statements for possible implementation and determined that they have no effect on the Supervisory Union's financial reporting.

GASB Statement No. 66, Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62

GASB Statement No. 67, Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25

GASB Statement No. 69, Government Combinations and Disposals of Government Operations

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees.

Note 1. Summary of Significant Accounting Policies (Continued)

In June 2012, the Governmental Accounting Standards Board issued Statement No. 68 *Accounting and Financial Reporting for Pensions*. The objective of Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. In November 2013, the Governmental Accounting Standards Board issued Statement No. 71 *Pension Transition For Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. Management plans to adopt these standards for the fiscal year ending June 30, 2015.

Note 2. Cash and Custodial Credit Risk - Deposit in Financial Institutions

Cash belonging to the Supervisory Union is placed in the custody of the Supervisory Union's Treasurer who is elected. The Treasurer periodically reviews the relative strength of the financial institutions with which the Supervisory Union has a deposit relationship.

Custodial Credit Risk-Deposits

Addison Northwest Supervisory Union maintains four bank accounts at two banks. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2014, none of the Supervisory Union's bank balance of \$22,951 was exposed to custodial credit risk.

Due to higher cash flows at certain times during the year, the Supervisory Union's uninsured deposits at those times may have been higher than at year end. Management considers this a normal business risk. Cash in the general and special revenue funds are held in common accounts. Net interest earned on these accounts, which is immaterial in amount, is recorded in the general fund.

Note 3. Interfund Receivable and Payable

The following is a reconciliation of the interfund receivable and payable at June 30, 2014:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 316,368	\$ 363,022
EEE	41,981	-
IEP Medicaid	-	135,444
Other governmental funds	<u>321,041</u>	<u>180,924</u>
	<u>\$ 679,390</u>	<u>\$ 679,390</u>

Note 3. Interfund Receivable and Payable (Continued)

The general fund receives and disburses cash for all funds rather than have each fund maintain its own cash account. These balances will be paid over time as cash is received and disbursed for the benefit of the individual funds.

Note 4. Changes in Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities:				
Capital assets being depreciated:				
Equipment	\$ 870,460	\$ -	\$ -	\$ 870,460
Total capital assets at historical cost	<u>870,460</u>	<u>-</u>	<u>-</u>	<u>870,460</u>
Less accumulated depreciation for:				
Equipment	<u>(574,903)</u>	<u>(88,325)</u>	<u>-</u>	<u>(663,228)</u>
Total accumulated depreciation	<u>(574,903)</u>	<u>(88,325)</u>	<u>-</u>	<u>(663,228)</u>
Capital assets being depreciated, net	<u>295,557</u>	<u>(88,325)</u>	<u>-</u>	<u>207,232</u>
Governmental activities capital assets, net	<u>\$ 295,557</u>	<u>\$ (88,325)</u>	<u>\$ -</u>	<u>\$ 207,232</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
Instruction and instruction-related services	\$81,023
Administrative support services	<u>7,302</u>
	<u>\$88,325</u>

Note 5. Unearned Revenue

The Supervisory Union reports unearned revenue on its governmental fund balance sheets. Unearned revenues in the Government funds arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures.

In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. The unearned revenue amounts on the fund balance sheets are comprised of and relate to the following:

Note 5. Unearned Revenue (Continued)

	All Other Governmental Funds
Grants	\$ 268,809

Note 6. Assessments on Member Schools

The member schools are billed for their appropriate share of expenses relating to the Addison Northwest Supervisory Union's administrative assessment of \$1,219,251. The member schools were assessed the following amounts: Addison Town School District for \$95,407, Ferrisburgh Town School District for \$208,368, Vergennes Union Elementary School for \$293,517, and Vergennes Union High School for \$621,959.

The member schools are billed for their appropriate share of expenses relating to the Addison Northwest Supervisory Union's early essential education assessment of \$500,818. The member schools were assessed the following amounts: Addison Town School District for \$63,465, Ferrisburgh Town School District for \$166,384, and Vergennes Union Elementary School for \$270,969.

Note 7. State Teachers' Retirement System

The teachers employed by Addison Northwest Supervisory Union are covered by the State Teachers' Retirement System of Vermont which is a multiple employer retirement system. 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.

All teachers become members of the Retirement System upon employment. The membership is made up of contributory members from the "Old System" (Group A) who contribute at a rate of 5.5%, vested members of the non-contributory system (Group B) and members of the new contributory system who contribute at a rate of 5% of covered payroll (Group C). The Supervisory Union contributed \$41,124 during the year and was paid to the State of Vermont. Vesting occurs upon reaching ten years of creditable service. Addison Northwest Supervisory Union's current year payroll for all employees totaled \$1,490,717 while its current year covered payroll for the State Teachers' Retirement Plan equaled \$822,441. The amount of the contribution made on behalf of Addison Northwest Supervisory Union's teachers by the State of Vermont is \$91,826 for the year ended June 30, 2014.

Additional information regarding the State Teachers' Retirement System of Vermont is available upon request from the State of Vermont.

Note 8. Municipal Employees' Retirement System

The non-teaching employees of Addison Northwest Supervisory Union are covered by the Vermont Municipal Employees' Retirement System which is a cost sharing multiple employer retirement system. All full-time employees of participating employers are eligible to participate in the Plan on the date of hire. Group A members contribute at a rate of 2.5%, Group B members contribute at a rate of 4.625%. The retirement benefit is equal to from 1.4% to 1.7% of their final average three or five year compensation, depending on the dates of service, for each year of credited service, up to a maximum of 50 percent of the applicable average compensation. Addison Northwest Supervisory Union's required contribution rate, as set by the plan, is 4% of covered wages. Employer and employee contributions for the fiscal year were \$18,081 and \$11,301, respectively. Addison Northwest Supervisory Union's current year payroll for all employees totaled \$1,490,717 while its current year covered payroll for the Municipal Employees' Retirement Plan equaled \$452,037. The Supervisory Union's contributions for the years ended June 30, 2013 and 2012 were \$16,127 and \$15,501, respectively.

The Vermont State Treasurer reported that the VMERS Funded Ratio was 84.40% as of June 30, 2013. The state-wide contribution rate is based on an actuarial valuation of all VMERS participants. Additional information regarding the Vermont Municipal Employees' Retirement System is available upon request from the State of Vermont.

Note 9. Risk Management

The Supervisory Union 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 natural disasters. The Supervisory Union maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Supervisory Union. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

In addition, Addison Northwest Supervisory Union is a member of Vermont Supervisory Union Boards Association Insurance Trust, Inc. (VSBIT) Medical Benefits Program and Unemployment Compensation Program. VSBIT is a nonprofit corporation formed in 1978 to provide insurance and risk management programs for Vermont school districts and is owned by the participating districts.

To provide health insurance coverage, VSBIT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (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.

Note 9. Risk Management (Continued)

To provide unemployment coverage, VSBIT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and provides 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 member assessed their proportionate share of the deficit.

Note 10. Operating Lease

The Supervisory Union leases office space under a noncancellable-operating lease. The lease is for a term of three years expiring in June 2015. Under the lease agreement, rent increases for each year of the lease term will be equal to the rate of increase of the Consumer Price Index plus two percent. The lease may be renewed for one additional term of three years.

On November 6, 2014, the Supervisory Union entered into a lease agreement to lease office space starting June 1, 2015 for a term of five years expiring on May 31, 2020. Under the lease agreement, rent increases in year three by the greater of 2% or the consumer price index.

Minimum future lease payments under the noncancellable-operating lease for the years ending June 30, are as follows:

2015	\$ 56,683
2016	54,113
2017	54,204
2018	55,287
2019	56,392
Thereafter	<u>52,640</u>
	<u>\$ 329,319</u>

Rent expense for the year ended June 30, 2014 was \$51,151.

Note 11. Long Term Liabilities

The following is a summary of long-term liabilities transactions for Addison Northwest Supervisory Union for the year ended June 30, 2014:

Note 11. Long Term Liabilities (Continued)

	Liabilities Payable at July 1, 2013	Liabilities Added	Liabilities Retired	Liabilities Payable at June 30, 2014	Amounts Due Within One Year
Accrued compensated absences	\$ 5,483	\$ 450	\$ -	\$ 5,933	\$ -
Accrued retirement incentives	-	26,925	8,975	17,950	8,975
Capital lease payable	<u>195,118</u>	<u>-</u>	<u>44,069</u>	<u>151,049</u>	<u>45,183</u>
Total long term liabilities	<u>\$ 200,601</u>	<u>\$ 27,375</u>	<u>\$ 53,044</u>	<u>\$ 174,932</u>	<u>\$ 54,158</u>

Capital Lease

The Supervisory Union has entered into a lease agreement with De Lage Landen Financial Services to finance the acquisition of copiers. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

De Lage Landen Financial Services, 2.50%, 60 month lease dated 8/31/12, original cost of \$227,455, accumulated depreciation of \$78,767 as of June 30, 2014, monthly payments of \$4,037, due 9/30/17, secured by copiers.

\$ 151,049

Total capital lease obligations

\$ 151,049

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 45,183	\$ 3,260	\$ 48,443
2016	46,325	2,119	48,444
2017	47,497	947	48,444
2018	12,044	50	12,094
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Total minimum lease payments	<u>\$ 151,049</u>	<u>\$ 6,376</u>	<u>\$ 157,425</u>

Interest recognized in the general fund for the capital lease obligations for the year ended June 30, 2014 was \$4,375.

Note 11. Long Term Liabilities (Continued)

Total minimum lease payments will be reduced by \$138,512 in the future under subleases to other members in the Supervisory Union. There are separate subleases with outstanding principal balances to Addison Town School District for \$12,537, Ferrisburgh Town School District for \$17,824, Vergennes Union Elementary School for \$31,116 and Vergennes Union High School for \$77,035.

The future minimum sublease receivable and the net present value of these minimum sublease payments as of June 30, 2014, are as follows:

Fiscal Year Ending June 30:	
2015	\$ 44,423
2016	44,423
2017	44,423
2018	11,106
Thereafter	<u>-</u>
Total minimum sublease payments	144,375
Less: amount representing interest	<u>(5,863)</u>
Present value of minimum sublease payments	<u>\$ 138,512</u>

Note 12. Commitments and Contingencies

The Supervisory Union has contracted annual transportation services through June 2017 from a local provider, which is a subcontract of transportation services with Vergennes Union High School. Payments increase annually based on the annual increase in the New England Economic Project Cumulative Price Index. Future minimum annual payments are as follows:

Fiscal Year Ending June 30:	
2015	\$ 79,970
2016	79,970
2017	<u>79,970</u>
	<u>\$ 239,910</u>

The total contract for the year ended June 30, 2014 was \$63,264, of which the Supervisory Union paid \$62,589. The remainder of the contract was allocated and charged to Vergennes Union High School in the amount of \$675, based on the number of students transported. Additional amounts were billed for excess fuel on a per-day basis.

Note 12. Commitments and Contingencies (Continued)

The Supervisory Union is a defendant in various pending litigation and administrative proceedings. Management anticipates that any potential claims, if any, against the Supervisory Union would be covered by insurance and would not materially affect the Supervisory Union's financial position.

Note 13. Excess of Expenditures over Appropriations

Expenditures in excess of budgeted amounts at the legal level of control are disclosed in the Statements of Revenue and Expenditures Budget and Actual (Budgetary Basis) - General, EEE, and Migrant Education Funds.

Note 14. Federal Financial Assistance

The Supervisory Union receives significant financial assistance from the U.S. government and the Vermont Department of Education. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that receives the grant. As of June 30, 2014, the Supervisory Union estimates that no material liabilities will result from such audits.

Note 15. Subsequent Events

In April 2014, the State of Vermont suspended payments to the Supervisory Union for federal and state grants until the financial and single audits were completed for the year ended June 30, 2013. In October 2014, the financial audits and single audits were completed and the Supervisory Union started receiving federal and state grant funds.

The Supervisory Union has evaluated subsequent events through March 20, 2015, the date the report was available for release.

REQUIRED SUPPLEMENTARY INFORMATION

ADDISON NORTHWEST SUPERVISORY UNION

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Assessments	\$ 1,174,750	\$ 1,219,251	\$ 44,501
Interest income	1,000	645	(355)
Miscellaneous	<u>-</u>	<u>10,150</u>	<u>10,150</u>
 Total revenues	 <u>1,175,750</u>	 <u>1,230,046</u>	 <u>54,296</u>
 EXPENDITURES			
Instructional program	189,887	221,469	(31,582)
Student support	100,000	121,438	(21,438)
Instructional support	286,830	280,625	6,205
General administration	303,513	278,619	24,894
School administration	55,097	56,394	(1,297)
Fiscal services	267,470	300,262	(32,792)
Operation and maintenance	<u>72,953</u>	<u>73,898</u>	<u>(945)</u>
 Total expenditures	 <u>1,275,750</u>	 <u>1,332,705</u>	 <u>(56,955)</u>
 Excess (deficiency) of revenues over expenditures	 (100,000)	 <u>\$ (102,659)</u>	 <u>\$ (2,659)</u>
 Estimated balance forward	 <u>100,000</u>		
	 <u>\$ -</u>		

ADDISON NORTHWEST SUPERVISORY UNION
NOTE TO BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

Note A - Explanation of differences between Budgetary inflow and outflows and GAAP revenues and expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "total revenues" from the budgetary comparison schedule.	\$ 1,230,046
Differences - Budget to GAAP:	
On-behalf payments to State Teachers' Retirement Plan	<u>91,826</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - Governmental funds	<u>\$ 1,321,872</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$ 1,332,705
Differences - Budget to GAAP:	
On-behalf payments to State Teachers' Retirement Plan	<u>91,826</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - Governmental funds	<u>\$ 1,424,531</u>

ADDISON NORTHWEST SUPERVISORY UNION

**BUDGETARY COMPARISON SCHEDULE
EEE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Assessments	<u>\$ 500,818</u>	<u>\$ 500,818</u>	<u>\$ -</u>
Total revenues	<u>500,818</u>	<u>500,818</u>	<u>-</u>
EXPENDITURES			
Instructional program	395,964	452,193	(56,229)
Student support	59,851	44,695	15,156
Administrative support services	<u>10,250</u>	<u>11,310</u>	<u>(1,060)</u>
Total expenditures	<u>466,065</u>	<u>508,198</u>	<u>(42,133)</u>
Excess of revenues over expenditures	<u>\$ 34,753</u>	<u>\$ (7,380)</u>	<u>\$ (42,133)</u>