MILTON TOWN SCHOOL DISTRICT

AUDIT REPORT AND REPORTS ON COMPLIANCE AND INTERNAL CONTROL

JUNE 30, 2014
<table>
<thead>
<tr>
<th>Section</th>
<th>Exhibit</th>
<th>Page #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor’s Report</td>
<td></td>
<td>1-3</td>
</tr>
<tr>
<td>Management’s Discussion and Analysis</td>
<td></td>
<td>4-11</td>
</tr>
<tr>
<td>Basic Financial Statements:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statement of Net Position</td>
<td>Exhibit A</td>
<td>12</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>Exhibit B</td>
<td>13</td>
</tr>
<tr>
<td>Governmental Funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>Exhibit C</td>
<td>14</td>
</tr>
<tr>
<td>Statement of Revenues, Expenditures and Changes in Fund Balances</td>
<td>Exhibit D</td>
<td>15</td>
</tr>
<tr>
<td>Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities</td>
<td>Exhibit E</td>
<td>16</td>
</tr>
<tr>
<td>Proprietary Funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statement of Net Position</td>
<td>Exhibit F</td>
<td>17</td>
</tr>
<tr>
<td>Statement of Revenues, Expenses and Changes in Fund Net Position</td>
<td>Exhibit G</td>
<td>18</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>Exhibit H</td>
<td>19</td>
</tr>
<tr>
<td>Fiduciary Funds:</td>
<td>Page #</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------</td>
<td>--------</td>
<td></td>
</tr>
<tr>
<td>Statement of Fiduciary Net Position</td>
<td>Exhibit I 20</td>
<td></td>
</tr>
<tr>
<td>Statement of Changes in Fiduciary Net Position</td>
<td>Exhibit J 21</td>
<td></td>
</tr>
<tr>
<td>Notes to the Financial Statements</td>
<td>22-45</td>
<td></td>
</tr>
<tr>
<td>Schedule of Revenue and Expenditures - Budget and</td>
<td>Schedule 1 46</td>
<td></td>
</tr>
<tr>
<td>Actual - General Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combining Statement of Fiduciary Net Position -</td>
<td>Schedule 2 47</td>
<td></td>
</tr>
<tr>
<td>Private Purpose Trust Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combining Statement of Changes in Fiduciary Net</td>
<td>Schedule 3 48</td>
<td></td>
</tr>
<tr>
<td>Position - Private Purpose Trust Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schedule of Expenditures of Federal Awards</td>
<td>Schedule 4 49</td>
<td></td>
</tr>
<tr>
<td>Independent Auditor’s Report on Internal Control</td>
<td>50-52</td>
<td></td>
</tr>
<tr>
<td>Over Financial Reporting and on Compliance and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Matters Based on an Audit of Financial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statements Performed in Accordance with “Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditing Standards”</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent Auditor’s Report on Compliance For Each</td>
<td>53-55</td>
<td></td>
</tr>
<tr>
<td>Major Program and on Internal Control Over Compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Required by OMB Circular A-133</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Summary Schedule of Prior Audit Findings and</td>
<td>56-57</td>
<td></td>
</tr>
<tr>
<td>Deficiencies in Internal Control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schedule of Findings and Deficiencies in Internal</td>
<td>58-63</td>
<td></td>
</tr>
<tr>
<td>Control</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Independent Auditor’s Report

School Board
Milton Town School District
42 Herrick Avenue
Milton, Vermont 05468

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Milton Town School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Milton 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 includes 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 Milton Town School District’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 Milton Town School District’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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Milton Town School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis on pages 4 through 11 and the budgetary comparison information for the General Fund in Schedule 1 on page 46 to 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 Milton Town School District’s basic financial statements. The accompanying financial information listed as Schedules 2 and 3 in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Milton Town School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, “Audits of States, Local Governments and Non-Profit Organizations” and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by “Government Auditing Standards”

In accordance with “Government Auditing Standards”, we have also issued our report dated January 30, 2015 on our consideration of the Milton 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 the Milton Town School District’s internal control over financial reporting and compliance.

January 30, 2015
Montpelier, Vermont
VT Lic. #92-000180

[Signature]

Sullivan, Powers & Company

The discussion and analysis of Milton Town School District’s (herein the “school district”) financial performance provides an overall narrative review of the school district’s financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the school district’s financial performance as a whole. Information contained in this section is qualified by the more detailed information contained elsewhere in the School District’s financial statements, related notes to financial statements, and any accompanying materials. To the extent this discussion contains any forward-looking statements of the School district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Net Position of Governmental Activities increased $1,291,769 or 9.50%.
- The school district’s Food Service Program improved its net position by $98,888 through fiscal year 2014 operations. The remaining balance owed to the General Fund by the Cafeteria Fund is $102,116.
- The school district reduced its outstanding long-term debt by $328,703 through scheduled debt retirement. There are five (5) obligations owed by the school district:
  - 1997 Municipal Bond Bank for expansion of Milton Elementary School
    - Annual payment of $275,000 plus interest through December 2017
    - Balance at the end of FY2014: $1,100,000
  - 2007 Municipal Bond Bank for remediation of Milton Elementary School
    - Annual payment of $205,000 plus interest through December 2027
    - Balance at the end of FY 2014: $2,870,000
  - 2007 Municipal Lease for Honeywell Performance Contract
    - Annual payments of principal and interest of $52,210
    - Balance at the end of FY 2014: $149,909
  - 2009 Municipal Bond Bank for repairs to Milton High School
    - Annual payment of $65,000 plus interest until November 2030
    - Balance at the end of FY 2014: $1,040,000
  - 2014 Municipal Lease for Apple iPad Initiative
    - Annual payments of principal and interest of $93,235
    - Balance at the end of FY 2014: $264,795

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is 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.
1) **Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the school district’s finances in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on the School District’s assets and liabilities in entirety, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the school district is improving or deteriorating.

The statement of activities presents information showing how the school district’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements are designed to include not only the school district itself (known as the primary government), but also any legally separate entities for which the school district is financially accountable (known as component units). The school district has no component units.

The government-wide financial statements can be found in Exhibits A and B of this report.

2) **Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The school district uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School district can be divided into three categories: governmental, proprietary and fiduciary funds.

   a) **Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the school district’s current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds statements provide a detailed short-term view of the school district’s operations.

   Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the school district’s current financing decisions.
Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are found in Exhibits C and E.

The basic governmental fund financial statements can be found in Exhibits C through E of this report.

b) **Proprietary funds:** Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The school district uses an enterprise fund to account for its Food Service activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. The basic proprietary fund financial statements can be found in Exhibits F through H of the financial statements.

c) **Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the school district. Fiduciary funds are not reflected in the government-wide financial statements because resources of these funds are not available to support the school district’s own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district’s fiduciary activities are presented in separate Statements of Fiduciary Net Position depicted in Exhibits I and J and Schedule 2 and 3 of the financial statements.

3) **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 immediately following the basic financial statements in this report.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information.

The school district adopts an annual operating budget for the General Fund. A budgetary comparison statement has been provided for the General Fund. This information can be found in Schedule 1 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position:** Net Position may serve over time as a useful indicator of the government’s financial position. The School district’s net position exceeded liabilities by $14,998,824 as of June 30, 2014, increasing by $1,390,657. The primary factor for such improvement is the reduction of liabilities, specifically short-term debt and noncurrent liabilities. By far the largest portion of the school district’s net position reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, furniture and equipment, less any related debt used to acquire those assets that is still outstanding). The school district uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.
The school district’s financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the school district’s net position for the fiscal year ended June 30, 2014.

### Summarized Statement of Net Position

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th></th>
<th>Business-Type Activities</th>
<th></th>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current &amp; Other Assets</td>
<td>$3,274,971</td>
<td>$2,913,591</td>
<td>$5,665</td>
<td>$(35,944)</td>
<td>$3,280,636</td>
<td>$2,877,647</td>
</tr>
<tr>
<td>Capital Assets</td>
<td>19,163,090</td>
<td>19,397,303</td>
<td>115,366</td>
<td>99,446</td>
<td>19,278,456</td>
<td>19,496,749</td>
</tr>
<tr>
<td>Total Assets</td>
<td>22,438,061</td>
<td>22,310,894</td>
<td>121,031</td>
<td>63,502</td>
<td>22,559,092</td>
<td>22,374,396</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>2,071,718</td>
<td>2,627,670</td>
<td>12,596</td>
<td>14,842</td>
<td>2,084,314</td>
<td>2,642,512</td>
</tr>
<tr>
<td>Noncurrent Liabilities</td>
<td>5,436,841</td>
<td>6,045,491</td>
<td>39,113</td>
<td>78,226</td>
<td>5,475,954</td>
<td>6,123,717</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>7,508,559</td>
<td>8,673,161</td>
<td>51,709</td>
<td>93,068</td>
<td>7,560,268</td>
<td>8,766,229</td>
</tr>
<tr>
<td>Net Position Capital Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net of Related Debt</td>
<td>13,124,701</td>
<td>12,300,351</td>
<td>115,366</td>
<td>99,446</td>
<td>13,240,067</td>
<td>12,399,797</td>
</tr>
<tr>
<td>Restricted</td>
<td>29,827</td>
<td>34,215</td>
<td>0</td>
<td>0</td>
<td>29,827</td>
<td>34,215</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>1,774,974</td>
<td>1,303,167</td>
<td>(46,044)</td>
<td>(129,012)</td>
<td>1,728,930</td>
<td>1,174,155</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$14,929,502</td>
<td>$13,637,733</td>
<td>$69,322</td>
<td>$(29,566)</td>
<td>$14,998,824</td>
<td>$13,608,167</td>
</tr>
</tbody>
</table>

### DEBT ADMINISTRATION

The following table details the debt service applied during FY 2014.

<table>
<thead>
<tr>
<th></th>
<th>Principal Balance June 30, 2013</th>
<th>Principal Additions</th>
<th>Principal Payment</th>
<th>Principal Balance June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term Debt</td>
<td>$5,753,407</td>
<td>$358,030</td>
<td>$686,733</td>
<td>$5,424,704</td>
</tr>
</tbody>
</table>

Additional information of the School district’s long-term debt can be found in Note IV (F) of this report.
Summarized Statement of Activities

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2014</td>
<td>2014</td>
</tr>
<tr>
<td>Program Revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for Service</td>
<td>$103,009</td>
<td>$433,352</td>
<td>$536,361</td>
</tr>
<tr>
<td>Operating Grants &amp; Revenues</td>
<td>26,118,650</td>
<td>465,092</td>
<td>26,583,742</td>
</tr>
<tr>
<td>Capital Grants &amp; Contributions</td>
<td>660,041</td>
<td>-</td>
<td>660,041</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>75,381</td>
<td>21</td>
<td>75,402</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>26,957,081</td>
<td>898,465</td>
<td>27,855,546</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>25,665,312</td>
<td></td>
<td>25,665,312</td>
</tr>
<tr>
<td>Food Service</td>
<td>-</td>
<td>799,577</td>
<td>799,577</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>25,665,312</td>
<td>799,577</td>
<td>26,464,889</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>1,291,769</td>
<td>98,888</td>
<td>1,390,657</td>
</tr>
<tr>
<td>Net Position – Beginning of Year</td>
<td>13,637,733</td>
<td>(29,566)</td>
<td>13,608,167</td>
</tr>
<tr>
<td>Net Position – End of Year</td>
<td>$14,929,502</td>
<td>$69,322</td>
<td>$14,998,824</td>
</tr>
</tbody>
</table>

As depicted above, the district’s Net Position increased by $1,390,657 through the performance of fiscal year 2014. This increase is serves as a strong indicator of the financial health and sustainability of our district-wide activities.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

As noted earlier, the school district uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the school district’s governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the school district’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of the school district’s net resources available for spending at the end of the fiscal year.

The financial performance of the school district as a whole is reflected in its governmental funds. The balance sheet (Exhibit C) serves as a great source of information to assess the district’s health. As of the end of fiscal year 2014 the combined fund balance of General, State & Federal and Building Fund increased by $1,518,997, alleviating a negative position which was primarily created by short-term debt held for state construction aid owed to the district. The district received 50% of that aid during fiscal year 2014 which, in turn, was used to reduce short-term debt. Outside of the scope of this (fiscal year 2014) audit the district did receive the remaining 50% of construction aid in early fiscal year 2015. The district, in turn, eliminated the short-term debt, which will once again impact the district favorably when financials are prepared for fiscal year 2015.
CAPITAL ASSETS

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Major outlays for capital assets and improvements are capitalized as constructed. Normal or routine maintenance and repairs of capital assets do not add to the value of the asset or materially extend the assets’ life and are not capitalized. Capital assets reported in the government-wide financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

The district began fiscal year 2014 with a governmental activities capital asset balance totaling $19,397,304. During the course of fiscal year 2014 the district added $150,825 of building improvements and $825,892 of equipment and furniture (primarily equipment in the form of mechanical control replacement at the high school and replacement of a roof top HVAC unit at the high school). During the course of fiscal year 2014 land improvements depreciated by $61,667, buildings and building improvements depreciated by $761,721, equipment and furniture depreciated by $370,661 and vehicles depreciated by $16,882. The ending capital asset balance, net of depreciation, for fiscal year 2014 is $19,163,090.

Additional information of the school district’s capital assets can be found in Note IV C of the financial statements ending June 30, 2014.

Factors to Consider Directly Impacting the Financial Health and Physical Infrastructure of the District Itself:

High School Building – 17 Rebecca Lander Drive: The district has major deficiencies for ADA (Americans with Disabilities Act) code violations, Life/Safety code violations, Electrical Code violations, Mold within Interior & Exterior Walls, Roofing Deficiencies, Building Envelope Deficiencies, HVAC Deficiencies, Physical Education Facility Title IX Gender Equity Violations, Inadequate and Non-Functioning Plumbing. The district brought forward an article to address these deficiencies on March 5, 2013 and the community elected not to address these specific items. The district brought forward a second vote on December 3, 2013 to address these specific code violations and deficiencies and the community elected for a second time not to address these deficiencies.

Capital Planning Committee

During the course of fiscal year 2014 the district contracted with Scott & Partners, Inc. and L.N. Consulting Engineers to provide a complete district-wide facility assessment incorporating deficiencies in architectural/structural integrity, mechanical, electrical, plumbing and HVAC deficiencies with complete energy modeling embedded. Through this effort the district received necessary information to generate a detailed 25-year capital plan. The district formed a capital planning committee comprised of outside professionals and community members to review the facility assessment and move forward with putting a capital plan into action. The first ten (10) years of this plan, should the district move forward to bond by fiscal year 2017, would total $42,027,273 alone. While this number is staggering, the cost of not taking action will be much greater as inflation drives costs for such improvements with each passing year.
Student Enrollment: The school district’s student population (enrollment) is increasing. The district has witnessed significant growth within the early grade levels which will carry though the district as grade levels transition towards graduation. Vermont overall is experiencing a declining student population but this trend is not applicable to Milton. Milton is a growing community with housing construction projects currently taking place and additional developments in the process of planning and permitting. The district must be in sound financial and physical infrastructure health to accommodate such growth.

State/Federal Requirements:

- **No Child Left Behind ("NCLB"):** This federal education reform law creates goals and benchmarks for each school district in the country. Meeting these goals is expensive. This will continue to put a strain on education spending.

- **Title I:** This federal requirement is tied closely with NCLB. Failure to meet the NCLB goals restricts the flexibility of Title I resources. This will result in either a reduction in some services or an increase in local tax rate. Title I funds continue to decline year to year.

- **Special Education:** Mandates continue to increase and Milton has earned the reputation of having an exceptional special education program. As students transition to Milton through families moving to Milton the district will continue to provide this exceptional service delivery.

Contracts: Faculty master agreement is in place through fiscal year 2016 and the Support Staff master agreement is in place through fiscal year 2017.

Healthcare: Large scale changes on the health care front will cause great change to the district in the next few years. Currently the district offers a much more generous health care offering than what is available through the exchange. An increased number of staff who currently are covered under their spouse’s health insurance could opt to return or initiate new coverage through the district. Until the full impact of healthcare reform is known the district must remain wary of multi-year commitments to health care options in collective bargaining – the district must have flexibility to evolve as the impact of changes to healthcare become known.

Economy: The economy is slowly recovering in many areas but there is still cause for concern that could stretch for the next few years. Unemployment is still relatively high and payroll gains are relatively stagnant. General Fund revenue is not currently sufficient to properly support education or to provide any property tax relief. These factors will put a continued strain on school budgets and funding.
CURRENT STATUS

- The rising cost of education and the state funding formula will continue to challenge taxpayers.
- Milton Town School District continues to be one of the lowest spending districts per equalized pupil in Chittenden County, spending far below the state average per equalized pupil.
- The slowly recovering economy will continue to have an effect on the District.

CONTACTING THE SCHOOL DISTRICT’S FINANCIAL MANAGEMENT

If you have questions about this report please contact the Business Manager of the school district at (802) 893-5400 or via mail: 42 Herrick Avenue, Milton, VT 05468.
## STATEMENT OF NET POSITION
### MILTON TOWN SCHOOL DISTRICT
#### JUNE 30, 2014

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash</strong></td>
<td>$ 8,589</td>
<td>$ 2,045,718</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td>0</td>
<td>137,567</td>
</tr>
<tr>
<td><strong>Receivables (Net of Allowance for Uncollectibles)</strong></td>
<td>80,527</td>
<td>1,081,168</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>16,183</td>
<td>16,183</td>
</tr>
<tr>
<td><strong>Internal Balances</strong></td>
<td>(99,634)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Capital Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Land</strong></td>
<td>0</td>
<td>123,000</td>
</tr>
<tr>
<td><strong>Construction in Progress</strong></td>
<td>0</td>
<td>7,514</td>
</tr>
<tr>
<td><strong>Other Capital Assets (Net of Accumulated Depreciation)</strong></td>
<td>115,366</td>
<td>19,147,942</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>121,031</td>
<td>22,559,092</td>
</tr>
</tbody>
</table>

### LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accounts Payable</strong></td>
<td>0</td>
<td>510,366</td>
</tr>
<tr>
<td><strong>Accrued Payroll and Benefits Payable</strong></td>
<td>0</td>
<td>901,158</td>
</tr>
<tr>
<td><strong>Unearned Revenue</strong></td>
<td>10,114</td>
<td>25,702</td>
</tr>
<tr>
<td><strong>Due to Town</strong></td>
<td>0</td>
<td>1,284</td>
</tr>
<tr>
<td><strong>Due to Private Purpose Trust Funds</strong></td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td><strong>Due to Agency Fund</strong></td>
<td>2,452</td>
<td>2,452</td>
</tr>
<tr>
<td><strong>Accrued Interest Payable</strong></td>
<td>0</td>
<td>29,637</td>
</tr>
<tr>
<td><strong>Short-Term Debt</strong></td>
<td>0</td>
<td>613,685</td>
</tr>
<tr>
<td><strong>Noncurrent Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Due within One Year</strong></td>
<td>39,113</td>
<td>715,489</td>
</tr>
<tr>
<td><strong>Due in More than One Year</strong></td>
<td>0</td>
<td>4,760,465</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>51,709</td>
<td>7,560,268</td>
</tr>
</tbody>
</table>

### NET POSITION

<table>
<thead>
<tr>
<th></th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Investment in Capital Assets</strong></td>
<td>115,366</td>
<td>13,240,067</td>
</tr>
<tr>
<td><strong>Restricted</strong></td>
<td>0</td>
<td>29,827</td>
</tr>
<tr>
<td><strong>Unrestricted/(Deficit)</strong></td>
<td>(46,044)</td>
<td>1,728,930</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>$ 69,322</td>
<td>$ 14,998,824</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.
### MILTON TOWN SCHOOL DISTRICT
### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

| Functions/Programs: | Governmental Activities: | | Business-Type Activities: | | Total |
|---------------------|-------------------------|----------------|--------------------------|--------|
| | | | | |
| Primary Government: | Education |  | Food Service | | |
| | | | | |
| Governmental Activities: | | | | |
| | | | | |
| | | | | |
| | | | | |
| Total Governmental Activities | 25,665,312 | 103,009 | 26,118,650 | 660,041 | 1,216,388 | 0 | 1,216,388 |
| | | | | |
| Business-Type Activities: | 799,577 | 433,352 | 465,092 | 0 | 98,867 | 98,867 |
| | | | | |
| | | | | |
| | | | | |
| Total Business-Type Activities | 799,577 | 433,352 | 465,092 | 0 | 98,867 | 98,867 |
| | | | | |
| Total Primary Government | 26,464,889 | 536,361 | 26,583,742 | 660,041 | 1,216,388 | 98,867 | 1,315,255 |
| | | | | |
| General Revenues: | | | | |
| Unrestricted Interest Income | 75,381 | 21 | 75,402 | |
| | | | | |
| Total General Revenues | 75,381 | 21 | 75,402 | |
| | | | | |
| Change in Net Position | 1,291,769 | 98,888 | 1,390,657 | |
| | | | | |
| Net Position/(Deficit) - July 1, 2013 | 13,637,733 | (29,566) | 13,608,167 | |
| | | | | |
| Net Position - June 30, 2014 | 14,929,502 | 69,322 | 14,998,824 | |

The accompanying notes are an integral part of this financial statement.
### MILTON TOWN SCHOOL DISTRICT
### BALANCE SHEET
### GOVERNMENTAL FUNDS
### JUNE 30, 2014

#### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>State &amp; Federal Program Fund</th>
<th>Building Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 2,037,129</td>
<td>$ 0</td>
<td>0</td>
<td>$ 2,037,129</td>
</tr>
<tr>
<td>Investments</td>
<td>137,567</td>
<td>0</td>
<td>0</td>
<td>137,567</td>
</tr>
<tr>
<td>Miscellaneous Receivables</td>
<td>11,115</td>
<td>0</td>
<td>0</td>
<td>11,115</td>
</tr>
<tr>
<td>Due from Other Funds</td>
<td>217,538</td>
<td>0</td>
<td>0</td>
<td>217,538</td>
</tr>
<tr>
<td>Due from State of Vermont</td>
<td>197,435</td>
<td>132,050</td>
<td>660,041</td>
<td>989,526</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$ 2,600,784</strong></td>
<td><strong>$ 132,050</strong></td>
<td><strong>$ 660,041</strong></td>
<td><strong>$ 3,392,875</strong></td>
</tr>
</tbody>
</table>

#### LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>State &amp; Federal Program Fund</th>
<th>Building Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$ 507,101</td>
<td>$ 3,265</td>
<td>0</td>
<td>$ 510,366</td>
</tr>
<tr>
<td>Accrued Payroll Liabilities</td>
<td>901,158</td>
<td>0</td>
<td>0</td>
<td>901,158</td>
</tr>
<tr>
<td>Due to Other Funds</td>
<td>0</td>
<td>80,715</td>
<td>37,189</td>
<td>117,904</td>
</tr>
<tr>
<td>Due to Town of Milton</td>
<td>1,284</td>
<td>0</td>
<td>0</td>
<td>1,284</td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>0</td>
<td>15,588</td>
<td>0</td>
<td>15,588</td>
</tr>
<tr>
<td>Short Term Debt</td>
<td>0</td>
<td>613,685</td>
<td>0</td>
<td>613,685</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>1,409,543</strong></td>
<td><strong>99,568</strong></td>
<td><strong>650,874</strong></td>
<td><strong>2,159,985</strong></td>
</tr>
</tbody>
</table>

#### DEFERRED INFLOWS OF RESOURCES

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>State &amp; Federal Program Fund</th>
<th>Building Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unavailable Grants</td>
<td>192,823</td>
<td>8,304</td>
<td>660,041</td>
<td>861,168</td>
</tr>
<tr>
<td><strong>Total Deferred Inflows of Resources</strong></td>
<td>192,823</td>
<td>8,304</td>
<td>660,041</td>
<td>861,168</td>
</tr>
</tbody>
</table>

#### FUND BALANCES

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>State &amp; Federal Program Fund</th>
<th>Building Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable</td>
<td>46,044</td>
<td>0</td>
<td>0</td>
<td>46,044</td>
</tr>
<tr>
<td>Restricted</td>
<td>0</td>
<td>19,887</td>
<td>9,940</td>
<td>29,827</td>
</tr>
<tr>
<td>Unassigned</td>
<td>952,374</td>
<td>4,291</td>
<td>(660,814)</td>
<td>295,851</td>
</tr>
<tr>
<td><strong>Total Fund Balance/(Deficit)</strong></td>
<td>998,418</td>
<td>24,178</td>
<td>(650,874)</td>
<td>371,722</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>State &amp; Federal Program Fund</th>
<th>Building Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Liabilities, Deferred Inflows of Resources and Fund Balances</strong></td>
<td><strong>$ 2,600,784</strong></td>
<td><strong>$ 132,050</strong></td>
<td><strong>$ 660,041</strong></td>
<td><strong>$ 3,392,875</strong></td>
</tr>
</tbody>
</table>

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

- Capital Assets Used in Governmental Activities are not Financial Resources and, therefore, are not Reported in the Funds. 19,163,090
- Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds 861,168
- Long Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, therefore, are Not Reported in the Funds. (5,466,478)
- Net Assets of Governmental Activities $ 14,929,502

The accompanying notes are an integral part of this financial statement.
<table>
<thead>
<tr>
<th>Revenues:</th>
<th>General Fund</th>
<th>State &amp; Federal Program Fund</th>
<th>Building Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General State Support Grants</td>
<td>$21,685,107</td>
<td>$0</td>
<td>$0</td>
<td>$21,685,107</td>
</tr>
<tr>
<td>Federal and State Grants</td>
<td>3,464,899</td>
<td>1,167,511</td>
<td>660,040</td>
<td>5,292,450</td>
</tr>
<tr>
<td>Tuition</td>
<td>103,009</td>
<td>0</td>
<td>0</td>
<td>103,009</td>
</tr>
<tr>
<td>Other Local Revenue</td>
<td>124,175</td>
<td>180,967</td>
<td>33,402</td>
<td>338,544</td>
</tr>
<tr>
<td>Vocational/Transportation Reimbursement</td>
<td>60,722</td>
<td>0</td>
<td>0</td>
<td>60,722</td>
</tr>
<tr>
<td>Interest</td>
<td>75,381</td>
<td>0</td>
<td>0</td>
<td>75,381</td>
</tr>
<tr>
<td>Intergovernmental Pension Contribution</td>
<td>1,015,860</td>
<td>112,873</td>
<td>0</td>
<td>1,128,733</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>26,529,153</td>
<td>1,461,351</td>
<td>693,442</td>
<td>28,683,946</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Instruction:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Instruction</td>
<td>14,803,034</td>
<td>1,459,912</td>
<td>0</td>
</tr>
<tr>
<td>Vocational Tuition</td>
<td>862,112</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Student Support Services</td>
<td>3,681,148</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>General Administration</td>
<td>93,771</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>School Administration</td>
<td>1,148,638</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fiscal Services</td>
<td>429,254</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Operation and Maintenance of Plant</td>
<td>1,928,678</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Tuition and Reimbursement</td>
<td>194,262</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transportation Services</td>
<td>837,692</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>976,717</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Debt Service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>686,733</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Interest</td>
<td>337,561</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>25,979,600</td>
<td>1,459,912</td>
<td>0</td>
</tr>
</tbody>
</table>

Excess of Revenues Over Expenditures | 549,553 | 1,439 | 693,442 | 1,244,434 |

Other Financing Sources/(Uses): |       |     |       |         |
Proceeds of Long Term Debt      | 358,030    | 0   | 0     | 358,030  |
Transfer Out                    | (83,467)   | 0   | 0     | (83,467) |
**Total Other Financing Sources/(Uses)** | 274,563 | 0 | 0 | 274,563 |

Net Change in Fund Balance     | 824,116    | 1,439 | 693,442 | 1,518,997 |

Fund Balance/(Deficit) - July 1, 2013 | 174,302 | 22,739 | (1,344,316) | (1,147,275) |

Fund Balance/(Deficit) - June 30, 2014 | $998,418 | $24,178 | $650,874 | 371,722 |

The accompanying notes are an integral part of this financial statement.
Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D) $1,518,997

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ($1,210,931) exceeded capital outlay ($976,717) in the current period. (234,214)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (598,132)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net amount by which repayments in the current period ($686,733) exceeded proceeds ($358,030). 328,703

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 276,415

Change in net position of governmental activities (Exhibit B) $1,291,769

The accompanying notes are an integral part of this financial statement.
## ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$8,589</td>
</tr>
<tr>
<td>Receivables</td>
<td>80,527</td>
</tr>
<tr>
<td>Inventory</td>
<td>16,183</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>105,299</strong></td>
</tr>
<tr>
<td>Capital Assets:</td>
<td></td>
</tr>
<tr>
<td>Building Improvements</td>
<td>31,808</td>
</tr>
<tr>
<td>Equipment</td>
<td>145,341</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(61,783)</td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td><strong>115,366</strong></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$220,665</strong></td>
</tr>
</tbody>
</table>

## LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to Other Funds</td>
<td>102,116</td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>10,114</td>
</tr>
<tr>
<td>Accrued Career Change Incentive</td>
<td>39,113</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>151,343</strong></td>
</tr>
</tbody>
</table>

## NET POSITION

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Investment in Capital Assets</td>
<td>115,366</td>
</tr>
<tr>
<td>Unrestricted/(Deficit)</td>
<td>(46,044)</td>
</tr>
<tr>
<td><strong>Total Net Position/(Deficit)</strong></td>
<td><strong>69,322</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Position</strong></td>
<td><strong>$220,665</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.
MILTON TOWN SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

<table>
<thead>
<tr>
<th>Food Service Fund</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>OPERATING REVENUES:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State and Federal Grants</td>
<td>$419,735</td>
</tr>
<tr>
<td>Food Service Sales</td>
<td>411,765</td>
</tr>
<tr>
<td>Commodities</td>
<td>45,357</td>
</tr>
<tr>
<td>Other Income</td>
<td>21,587</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td><strong>898,444</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING EXPENSES:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and Benefits</td>
<td>339,606</td>
</tr>
<tr>
<td>Food</td>
<td>419,405</td>
</tr>
<tr>
<td>Supplies</td>
<td>43,089</td>
</tr>
<tr>
<td>Software and Equipment</td>
<td>16,103</td>
</tr>
<tr>
<td>Commodities</td>
<td>45,357</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>7,507</td>
</tr>
<tr>
<td>Depreciation</td>
<td>11,977</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>883,044</strong></td>
</tr>
</tbody>
</table>

**Operating Income**  
15,400

**NONOPERATING REVENUES/(EXPENSES):**  
Interest Income  
21

**Total Nonoperating Revenues/(Expenses)**  
21

**Net Income Before Other Financing Sources**  
15,421

**OTHER FINANCING SOURCES:**  
Transfer In  
83,467

**Total Other Financing Sources**  
83,467

**Change in Net Position**  
98,888

**Net Position/(Deficit) - July 1, 2013**  
(29,566)

**Net Position - June 30, 2014**  
$69,322

The accompanying notes are an integral part of this financial statement.
Exhibit H

MILTON TOWN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Food Service Fund

Cash Flows From Operating Activities:
Receipts from Food Sales $ 414,301
Receipts from State and Federal Grants 417,435
Receipts of Other Income 21,587
Payments to Suppliers (491,496)
Payments for Wages and Benefits (378,719)

Net Cash Provided/(Used) by Operating Activities (16,892)

Cash Flows From Noncapital Financing Activities:
Change in Due to Other Funds (35,529)
Transfer from General Fund 83,467

Net Cash Provided by Noncapital Financing Activities 47,938

Cash Flows From Capital and Related Financing Activities:
Purchase of Equipment (27,897)

Net Cash Provided/(Used) by Capital and Related Financing Activities (27,897)

Cash Flows From Investing Activities:
Receipt of Interest 21

Net Cash Provided by Investing Activities 21

Net Increase in Cash 3,170

Cash - July 1, 2013 5,419

Cash - June 30, 2014 $ 8,589

Adjustments to Reconcile Operating Income to Net Cash Provided/(Used) by Operating Activities:
Operating Income $ 15,400
Depreciation 11,977
Decrease in Receivables 2,482
Increase in Inventory (5,392)
Decrease in Accrued Career Change Incentive (39,113)
Decrease in Unearned Revenue (2,246)

Net Cash Provided/(Used) by Operating Activities (16,892)

The School District Received and Consumed $45,357 of Federal Commodities During the Year.

(19)

The accompanying notes are an integral part of this financial statement.
Exhibit I

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

<table>
<thead>
<tr>
<th>Private Purpose Trust Funds</th>
<th>Agency Fund - Student Activities Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 8,064</td>
</tr>
<tr>
<td>Investments</td>
<td>313,120</td>
</tr>
<tr>
<td>Due from Other Funds</td>
<td>30</td>
</tr>
<tr>
<td>Total Assets</td>
<td>321,214</td>
</tr>
<tr>
<td>LIABILITIES</td>
<td></td>
</tr>
<tr>
<td>Due to Students for Scholarships</td>
<td>22,093</td>
</tr>
<tr>
<td>Due to Student Organizations</td>
<td>0</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>22,093</td>
</tr>
<tr>
<td>NET POSITION</td>
<td></td>
</tr>
<tr>
<td>Held in Trust for Various Purposes</td>
<td>299,121</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$ 299,121</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.
MILTON TOWN SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

<table>
<thead>
<tr>
<th>Private Purpose</th>
<th>Trust Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ADDITIONS:</strong></td>
<td></td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>$ 18,957</td>
</tr>
<tr>
<td>Total Additions</td>
<td>18,957</td>
</tr>
<tr>
<td><strong>DEDUCTIONS:</strong></td>
<td></td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>1,922</td>
</tr>
<tr>
<td>Scholarships and Awards</td>
<td>7,900</td>
</tr>
<tr>
<td>Total Deductions</td>
<td>9,822</td>
</tr>
<tr>
<td>Change In Net Position</td>
<td>9,135</td>
</tr>
<tr>
<td>Net Position - July 1, 2013</td>
<td>289,986</td>
</tr>
<tr>
<td>Net Position - June 30, 2014</td>
<td>$ 299,121</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.
The Milton Town School District (herein the “School District”) consists of Milton High School, Milton Middle School and Milton Elementary School in addition to several special and vocational educational programs.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the School District conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the funds of the School District. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization’s governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there are no other entities that should be combined with the financial statements of the School District.

B. Basis of Presentation

The accounts of the School District are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the School District include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the School District as a whole and present a longer-term view of the School District’s finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the School District and present a shorter-term view of how operations were financed and what remains available for future spending.
Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the School District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-Type activities are financed in whole or in part by fees charged to external parties. The only business-type activity of the School District is the Food Service Fund.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School District’s governmental activities and each segment of the School District’s business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function or program. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School District’s funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

The School District reports on the following major governmental funds:

- **General Fund** – This is the School District’s primary operating fund. It accounts for all financial resources of the general government except those accounted for in another fund.

- **State & Federal Program Fund** – This fund accounts for the Federal and State grant programs of the School District.

- **Building Fund** – This Fund accounts for the School District’s construction projects.

The School District reports on the following major enterprise fund:

- **Food Service Fund** – This fund accounts for the food service activities of the School District.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions.
Additionally, the School District reports the following fund types:

Private Purpose Trust Funds – These funds are used to report trust arrangements under which resources are to be used for the benefit of students enrolling in higher education. All investment earnings and in some cases, the principal of these funds, may be used to support these activities.

Agency Funds – These funds account for monies maintained for various student groups at the School District.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities and deferred inflows and outflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Fund equity (i.e., net total position) is segregated into investment in capital assets, net of related debt, restricted net position, and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. Basis of Accounting

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

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include assessments, grants and donations. On the accrual basis, revenue from assessments is recognized in the fiscal year for which the assessments are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.
Governmental funds are reported using the modified accrual basis of accounting. Revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The School District considers all revenues reported in governmental funds to be available if the revenues are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the School District’s policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

E. Use of Estimates

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

F. Future Changes in Accounting Standards

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, “Financial Reporting for Pension Plans” – an amendment of GASB Statement No. 27, effective for fiscal years beginning after June 15, 2014. This new accounting and reporting standard may impact the School District’s measurement and recognition of pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures in government-wide and/or enterprise fund financial statements. The requirements of this statement may require restating of beginning net position. The School District is currently not planning to early implement this Statement and has made no estimation of the effect this Statement will have in the financial statements.
G. Assets, Liabilities and Equity

1. Cash

The School District considers all short-term investments of ninety (90) days or less to be cash equivalents.

2. Investments

The School District invests as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables. At June 30, 2014, the allowance is $0.

4. Internal Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

5. Inventories and Prepaid Expenses

Inventory quantities are determined by physical count and are valued at cost. Inventories in the business-type activities fund consist of food and supplies.

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Reported inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as these are not in spendable form.
6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The School District did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has one type which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, “unavailable grants”, is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

7. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are not capitalized. Infrastructure assets are reported starting with fiscal year ending June 30, 2004. The School District has elected to not report major general infrastructure assets retroactively.

Capital assets reported in the government-wide financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

The School Districts capitalization policy is as follows:
1) The asset is tangible and complete.
2) The asset is used in the operation of the School District's activities.
3) The asset has value and useful life at the date of acquisition that meets or exceeds the following:
   a. $5,000 value and two years of life for software, office equipment, maintenance equipment and other equipment.
   b. $5,000 value and two years life for all capital improvements.
   c. All building and land as well as computer equipment must be reported regardless of value and useful life at date of acquisition.
   d. $50,000 and three years life for infrastructure and infrastructure improvements.
The estimated useful lives of capital assets are as follows:

<table>
<thead>
<tr>
<th>Estimated Service Life</th>
<th>Estimated Service Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>N/A</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>20 Years</td>
</tr>
<tr>
<td>Buildings and Building Improvements</td>
<td>15-50 Years</td>
</tr>
<tr>
<td>Equipment and Furniture</td>
<td>3-15 Years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5 Years</td>
</tr>
<tr>
<td>Food Service Equipment</td>
<td>10-15 Years</td>
</tr>
</tbody>
</table>

Capital assets are not reported in the governmental fund type financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

8. Compensated Absences

It is the School District’s policy to permit employees to accumulate earned but unused vacation. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental funds. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

9. Long-term Liabilities

Long-term liabilities include bonds and notes payable and compensated absences. Long-term liabilities are reported in the government-wide and proprietary fund type financial statements. Governmental funds do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

10. Fund Equity

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the government-wide and proprietary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances of governmental funds are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Schoolboard’s intended use of the resources); and unassigned.
II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND GOVERNMENT-WIDE STATEMENTS

Governmental Fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as revenue, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report bond proceeds as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the General Fund.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The School Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments. Said hearings are held more than two days prior to the date of the annual School District meeting. The School Board then reviews the budget and adopts it with or without change. The proposed budget is distributed to the legal voters of the School District at least ten days before the public hearing.

3. The School Superintendent may at any time transfer an unencumbered balance or portion thereof between general classifications of expenditures within an office, department or agency under his/her jurisdiction. There were no budget amendments during the year.
B. Fund Deficits

The $660,814 unrestricted deficit in the Building Fund will be funded by the collection of receivables.

The $46,044 unrestricted deficit in the Food Service Fund will be funded with future food sales and a planned reduction in expenses.

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2014, expenditures in the General Fund exceeded appropriations by $487,748. These were funded by excess revenues and available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and Investments at June 30, 2014 consisted of the following:

<table>
<thead>
<tr>
<th>Cash:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand Deposits with Financial Institutions</td>
<td>$ 2,137,335</td>
</tr>
<tr>
<td>Cash on Hand</td>
<td>217</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cash</td>
<td>2,137,552</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investments:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of Deposit</td>
<td>16,768</td>
</tr>
<tr>
<td>Mutual Funds - Equities</td>
<td>296,352</td>
</tr>
<tr>
<td>Stocks</td>
<td>137,567</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Investments</td>
<td>450,687</td>
</tr>
</tbody>
</table>

| Total Cash and Investments| $ 2,588,239 |

There are four (4) certificates of deposit ranging from $424 to $11,244 with maturity dates all within the next year. The interest rates range from .20% to .35%.
**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The School District does not have any policy to limit the exposure to custodial credit risk. The mutual funds and stocks are not exposed to custodial credit risk because they are in the name of the School District. The School District’s deposits are exposed to custodial credit risk as outlined in the following deposit analysis:

<table>
<thead>
<tr>
<th>Book Balance</th>
<th>Bank Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insured - FDIC/SIPC</td>
<td>$281,573 $281,437</td>
</tr>
<tr>
<td>Uninsured, Collateralized by U.S. Government Securities, Federal Agency Issued Mortgage Backed Securities and/or General Obligation Vermont Municipal Notes and Bonds Held by the Bank’s Trust Department with a Security Interest Granted to the School District</td>
<td>1,872,530 2,042,098</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,154,103</strong> $2,323,535</td>
</tr>
</tbody>
</table>

The difference between the book balance and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

Deposits are comprised of the following:

- Demand Deposits with Financial Institutions $2,137,335
- Certificates of Deposit 16,768

**Concentration of Credit Risk**

Concentration of credit risk is the risk that a large percentage of the School District’s investments are held within one security. The School District does not have any limitations on the amount that can be invested in any one issuer. All of the stock is invested in MetLife, Inc.
Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The School District does not have any policy to limit the exposure to interest rate risk. The certificates of deposit are not subject to the interest rate risk disclosure requirements.

Information about the sensitivity of the fair values of the School District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the School District’s investments by maturity. Mutual funds are shown at their weighted average maturity (if available).

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Remaining Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not Available</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>$ 296,352</td>
</tr>
<tr>
<td>Total</td>
<td>$ 296,352</td>
</tr>
</tbody>
</table>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The School District’s certificates of deposit are exempt from the credit risk analysis. The mutual funds are open ended and are therefore excluded from the credit risk analysis. The School District does not have any policy to limit the exposure to credit risk.

B. Receivables

Receivables at June 30, 2014, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

<table>
<thead>
<tr>
<th>Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Special Education Expenditures Reimbursement</td>
<td>$ 192,823</td>
</tr>
<tr>
<td>State Grants Receivable</td>
<td>$ 110,113</td>
</tr>
<tr>
<td>State Construction Grant Aid Receivable</td>
<td>$ 660,041</td>
</tr>
<tr>
<td>Medicaid Reimbursement</td>
<td>$ 26,549</td>
</tr>
<tr>
<td>Other</td>
<td>$ 11,115</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 1,000,641</strong></td>
</tr>
</tbody>
</table>
C. Capital Assets

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

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Beginning Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Assets, Not Being Depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$123,000</td>
<td>$0</td>
<td>$0</td>
<td>$123,000</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>7,514</td>
<td>0</td>
<td>0</td>
<td>7,514</td>
</tr>
<tr>
<td>Total Capital Assets, Not Being Depreciated</td>
<td>130,514</td>
<td>0</td>
<td>0</td>
<td>130,514</td>
</tr>
<tr>
<td>Capital Assets, Being Depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Improvements</td>
<td>1,251,245</td>
<td>0</td>
<td>0</td>
<td>1,251,245</td>
</tr>
<tr>
<td>Buildings and Building Improvements</td>
<td>23,428,193</td>
<td>150,825</td>
<td>0</td>
<td>23,579,018</td>
</tr>
<tr>
<td>Equipment and Furniture</td>
<td>5,106,961</td>
<td>825,892</td>
<td>0</td>
<td>5,932,853</td>
</tr>
<tr>
<td>Vehicles</td>
<td>175,080</td>
<td>0</td>
<td>0</td>
<td>175,080</td>
</tr>
<tr>
<td>Totals</td>
<td>29,961,479</td>
<td>976,717</td>
<td>0</td>
<td>30,938,196</td>
</tr>
<tr>
<td>Less Accumulated Depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Improvements</td>
<td>450,669</td>
<td>61,667</td>
<td>0</td>
<td>512,336</td>
</tr>
<tr>
<td>Buildings and Building Improvements</td>
<td>6,246,797</td>
<td>761,721</td>
<td>0</td>
<td>7,008,518</td>
</tr>
<tr>
<td>Equipment and Furniture</td>
<td>3,849,817</td>
<td>370,661</td>
<td>0</td>
<td>4,220,478</td>
</tr>
<tr>
<td>Vehicles</td>
<td>147,406</td>
<td>16,882</td>
<td>0</td>
<td>164,288</td>
</tr>
<tr>
<td>Totals</td>
<td>10,694,689</td>
<td>1,210,931</td>
<td>0</td>
<td>11,905,620</td>
</tr>
<tr>
<td>Net Capital Assets, Being Depreciated</td>
<td>19,266,790</td>
<td>(234,214)</td>
<td>0</td>
<td>19,032,576</td>
</tr>
<tr>
<td>Governmental Activities Capital Assets, Net</td>
<td>$19,397,304</td>
<td>$0</td>
<td>$0</td>
<td>$19,163,090</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business-Type Activities</th>
<th>Beginning Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Assets, Being Depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and Building Improvements</td>
<td>$31,808</td>
<td>$0</td>
<td>$0</td>
<td>$31,808</td>
</tr>
<tr>
<td>Equipment and Furniture</td>
<td>117,444</td>
<td>27,897</td>
<td>0</td>
<td>145,341</td>
</tr>
<tr>
<td>Totals</td>
<td>149,252</td>
<td>27,897</td>
<td>0</td>
<td>177,149</td>
</tr>
<tr>
<td>Less Accumulated Depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and Building Improvements</td>
<td>11,665</td>
<td>2,121</td>
<td>0</td>
<td>13,786</td>
</tr>
<tr>
<td>Equipment and Furniture</td>
<td>38,141</td>
<td>9,856</td>
<td>0</td>
<td>47,997</td>
</tr>
<tr>
<td>Totals</td>
<td>49,806</td>
<td>11,977</td>
<td>0</td>
<td>61,783</td>
</tr>
<tr>
<td>Net Capital Assets, Being Depreciated</td>
<td>99,446</td>
<td>15,920</td>
<td>0</td>
<td>115,366</td>
</tr>
<tr>
<td>Business-Type Activities Capital Assets, Net</td>
<td>$99,446</td>
<td>$0</td>
<td>$0</td>
<td>$115,366</td>
</tr>
</tbody>
</table>
Depreciation was charged as follows:

Governmental Activities:    Business - Type Activities:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>$ 1,210,931</td>
<td>$ 11,977</td>
</tr>
<tr>
<td>Food Service</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Depreciation Expense -
Governmental Activities $ 1,210,931
Business-Type Activities $ 11,977

D. Interfund Balances and Transfers

The composition of interfund balances at June 30, 2014 is as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Due from Other Funds</th>
<th>Due to Other Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$ 217,538</td>
<td>$ 0</td>
</tr>
<tr>
<td>State &amp; Federal Program Fund</td>
<td>0</td>
<td>80,715</td>
</tr>
<tr>
<td>Building Fund</td>
<td>0</td>
<td>37,189</td>
</tr>
<tr>
<td>Food Service Fund</td>
<td>0</td>
<td>102,116</td>
</tr>
<tr>
<td>Private Purpose Trust Funds</td>
<td>30</td>
<td>0</td>
</tr>
<tr>
<td>Student Activities Fund</td>
<td>2,452</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>$ 220,020</td>
<td>$ 220,020</td>
</tr>
</tbody>
</table>

Interfund transfers during the year ended June 30, 2014 were as follows:

<table>
<thead>
<tr>
<th>Transfer to</th>
<th>Transfer from</th>
<th>Amount</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Service Fund</td>
<td>General Fund</td>
<td>$ 83,467</td>
<td>Transfer for Food Service Manager Salary and Benefits</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$ 83,467</td>
<td></td>
</tr>
</tbody>
</table>
E. Unearned Revenue and Deferred Inflows of Resources

Unearned revenue consists of grants received in excess of eligible expenses. Deferred inflows of resources consists of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>State &amp; Federal Program Fund</th>
<th>Building Fund</th>
<th>Food Service Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unearned Grant Revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDEA B Grants to States</td>
<td>$ 0</td>
<td>$ 2,035</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>HIV/STD Prevention Grant</td>
<td>0</td>
<td>2,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Netbook/IPad R&amp;M Grant</td>
<td>0</td>
<td>5,644</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Miscellaneous Grants</td>
<td>0</td>
<td>5,909</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Student /Adult Meal Payments</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10,114</td>
</tr>
<tr>
<td>Total</td>
<td>$ 0</td>
<td>$ 15,588</td>
<td>$ 0</td>
<td>$ 10,114</td>
</tr>
<tr>
<td>Deferred Inflows of Resources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Education Reimbursement</td>
<td>$ 192,823</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>EPSDT</td>
<td>0</td>
<td>8,304</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>State of Vermont Construction Aid</td>
<td>0</td>
<td>660,041</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>$ 192,823</td>
<td>$ 8,304</td>
<td>$ 660,041</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

F. Long-term Liabilities

General Obligation Bonds - The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for general governmental activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the School District. New bonds generally are issued as 10 to 20 year bonds. Refunding bonds are issued for various terms based on the debt service of the debt refunded.

Capital Leases - The School District enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they may include clauses that allow for cancellation of the lease in the event the School District does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date of the leases. Leases are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

Other Notes Payable – The School District has other notes payable to finance various capital purchases through local banks.
Compensated Absences – It is the policy of the Milton School District to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements.

Career Change Incentive – The District has recorded a liability for the governmental activities in the government-wide financial statements and in the enterprise fund and the business-type activities in the government-wide financial statements. The School Board decides each year whether to offer career incentive payments to staff who want to voluntarily retire early.

Long-term liabilities outstanding as of June 30, 2014 were as follows:

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
<th>Balance July 1, 2013</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vermont Municipal Bond Bank, Annual Principal Payments of $280,000 in 1999-2012 and $275,000 in 2013-2017, Interest Due Semi-Annually, Various Interest Rates, Currently at 5.2%, Matures December 1, 2017</td>
<td>$ 1,375,000</td>
<td>$ 0</td>
<td>$275,000</td>
<td>$ 1,100,000</td>
</tr>
<tr>
<td>Vermont Municipal Bond Bank, Annual Principal Payments of $65,000, Interest Due Semi-Annually, Various Interest Rates, Currently at 1.691%, Matures November 15, 2030</td>
<td>1,105,000</td>
<td>0</td>
<td>65,000</td>
<td>1,040,000</td>
</tr>
<tr>
<td>Vermont Municipal Bond Bank, Annual Principal Payments of $210,000 in 2008-2014 and $205,000 in 2015-2028, Interest Due Semi-Annually, Various Interest Rates, Currently at 4.065%, Matures December 1, 2027</td>
<td>3,080,000</td>
<td>0</td>
<td>210,000</td>
<td>2,870,000</td>
</tr>
<tr>
<td>SunTrust Bank - Lease Payable, Annual payment of $52,210 Including Interest at 4.67%, Matures February 7, 2017</td>
<td>193,407</td>
<td>0</td>
<td>43,498</td>
<td>149,909</td>
</tr>
<tr>
<td>General Electric Capital Corp – Lease Payable, Initial Principal Only Payment of $93,235 then Annual Payments of $93,235 Including Interest at 2.79%, Due October 30, 2017</td>
<td></td>
<td>0</td>
<td>358,030</td>
<td>93,235</td>
</tr>
<tr>
<td>Total</td>
<td>$ 5,753,407</td>
<td>$ 358,030</td>
<td>$686,733</td>
<td>$ 5,424,704</td>
</tr>
</tbody>
</table>

(36)
Changes in all long-term liabilities during the year were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Obligation Bonds Payable</td>
<td>$5,560,000</td>
<td>0</td>
<td>$550,000</td>
<td>$5,010,000</td>
<td>$545,000</td>
</tr>
<tr>
<td>Leases Payable</td>
<td>193,407</td>
<td>358,030</td>
<td>136,733</td>
<td>414,704</td>
<td>131,376</td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>11,334</td>
<td>803</td>
<td>0</td>
<td>12,137</td>
<td>0</td>
</tr>
<tr>
<td>Career Change Incentive</td>
<td>280,750</td>
<td>0</td>
<td>280,750</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Governmental Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-Term Liabilities</td>
<td>$6,045,491</td>
<td>358,833</td>
<td>967,483</td>
<td>$5,436,841</td>
<td>$676,376</td>
</tr>
</tbody>
</table>

| **Business-type Activities:** |       |
| Career Change Incentive     | $78,226 |

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Business-Type Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-Term Liabilities</td>
<td>$78,226</td>
<td>0</td>
<td>39,113</td>
<td>39,113</td>
<td>39,113</td>
</tr>
</tbody>
</table>

Debt service requirements to maturity are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30,</th>
<th>Governmental Activities</th>
<th>Capital Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
</tr>
<tr>
<td>2015</td>
<td>$545,000</td>
<td>$223,358</td>
</tr>
<tr>
<td>2016</td>
<td>$545,000</td>
<td>198,149</td>
</tr>
<tr>
<td>2017</td>
<td>$545,000</td>
<td>172,591</td>
</tr>
<tr>
<td>2018</td>
<td>$545,000</td>
<td>146,699</td>
</tr>
<tr>
<td>2019</td>
<td>$270,000</td>
<td>127,972</td>
</tr>
<tr>
<td>2020-2024</td>
<td>$1,350,000</td>
<td>460,006</td>
</tr>
<tr>
<td>2025-2029</td>
<td>$1,145,000</td>
<td>145,555</td>
</tr>
<tr>
<td>2030-2032</td>
<td>$65,000</td>
<td>6,446</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$5,010,000</td>
<td>1,480,776</td>
</tr>
<tr>
<td><strong>Less: Imputed Interest</strong></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$5,010,000</td>
<td>$1,480,776</td>
</tr>
</tbody>
</table>

Subsequent to year end, the School District entered into a lease agreement with M.S.T Government Leasing, LLC, for copiers. The amount of the lease is $218,865 with interest at 2.79%. Annual payments are $47,192 and the lease is due in August, 2019.
G. Short-Term Debt

The short-term debt activity during the year was as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>$1,343,545</td>
</tr>
<tr>
<td>Proceeds of Tax Anticipation Note</td>
<td>5,286,680</td>
</tr>
<tr>
<td>Repayment of Capital Improvement Note</td>
<td>(729,860)</td>
</tr>
<tr>
<td>Repayment of Tax Anticipation Note</td>
<td>(5,286,680)</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>$613,685</td>
</tr>
</tbody>
</table>

The ending balance is a capital improvement note in the amount of $613,685 with the Merchants Bank with interest at 1.89% and due on April 14, 2015. Subsequent to year end, the School District paid off the loan.

Total interest expense for all debt during the year included in direct educational expenses on Exhibit B is $337,561.

Subsequent to year end, the School District borrowed $4,650,000 on a tax anticipation note from the Union Bank with interest at 1.04% and due on June 30, 2015.

H. Fund Balances/Net Position

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the School Board’s intended use of the resources); and unassigned.
This statement is also designed to improve the usefulness of fund balance information by clarifying certain parts of the definitions of governmental fund types that have led to confusion. It makes clear, for example, that special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Information about amounts set aside for emergencies is very important to financial statement users. Because of the importance associated with these balances, Statement 54 clarifies how rainy-day amounts can be reported by treating stabilization arrangements as a specified purpose. Consequently, amounts constrained to stabilization will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. Governments are required to disclose in the notes key information about their stabilization arrangements, including the authority by which they were established, provisions for additions to the stabilization amount, and circumstances under which those amounts may be spent. The School District does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. Because users are interested in information about those minimum fund balance policies and how governments comply with them, governments are required to explain their minimum fund balance policies, if they have them, in notes to the financial statements. The School District does not have any minimum fund balance policies.

Under Statement 54, governments are required to disclose their accounting policies that indicate the order in which restricted, committed, assigned, and unassigned amounts are spent, in circumstances when expenditure is made for a purpose for which amounts are available in multiple fund balance classifications. When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the School District’s policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

In addition, governments also are required to disclose the purpose for each major special revenue fund – identifying which specific revenues and other resources are authorized to be reported in each.
The Fund Balances in the following funds are nonspendable as follows:

Nonspendable General Fund Due from Other Funds -
Internal Receivable from the Food Service Fund
Which has a Fund Deficit $ 46,044

Total Nonspendable Fund Balances $ 46,044

The Fund Balances/Net Position in the following funds are restricted as follows:

State & Federal Program Fund:

Restricted for E-Rate Grant Fund by Grant Agreement (Source of Revenue is Grant Revenue) $ 19,887

Building Fund:

Restricted for Courtyard Improvements by Donor Request (Source of Revenue is Donations) 9,940

Total Restricted Fund Balances/Net Position $ 29,827

I. Net Position Held in Trust for Various Purposes.

The net position held in trust for various purposes as of June 30, 2014 consisted of the following:

Private Purpose Trust Funds

Restricted for Scholarships by Donors:
Ryan/Ladue Scholarship Fund $ 282,323
Barrett/Ryan Scholarship Fund 4,596
Michael Nason Scholarship Fund 424
Mary Kennedy Scholarship Fund 534
W. LaPoint Scholarship Fund 11,244

Total $ 299,121
V. OTHER INFORMATION

A. BENEFIT PLANS

Vermont State Teachers’ Retirement System:

The teachers employed by the School District are covered by the Vermont State Teachers’ Retirement System which is a cost sharing multiple employer retirement system. 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 licensed teachers become members of the retirement system upon employment. Group C members, who are all former Group B members and members hired after June 30, 1990, are required to contribute at a rate of 5.0% of earnable compensation. The School District’s Group C members contributed $493,759. Vesting occurs upon reaching five (5) years of creditable service. The State makes retirement contributions on all eligible covered salaries on-behalf of the District.

The District’s current year payroll for all employees totaled $14,058,984 while its current year’s covered payroll for the State Teacher’s Retirement Plan equaled $9,875,182 resulting in an estimated $1,128,733 of on-behalf payments. This amount is included as Revenue and Expenses in Exhibits B and D. Additional information regarding the State Teachers’ Retirement System of Vermont is available upon request from the State of Vermont.

Vermont Municipal Employees Retirement:

Employees, other than teachers, are covered under the Vermont Municipal Employees’ Retirement System. All eligible employees covered under Group A contribute 2.5% of gross wages while the School District contributes 4%. One (1) employee is under Group C which requires employee contributions of 9.25% of gross wages while the School District contributes 6.75%. Total payroll for the year was $14,058,984 while the covered payroll for Group A and Group C was $2,964,059 and $63,996, respectively. Total pension expense for the years ended June 30, 2014, 2013 and 2012 were $121,534, $111,353 and $114,428, respectively.

The School District pays all costs accrued each year for the plan. The premise of this plan is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in this plan is done in the aggregate, not by municipality. The Net position available for benefits as well as the present value of vested and nonvested plan benefits by municipality are not available.

Additional information regarding the Vermont Municipal Employee’s Retirement System is available upon request from the State of Vermont.
B. CAREER CHANGE INCENTIVE

The School Board offered three (3) career change incentive options:

Option 1:

**Eligibility:** Grandfathered support staff employees in group III (food service personnel) shall be eligible for this incentive.

**Number of Participants:** 4

Up to 4 eligible employees may participate in the program. If there are more than 4 eligible applicants who wish to participate in the program, the Board may, at its sole discretion, decide to increase or not increase the number of eligible participants. The Board’s decision to increase or not increase the number of participants is final and not subject to the grievance procedures of the Master Contract.

**Selection of Participants:** Applications will be processed on a first come first approved basis. Example: An eligible application received on June 1st would be approved prior to an application received on June 15th.

**Duration of Offer:** June 1 through June 15, 2012.

**Compensation:** Any eligible employee who elects to resign under the terms of this program shall receive $1,000 for each full school year of service with the Milton Town School District as of June 30, 2013. Example: an employee hired on November 1, 1990 would not have worked the entire 1990-2000 school year and would thus have 21 full school years with the District as of June 30, 2013 and receive $21,000 in compensation.

Option 2:

**Eligibility:** Faculty members who have taught in the School District for 18 years as of June 30, 2012 shall be eligible for this incentive.

**Number of Participants:** 6

Up to six (6) eligible faculty members may participate in the program. If there are more than six (6) eligible applicants who wish to participate in the program, the Board may, at its sole discretion, decide to increase or not increase the number of participants. The Board’s decision to increase the number of participants or not to increase the number of participants is final and not subject to the grievance procedures of the Master Contract.

**Selection of Participants:** Applications will be processed on a first come first approved basis. Example: An eligible application received on January 16th would be approved prior to an application received on January 17th.
Duration of Offer: January 23 through March 15, 2012.

Compensation: For any eligible faculty member that elects to resign under terms of this program, the following compensation will be provided. Compensation will be a percentage of the faculty member’s annual teaching salary and does not include additional compensation for co-curricular or extra-curricular activities, work stipends, per diem payments, payment for extra days worked or any other additional compensation. Part-time faculty will receive compensation on a pro rata basis.

<table>
<thead>
<tr>
<th>Salary Grid Placement as of July 1, 2011</th>
<th>Percentage of Annual Teaching Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>BA+30 Steps 9 and 10</td>
<td>20% of FY12 salary</td>
</tr>
<tr>
<td>MA Steps 11 and 12</td>
<td>40% of FY12 salary</td>
</tr>
<tr>
<td>MA+15 Steps 13 and 14</td>
<td>50% of FY12 salary</td>
</tr>
<tr>
<td>MA+30 Steps 12, 13 and 14</td>
<td>55% of FY12 salary</td>
</tr>
<tr>
<td>MA+30 Steps 15 and 16</td>
<td>60% of FY12 salary</td>
</tr>
</tbody>
</table>

Option 3:

Eligibility: Faculty members who have taught in the School District for 18 years as of June 30, 2011 shall be eligible for this incentive.

Number of Participants: 15
Up to 15 eligible faculty members may participate in the program. If there are more than 15 eligible applicants who wish to participate in the program, the Board may, at its sole discretion, decide to increase or not increase the number of participants. The Board’s decision to increase the number of participants or not to increase the number of participants is final and not subject to the grievance procedures of the Master Contract.

Selection of Participants: Applications will be processed on a first come first approved basis. Example: an eligible application received on February 10 would be approved prior to an application received on February 11.

Duration of Offer: February 10 through March 15, 2011.
Compensation: For any eligible faculty member that elects to resign under the terms of this program, the following compensation will be provided. Compensation will be a percentage of the faculty member’s annual teaching salary and does not include additional compensation for co-curricular or extra-curricular activities, work stipends, per diem payments, payment for extra days worked or any other additional compensation. Part-time faculty will receive compensation on a pro rata basis.

<table>
<thead>
<tr>
<th>Salary Grid Placement as of January 30, 2011</th>
<th>Percentage of Annual Teaching Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>BA+30 Steps 9 and 10</td>
<td>20% of FY11 salary</td>
</tr>
<tr>
<td>MA Steps 10 and 11</td>
<td>40% of FY11 salary</td>
</tr>
<tr>
<td>MA+15 Steps 13 and 14</td>
<td>50% of FY11 salary</td>
</tr>
<tr>
<td>MA+30 Steps 13 and 14</td>
<td>55% of FY11 salary</td>
</tr>
<tr>
<td>MA+30 Steps 15 and 16</td>
<td>60% of FY11 salary</td>
</tr>
</tbody>
</table>

Payments were made to 18 teachers under the agreement payable under options 1, 2 and 3. Total payments made during the year ended June 30, 2014 totaled $319,863.

Remaining payments under the above agreements at June 30, 2014 are due as follows:

<table>
<thead>
<tr>
<th></th>
<th>Governmental Funds</th>
<th>Enterprise Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$ 0</td>
<td>$ 39,113</td>
</tr>
<tr>
<td>Total</td>
<td>$ 0</td>
<td>$ 39,113</td>
</tr>
</tbody>
</table>
C. RISK MANAGEMENT

The School 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 natural disasters. The School District maintains insurance coverage through the Vermont School Boards Insurance Trust, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims have not exceeded this coverage in any of the past three fiscal years. The School District must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund’s liabilities.

In addition, the School District is a member of Vermont Educational Health Initiative (VEHI). VEHI is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont school districts and is owned by the participating members. The agreement does not permit VEHI to make additional assessments to its members.

The School District has elected to pay actual unemployment claims instead of enrolling in an employment insurance program. No liabilities have been accrued as the School District is not able to make an estimate as to any future costs. The District paid $3,811 in unemployment claims during fiscal year 2014.

D. CONCENTRATIONS

The District received the majority of its revenue from State and Federal grants.

E. CONTINGENCIES

Grants and contracts require the fulfillment of certain conditions set forth in the instrument of the grant or contract including a true up by the grantor. Failure to fulfill the conditions or the results of the true up could result in the return of funds to the grantors. Although that is a possibility, management deems the contingency remote, since by accepting the awards and their terms, it has accommodated the objectives of the School District to the provisions of the grants.

The School District may have a potential claim. At this time, the School District is not able to assess the likelihood or the amount, if any, of an unfavorable outcome of this issue.
## MILTON TOWN SCHOOL DISTRICT
### SCHEDULE OF REVENUE AND EXPENDITURES
#### BUDGET AND ACTUAL
##### GENERAL FUND
##### FOR THE YEAR ENDED JUNE 30, 2014

<table>
<thead>
<tr>
<th>Revenue:</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Favorable (Unfavorable)</td>
</tr>
<tr>
<td>Regular Instructional:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General State Support Grants</td>
<td>$ 21,249,651</td>
<td>$ 21,492,284</td>
<td>$ 242,633</td>
</tr>
<tr>
<td>Other State Revenue</td>
<td>136,786</td>
<td>304,771</td>
<td>167,985</td>
</tr>
<tr>
<td>Other Local Revenue</td>
<td>75,286</td>
<td>124,175</td>
<td>48,889</td>
</tr>
<tr>
<td>Tuition</td>
<td>59,000</td>
<td>103,009</td>
<td>44,009</td>
</tr>
<tr>
<td>Special Education Support:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Revenue</td>
<td>2,841,520</td>
<td>3,237,117</td>
<td>395,597</td>
</tr>
<tr>
<td>EEE Block Grant</td>
<td>115,834</td>
<td>115,834</td>
<td>0</td>
</tr>
<tr>
<td>Vocational Transportation Reimbursement</td>
<td>35,382</td>
<td>60,722</td>
<td>25,340</td>
</tr>
<tr>
<td>Proceeds of Long Term Debt</td>
<td></td>
<td>358,030</td>
<td>358,030</td>
</tr>
<tr>
<td>Interest</td>
<td>46,000</td>
<td>75,381</td>
<td>29,381</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>24,559,459</td>
<td>25,871,323</td>
<td>1,311,864</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess of Revenue Over Expenditures</td>
<td>$ 0</td>
<td>$ 824,116</td>
<td>$ 824,116</td>
</tr>
</tbody>
</table>

See Disclaimer in Accompanying Independent Auditor's Report.
MILTON TOWN SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2014

<table>
<thead>
<tr>
<th>Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>$8,064</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td>$313,120</td>
</tr>
<tr>
<td><strong>Due from Other Funds</strong></td>
<td>$30</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$321,214</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND NET POSITION**    |        |
| **Liabilities:**                   |        |
| **Due to Students**                | $22,093 |
| **Net Position:**                  |        |
| **Held in Trust for Various Purposes** | $299,121 |
| **Total Net Position**             | $299,121 |
| **TOTAL LIABILITIES AND NET POSITION** | $321,214 |

See Disclaimer in Accompanying Independent Auditor's Report.
MILTON TOWN SCHOOL DISTRICT  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

<table>
<thead>
<tr>
<th>Scholarship Fund</th>
<th>Barrett/Ryan Scholarship Fund</th>
<th>Michael Nason Scholarship Fund</th>
<th>Mary Kennedy Scholarship Fund</th>
<th>W. LaPointe Scholarship Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>$ 18,922</td>
<td>$ 6</td>
<td>$ 1</td>
<td>$ 3</td>
<td>$ 25</td>
</tr>
<tr>
<td>Total Additions</td>
<td>18,922</td>
<td>6</td>
<td>1</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td>Deductions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Expense</td>
<td>1,922</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Scholarships and Awards</td>
<td>7,100</td>
<td>0</td>
<td>200</td>
<td>100</td>
<td>500</td>
</tr>
<tr>
<td>Total Deductions</td>
<td>9,022</td>
<td>0</td>
<td>200</td>
<td>100</td>
<td>500</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>9,900</td>
<td>6</td>
<td>(199)</td>
<td>(97)</td>
<td>(475)</td>
</tr>
<tr>
<td>Net Position - July 1, 2013</td>
<td>272,423</td>
<td>4,590</td>
<td>623</td>
<td>631</td>
<td>11,719</td>
</tr>
<tr>
<td>Net Position - June 30, 2014</td>
<td>$ 282,323</td>
<td>$ 4,596</td>
<td>$ 424</td>
<td>$ 534</td>
<td>$ 11,244</td>
</tr>
</tbody>
</table>

See Disclaimer in Accompanying Independent Auditor's Report.
The Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Milton Town School District and was prepared using the significant accounting policies outlined in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See Accompanying Independent Auditor's Report.
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”

School Board
Milton Town School District
42 Herrick Avenue
Milton, Vermont 05468

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in “Government Auditing Standards”, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Milton Town School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Milton Town School District’s basic financial statements and have issued our report thereon dated January 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Milton 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 Milton Town School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Milton Town School District’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all the deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified a certain deficiency in internal control that we consider to be a material weakness another deficiency that we consider to be a significant deficiency.
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 Milton Town School District’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2014-1 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2014-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Milton Town School District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under “Government Auditing Standards” and which is described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2014-3.

We also noted certain other matters that we reported to the management of the Milton Town School District in a separate letter dated January 30, 2015.

Milton Town School District’s Response to Findings

The Milton Town School District’s response to the findings identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Milton Town School District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.
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 Milton Town School District'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 Milton Town School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 30, 2015
Montpelier, Vermont
VT Lic. #92-000180
Independent Auditor’s Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

School Board
Milton Town School District
42 Herrick Avenue
Milton, Vermont 05468

Report on Compliance for Each Major Federal Program

We have audited the Milton Town School District’s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) “Circular A-133 Compliance Supplement” that could have a direct and material effect on the Milton Town School District's major federal programs for the year ended June 30, 2014. The Milton Town School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Deficiencies in Internal Control.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Milton Town School District’s major federal programs based on our audit of the types of compliance requirements referred to previously. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in “Government Auditing Standards”, issued by the Comptroller General of the United States; and OMB Circular A-133 “Audits of States, Local Governments and Non-Profit Organizations”. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to previously could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Milton Town School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the Milton Town School District's compliance.
Basis for Qualified Opinion on Special Education Cluster (IDEA B)

As described in the accompanying Schedule of Findings and Deficiencies in Internal Control, the Milton Town School District did not comply with requirements regarding allowable costs/cost principles that are applicable to its U.S. Department of Education’s IDEA-B Special Education Grants to States Flow Through grant (CFDA# 84.027) and IDEA-B Special Education Grants to States Preschool Incentive grant (CFDA# 84.173) as described in finding number 2014-3. Compliance with such requirement is necessary, in our opinion, for the Milton Town School District to comply with the requirements applicable to those programs.

Report on Internal Control Over Compliance

Management of the Milton Town School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the Milton Town School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Milton Town School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed as follows, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2014-1 to be a material weakness.
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

January 30, 2015
Montpelier, Vermont
VT Lic. #92-000180
Financial Statements:

Deficiencies in Internal Control:

Material Weaknesses:

None Noted.

Significant Deficiencies:

13-1 Student Activities

Criteria:

Internal controls should be in place to ensure the proper accounting for student activity funds.

Condition:

The School District does not have adequate controls in place to ensure that all the revenues and expenses are being accounted for. The School District maintains the accounts on an excel spreadsheet. The cash accounts are reconciled to the excel spreadsheet but not reconciled to the general ledger. Also, the School District does not have a policy in place to deal with overspent accounts or accounts (groups) left with balances.

Cause:

Unknown.

Effect:

This one deficiency in internal controls could potentially lead to assets being misappropriated or bank errors to occur and not be resolved in a timely manner.

Recommendation:

We recommend that the School District implement controls to ensure that the student activities bank accounts are reconciled on a timely basis to the software and agreed to supporting records.

Corrective Action:

Corrective action was taken.
13-2 Fixed Assets

Criteria:

Internal controls should also be in place to perform a physical inventory of the fixed assets periodically and compare them to the fixed assets in the general ledger. Also, internal controls should be in place to review the useful lives periodically.

Condition:

The School District has not performed a complete physical inventory of their fixed assets. The School District has also not evaluated the useful lives of the fixed assets.

Cause:

Unknown.

Effect:

The School District’s fixed assets could be misstated.

Recommendation:

We recommend that controls be implemented to ensure that a physical inventory is performed periodically and reconciled to the general ledger. We also recommend that internal controls be implemented to ensure that the useful lives are periodically reviewed for reasonableness.

Corrective Action:

No corrective action was taken.
SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of Auditor’s Report Issued:
Unmodified.

Internal Control Over Financial Reporting:
Material Weaknesses:
Yes.

Significant Deficiencies identified not considered to be material weaknesses:
Yes.

Noncompliance material to financial statements:
Yes.

Federal Awards

Internal Control Over Major Programs:
Material Weaknesses identified:
Yes.

Significant Deficiencies identified not considered to be material weaknesses:
No.

Type of auditor’s report issued on compliance for major programs:
Modified for all major programs.

There are audit findings that are required to be reported in accordance with OMB Circular A-133, Section 510(a).

Major Programs:

<table>
<thead>
<tr>
<th>CFDA#</th>
<th>Program</th>
<th>Federal Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>84.027</td>
<td>IDEA-B Flow Through</td>
<td>U.S. Department of Education</td>
</tr>
<tr>
<td>84.173</td>
<td>IDEA-B Preschool Incentive</td>
<td>U.S. Department of Education</td>
</tr>
</tbody>
</table>

The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

The auditee did qualify as a low risk auditee.
Financial Statements:

Deficiencies in Internal Control:

Material Weaknesses:

2014-1 Documentation of Time and Effort Controls

Criteria:  
A School District whose employees’ compensation is funded solely from a program must furnish semi-annual certifications that he/she has been engaged solely in activities supported by those funds in accordance with OMB Circular A-87.

Condition:  
The School District did not have controls in place to obtain semi-annual certifications for employees who work on the IDEA-B Special Education Grants to States Flow Through grant (CFDA#84.027) and the Special Education Grants to States Preschool Incentive grant (CFDA #84.173) for the grant period July, 2013 through June, 2014.

Cause:  
Unknown.

Effect:  
The School District may not be in compliance with documentation of time and effort requirements

Recommendation:  
We recommend that School District implement controls over documentation of time and effort.

Management Response:  
The School District was undergoing a transition of staff during this time period and through this process this item was missed. Steps have been taken to ensure all required documentation is in place moving forward.

Significant Deficiencies:

2014-2 Fixed Assets

Criteria:  
Internal controls should also be in place to perform a physical inventory of fixed assets periodically and compare them to the fixed assets recorded in the general ledger. Also, internal controls should be in place to review the useful lives periodically.
**Condition:**

The School District has not performed a complete physical inventory of their fixed assets. The School District has also not evaluated the useful lives of the fixed assets.

**Cause:**

Unknown.

**Effect:**

The School District’s fixed assets could be misstated.

**Recommendation:**

We recommend that controls be implemented to ensure that a physical inventory is performed periodically and reconciled to the general ledger. We also recommend that internal controls be implemented to ensure that the useful lives are periodically reviewed for reasonableness.

**Management Response:**

The School District now takes a physical inventory of each classroom and office at the beginning and end of each fiscal year. The first of such inventory reporting took place in September of 2014. The School District times the inventory reporting to coincide with faculty returning to school at the beginning of the year and the second inventory reporting takes place at the end of the each school year as faculty close their classrooms for summer.

**Findings:**

2014-3 Documentation of Time and Effort

**Criteria:**

A School District whose employees’ compensation is funded solely from a program must furnish semi-annual certifications that he/she has been engaged solely in activities supported by those funds in accordance with OMB Circular A-87.
Condition: The School District did not obtain proper time and effort distribution records from employees who are paid in part from the Special Education Cluster. The amounts of questioned costs as a result of this are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDEA B Special Education Grants to States (CFDA #84.027)</td>
<td>$353,003</td>
</tr>
<tr>
<td>IDEA B Special Education Grants to States - Preschool (CFDA #84.027)</td>
<td>$15,248</td>
</tr>
</tbody>
</table>

Cause: The School District did not have procedures in place to obtain proper time and effort records for employees who are paid from the IDEA-B grants.

Effect: The School District is not in compliance with documentation of time and effort requirements.

Recommendation: We recommend that the School District maintain appropriate documentation of time and effort.

Management Response: The School District was undergoing a transition of staff during this time period and through this process this item was missed. Steps have been taken to ensure all required documentation is in place moving forward.

Federal Awards:

Findings:

2014-3 Documentation of Time and Effort

Identification of Federal Program:

<table>
<thead>
<tr>
<th>Title &amp; CFDA #</th>
<th>Special Education Cluster (IDEA B) - (CFDA #84.027 &amp; 84.173)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Award # and Year:</td>
<td>4226-T126-1401 &amp; 4228-T126-1401</td>
</tr>
<tr>
<td>Federal Agency:</td>
<td>U.S. Department of Education</td>
</tr>
<tr>
<td>Pass-through Agency:</td>
<td>State of Vermont Department of Education</td>
</tr>
</tbody>
</table>

Criteria: A School District whose employees’ compensation is funded solely from a program must furnish semi-annual certifications that he/she has been engaged solely in activities supported by those funds in accordance with OMB Circular A-87.
Condition:
The School District did not obtain proper time and effort distribution records from employees who are paid in part from the Special Education Cluster. The amounts of questioned costs as a result of this are as follows:

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDEA B Special Education Grants to States (CFDA #84.027)</td>
<td>$ 353,003</td>
</tr>
<tr>
<td>IDEA B Special Education Grants to States - Preschool</td>
<td>$ 15,248</td>
</tr>
</tbody>
</table>

Cause:
The School District did not have procedures in place to obtain proper time and effort records for employees who are paid from the IDEA-B grants.

Effect:
The School District is not in compliance with documentation of time and effort requirements.

Recommendation:
We recommend that the School District maintain appropriate documentation of time and effort.

Management Response:
The School District was undergoing a transition of staff during this time period and through this process this item was missed. Steps have been taken to ensure all required documentation is in place moving forward.

Deficiencies in Internal Control:

Material Weaknesses:

2014-1 Documentation of Time and Effort Controls

Criteria:
A School District whose employees’ compensation is funded solely from a program must furnish semi-annual certifications that he/she has been engaged solely in activities supported by those funds in accordance with OMB Circular A-87.

Condition:
The School District did not have controls in place to obtain semi-annual certifications for employees who work on the IDEA-B Special Education Grants to States Flow Through grant (CFDA#84.027) and the Special Education Grants to States Preschool Incentive grant (CFDA #84.173) for the grant period July, 2013 through June, 2014.

Cause:
Unknown.
Effect: The School District may not be in compliance with documentation of time and effort requirements.

Recommendation: We recommend that School District implement controls over documentation of time and effort.

Management Response: The School District was undergoing a transition of staff during this time period and through this process this item was missed. Steps have been taken to ensure all required documentation is in place moving forward.