

Brattleboro Town School District

Financial Statements and
Independent Auditors' Report

June 30, 2013

Brattleboro Town School District

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Independent Auditors' Report

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To the Board of Directors
The Brattleboro Town School District
Brattleboro, Vermont

Report on the Financial Statements

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We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brattleboro Town School District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' 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.

Other offices located in:
Springfield, VT
South Hadley, MA

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brattleboro Town School District, as of June 30, 2013, and the respective changes in financial position, 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 the management's discussion and analysis and budgetary comparison information on pages 5-10 and 30-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2014, on our consideration of the Brattleboro 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 Brattleboro Town School District's internal control over financial reporting and compliance.



License 92-0000111
Brattleboro, Vermont
February 13, 2014

BRATTLEBORO TOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013

As management of the Brattleboro Town School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The general fund cash balance as of June 30, 2013 was \$2,964,101.
- A concerted effort which focused on purchasing in the areas of supplies and other items such as fuel resulted in several economies.
- The Budget authorized a transfer to the Early Education Services Program of \$50,000.
- The General Fund had \$15,061,822 in revenue, which primarily consisted of tax revenue, state aid in the form of the basic education payment and special education aid.
- Excluding inter-fund transfers, there were General Fund expenditures in the amount of \$15,085,597.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, 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 District is improving or deteriorating. The District is in compliance with GASB 34 requirements, which specifies that the statement of net position be a part of the District's financial statements. The District's net position as of June 30, 2013 totaled \$6,529,515.

The statement of activities presents information showing how the 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 periods.

The government-wide financial statements outline functions of the District that are principally supported by assessments and intergovernmental revenues (governmental activities). The governmental activities of the District, including District wide, senior high, middle school, vocational education, student activities, fixed assets and related debt, are also supported by assessments and intergovernmental revenues.

The government-wide financial statements can be found on pages 11 and 12 of this report.

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. This is a state mandated uniform system and chart of accounts for all public school Districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds can be divided into four (4) categories: governmental (general), proprietary funds, construction and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education and other uses. All other activities of the District are included in the governmental general fund.

The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 29 of this report.

GOVERNMENT - WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6,529,515 and \$6,223,793 as of June 30, 2013 and 2012, respectively.

The largest portion of the District's net position reflects its investment in the capital assets (e.g., land and improvements, buildings and improvements, furniture and equipment less any related debt used to acquire those assets that is still outstanding). The District uses these

capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the Year Ending

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current Assets	\$3,080,322	\$3,121,937
Noncurrent Assets	<u>\$6,187,705</u>	<u>\$6,312,762</u>
Total Assets	\$9,268,027	\$9,434,699
Current Liabilities	\$1,109,991	\$2,238,392
Noncurrent Liabilities	<u>\$628,521</u>	<u>\$972,514</u>
Total Liabilities	\$2,738,512	\$3,210,906
Net Position		
Investment in capital assets (net of debt)	\$5,199,395	\$4,869,044
Unreserved Fund Balance	<u>\$1,330,120</u>	<u>\$1,354,749</u>
Total Net Position	\$6,529,515	\$6,223,793

Comments on Budget Comparisons

- The District's General Fund total revenues for the fiscal year ended June 30, 2013, net of inter-fund transfers, were \$15,061,822. Total expenditures, net of inter-fund transfers were \$15,085,597.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$446,394 more than budgeted or approximately 3.05 percentage points. "On-behalf" revenue, which is recorded to reflect the state's contribution to the state's teacher's retirement plan on-behalf of the District's certified staff accounted for additional revenue of \$514,109.
- The general fund's budgeted expenditures varied (over-expended) in total by \$252,669 of which the majority related to over-expended items for the offsetting expenses for teacher retirement payments made on-behalf of the state in the amount of \$514,109. Under-expended areas included direct instruction in the amount of \$45,876 as well as administration for \$25,047.

The following table presents a summary of revenue and expense (excluding inter-fund transfers) for the fiscal year ended June 30, 2013 and 2012 of the General Fund.

	<u>2013</u>	<u>2012</u>
Revenue		
Intergovernmental	\$14,991,397	\$14,979,885
Investment Income	\$6,356	\$4,711
Rental Income	\$25,740	\$26,031
Other revenue - local sources	<u>\$38,329</u>	<u>\$54,432</u>
Total revenues	\$15,061,822	\$15,065,059
Expenses		
District Wide	\$1,509,919	\$1,298,461
Instructional	\$5,311,188	\$5,058,445
Special Education	\$2,912,250	\$2,986,762
Title I	\$543,020	\$634,835
Other Special Programs	\$7,673	\$9,253
Title I ARRA	\$1,995	\$9,617
Consolidated Federal Programs	\$638,575	\$722,429
Federal Fruits and Vegetables	\$45,120	\$41,023
ARRA Federal Recovery	\$102,790	\$96,547
Early Essential Education	\$293,636	\$303,888
Library	\$273,747	\$264,980
Administration -School (Principal)	\$641,723	\$635,777
Nutrition	\$7,500	\$10,475
Plant Operations & Maintenance	\$1,314,903	\$1,172,086
Assessments	\$973,826	\$892,376
Capital Outlay		
Bond Interest (long-term)	\$161,873	\$180,209
Bond Principal (long-term)	<u>\$345,859</u>	<u>\$420,172</u>
Total expenses	<u>\$15,085,597</u>	<u>\$14,737,335</u>
Revenue in Excess of Expenses	-\$23,775	\$327,724

The majority of revenue was derived from taxes and intergovernmental revenue (99.53%).

The District had an accumulated unassigned surplus as of June 30, 2013 in the amount of \$315,431. The plan is to offset taxes for FY2015 in the amount of \$450,000 as follows: offset taxes for the operating fund with \$256,272 coming from the Education Reserve Fund and \$193,728 coming from the unassigned fund balance. In addition \$50,000 more of the unassigned balance will be used to fund a portion of the Academy School Heating System in the amount of \$50,000.

The District has an assigned fund balance totaling \$19,046 in the Nutrition Fund as of June 30, 2013, these funds are restricted for nutrition program use only.

Services

Regular Instruction and district wide services made up 45.22% of total expenditures. Administration Services accounted for 4.25%, debt amounted to approximately 3.37%, operations and maintenance equaled 8.72%, Special Education 19.3%, and Title I expenses equaled 7.83% of the total, and the assessment for the Supervisory Union accounted for 6.46% of total operating fund expenses.

BUDGETARY IMPLICATIONS

In Vermont, the public school fiscal year is July 1 - June 30. Other programs (i.e., some federal) operate on a different fiscal calendar, but are reflected in the District's overall budget. The master contract for certified staff was renegotiated and began on July 1, 2012 and ends June 30, 2015. The negotiated master contract for support staff ends June 30, 2014.

The Brattleboro Town School District General Fund received federal grants for Title I Compensatory Education and Title I School Improvement in the amount of \$637,275, Title IIa funds \$3,660, Education Jobs Funding of \$102,790, and Federal I.D.E.A. (special education) funds totaling \$202,784. In addition Early Education Services received Federal Head Start and Early Head Start grants totaling \$2,589,291.

Questions regarding this report should be directed to: Ron Stahley, Superintendent of Schools (802) 254-3730; James Kane, Business Administrator (802) 254-3731; or by mail at WSESU, 53 Green Street, Brattleboro, Vermont 05301.

Brattleboro Town School District

Statement of Net Position

June 30, 2013

Assets

Cash and equivalents	\$	3,000,677
Restricted cash		18,808
Accounts receivable		37,558
Inventories		7,887
Prepaid expenses		15,392
Capital assets, net		6,187,705
		<hr/>
	\$	9,268,027
		<hr/> <hr/>

Liabilities

Accounts payable	\$	89,406
Accrued expenses		997,408
Deferred revenue		461,269
Due to other governments		145,453
Funds held for the benefit of others		56,666
Current portion of notes payable		55,197
Long-term portion of notes payable		4,760
Current portion of capital lease payable		89,592
Long-term portion of capital lease payable		193,761
Current portion of bonds payable		215,000
Long-term portion of bonds payable		430,000
		<hr/>
		2,738,512

Net Position

Invested in capital assets, net of related debt		5,199,395
Unrestricted		1,330,120
		<hr/>
		6,529,515
		<hr/> <hr/>
	\$	9,268,027

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

Brattleboro Town School District

Statement of Activities Year Ended June 30, 2013

	Functional Expenses	Program Revenue		Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Grants and Contributions	Governmental Activities
Governmental activities:				
Assessments	\$ 973,826	\$ -	\$ -	\$ (973,826)
Instructional	5,245,312	-	-	(5,245,312)
Special education	2,899,712	-	2,171,676	(728,036)
Consolidated federal programs	638,575	-	-	(638,575)
Title 1 - ARRA	1,995	-	-	(1,995)
Fruits and vegetables	45,121	-	45,836	715
ARRA	102,790	-	102,790	-
Special programs	3,944,142	-	3,876,761	(67,381)
District wide	1,423,647	130,000	514,109	(779,538)
Plant operations and maintenance	1,107,567	-	-	(1,107,567)
Title 1	541,623	-	637,275	95,652
Principal/administration	641,722	-	-	(641,722)
Nutrition	382,209	55,774	327,274	839
Library	266,571	-	-	(266,571)
Interest	66,247	-	-	(66,247)
Early essential education	293,636	-	-	(293,636)
Depreciation	460,276	-	-	(460,276)
	<u>\$ 19,034,971</u>	<u>\$ 185,774</u>	<u>\$ 7,675,721</u>	(11,173,476)
General revenues:				
General state aid				11,389,711
Investment income				6,365
Rental income				25,740
Other income				57,382
				<u>11,479,198</u>
Change in net position				305,722
Net position at July 1, 2012				<u>6,223,793</u>
Net position at June 30, 2013				<u>\$ 6,529,515</u>

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

Brattleboro Town School District

Balance Sheets - Governmental Funds

June 30, 2013

	General Fund	Special Programs	Nonmajor Governmental Fund - Nutrition	Total
Assets				
Cash and equivalents	\$ 2,964,101	\$ 1,966	\$ 34,610	\$ 3,000,677
Restricted cash	-	18,808	-	18,808
Accounts receivable	2,164	32,345	3,049	37,558
Due from other funds	-	501,967	-	501,967
Prepaid expenses	15,879	250	-	16,129
Inventory	-	-	7,887	7,887
	<u>\$ 2,982,144</u>	<u>\$ 555,336</u>	<u>\$ 45,546</u>	<u>\$ 3,583,026</u>
Liabilities				
Accounts payable	\$ 34,849	\$ 35,309	\$ 13,358	\$ 83,516
Accrued expenses	900,005	16,021	-	916,026
Due to other funds	438,844	-	63,122	501,966
Due to other governments	362,858	(159,538)	(57,867)	145,453
Funds held for the benefit of others	55,297	-	-	55,297
Deferred revenue	3,300	457,969	-	461,269
	1,795,153	349,761	18,613	2,163,527
Fund Balances				
Non-spendable:				
Prepaid expenses	15,879	250	-	16,129
Inventory	-	-	7,887	7,887
Unrestricted:				
Committed	855,681	-	-	855,681
Assigned	-	205,325	19,046	224,371
Unassigned	315,431	-	-	315,431
	<u>1,186,991</u>	<u>205,575</u>	<u>26,933</u>	<u>1,419,499</u>
	<u>\$ 2,982,144</u>	<u>\$ 555,336</u>	<u>\$ 45,546</u>	<u>\$ 3,583,026</u>

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

Brattleboro Town School District
Reconciliation of the Balance Sheets - Governmental Funds
to the Statement of Net Position - Governmental Activities
June 30, 2013

Total fund balances at June 30, 2013 for Governmental Funds		\$ 1,419,499
Cost of capital assets at June 30, 2013	\$ 11,919,604	
Less accumulated depreciation at June 30, 2013	<u>5,731,899</u>	6,187,705
Debt not reported in governmental funds		(988,310)
Accrued early separation incentive not included in governmental funds		(81,382)
Other		<u>(7,997)</u>
Net position at June 30, 2013		<u><u>\$ 6,529,515</u></u>

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

Brattleboro Town School District

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds Year Ended June 30, 2013

	General Fund	Special Programs	Nonmajor Governmental Fund - Nutrition	Total
Revenues:				
Intergovernmental	\$ 14,991,397	\$ 3,876,761	\$ 327,274	\$ 19,195,432
Investment income	6,356	2	7	6,365
Rental income	25,740	-	-	25,740
Other revenue from local sources	38,329	19,053	55,774	113,156
	15,061,822	3,895,816	383,055	19,340,693
Expenditures:				
Current:				
District wide	1,509,919	-	-	1,509,919
Instructional	5,311,188	-	-	5,311,188
Special education	2,912,250	-	-	2,912,250
Title 1	543,020	-	-	543,020
Consolidated federal programs	638,575	-	-	638,575
Title 1 - ARRA	1,995	-	-	1,995
Fruits and vegetables	45,120	-	-	45,120
ARRA	102,790	-	-	102,790
Special programs	7,673	3,963,527	-	3,971,200
Early essential education	293,636	-	-	293,636
Library	273,747	-	-	273,747
Principal/administration	641,723	-	-	641,723
Nutrition	7,500	-	374,709	382,209
Plant operations and maintenance	1,314,903	-	-	1,314,903
Assessments	973,826	-	-	973,826
Debt service:				
Principal	345,859	-	-	345,859
Interest	161,873	-	-	161,873
	15,085,597	3,963,527	374,709	19,423,833
Excess of revenues over expenditures	(23,775)	(67,711)	8,346	(83,140)
Other financing sources (uses):				
Operating transfers in	-	50,000	32,500	82,500
Operating transfers (out)	(82,500)	-	-	(82,500)
	(82,500)	50,000	32,500	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	(106,275)	(17,711)	40,846	(83,140)
Fund balances at July 1, 2012	1,293,266	223,286	(13,913)	1,502,639
Fund balances at June 30, 2013	\$ 1,186,991	\$ 205,575	\$ 26,933	\$ 1,419,499

The accompanying notes are an integral part of the financial statements

Brattleboro Town School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2013

Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (83,140)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in the governmental funds as expenditures, whereas in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense	337,730
Depreciation	(460,276)
Early separation incentive expense and other	56,000
Principal payments on notes payable, capital leases payable, mortgage note payable and bonds payable	<u>455,408</u>
Change in net position as reported on the Statement of Activities	<u><u>\$ 305,722</u></u>

The accompanying notes are an integral part of the financial statements

Brattleboro Town School District

Statement of Fiduciary Net Position

June 30, 2013

Assets

Cash and equivalents	\$	59,991
Due from other governments		<u>2,254</u>
	\$	<u><u>62,245</u></u>

Liability

Due to other funds	\$	-
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Net Position

Reserved for restricted purposes		<u>62,245</u>
	\$	<u><u>62,245</u></u>

The accompanying notes are an integral part of the financial statements

Brattleboro Town School District
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2013

Additions - Investment income	\$ 1,187
Expenditures	-
Transfers	-
Change in net position	<u>1,187</u>
Net position at July 1, 2012	<u>61,058</u>
Net position at June 30, 2013	<u><u>\$ 62,245</u></u>

The accompanying notes are an integral part of the financial statements

Brattleboro Town School District

Notes to Financial Statements

June 30, 2013

Note A - Summary of Significant Accounting Policies

Basis of Presentation:

The accompanying financial statements of the Brattleboro Town School District (the District) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP). The following summary of the more significant accounting policies of the District is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this report.

Reporting Entity:

GASB standards established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions with this standards, the District is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB reporting standards, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The District also has no component units, defined by GASB reporting standards as other legally separate organizations, for which the elected District members are financially accountable. There are no other primary governments with which the District has a significant relationship.

Government-Wide Financial Statements:

The government-wide financial statements (GWFS) include the statement of net assets and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities. Individual funds are not displayed. The statement of activities reports the expenses of a given function offset by program revenues directly connected with the function program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include charges for services and operating grants and contributions. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements:

Fund financial statements (FFS) are provided for governmental and fiduciary funds. Major governmental funds are reported in separate columns with composite columns for nonmajor funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Fiduciary funds also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue from grants is recognized as expenditures are made.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Brattleboro Town School District

Notes to Financial Statements

June 30, 2013

Note A - Summary of Significant Accounting Policies - Continued

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

Major revenue sources susceptible to accrual include: assessments, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

Allocation of Expenses:

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses or other functions are not allocated to those functions but are reported separately in the Statement of Activities. Deprecation on assets is assigned to its own function due to the fact that those assets serve multiple purposes.

Fund Types and Major Funds:

The District reports the following major governmental funds:

General Fund - The primary operating fund of the District which accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy.

Special Revenue Funds - Accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes, or designated by the District to be accounted for separately.

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The funds accounted for in this category by the District are an expendable trust fund which is used to account for investment earnings related to other assets whose principal is held in trust by the Town of Brattleboro. The fund accounts for funds that are to be utilized for scholarships and other educational purposes. Certain amounts are required to be held in perpetuity with earnings to be available for use. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cash and Investments:

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. Cash includes amounts in demand deposits and interest bearing demand deposits. Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements.

Investments are reported at fair value which consist of securities traded on national exchanges and are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value.

Prepaid expenses:

Prepays are payments to vendors that benefit future reporting periods and are similarly reported in government-wide and fund financial statements.

Brattleboro Town School District

Notes to Financial Statements

June 30, 2013

Note A - Summary of Significant Accounting Policies - Continued

Inventories:

Marketing store inventories are recorded on the balance sheet in the General Fund at cost, and consist of school supplies, food and clothing items. Inventories are stated at cost on a first-in, first-out (FIFO) basis.

Capital Assets:

Capital assets are capitalized at historical cost, or estimated cost if historical cost is not available. The cost of land and buildings acquired by the District was determined by utilizing historical cost information. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$500 or more for capitalizing capital assets.

Capital assets are recorded in the GWFS, but are not reported in the FFS. No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Life</u>
Buildings and improvements	50 years
Furniture, fixtures and equipment	3-10 years

No allocation of depreciation expense has been made to the various functions of the District.

Fund Balances:

In the fund statements, fund balances are divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

Nonspendable - consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as inventories and prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, or constraints imposed by state statutory provisions.

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the Board of Directors.

Assigned - consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balances represent the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

Brattleboro Town School District

Notes to Financial Statements

June 30, 2013

Note A - Summary of Significant Accounting Policies - Continued

Revenues:

Federal and state entitlements are recorded as unrestricted revenue when available and measurable. Expenditure-driven federal and state grants are recorded as revenue when the reimbursable expenditures have been incurred. Interest earnings are recorded when the investments have matured and the interest is available. Revenues from rentals are recorded when earned. Substantially all other revenues are recorded when received.

Other Financing Sources (Uses):

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Deferred Revenues:

The District reports deferred revenues on its FFS balance sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received before the incurrent of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

Budgets:

A budget is legally adopted by the District for the General Fund only:

For budgetary purposes, the District considers encumbrances as expenditures. Generally accepted accounting principles do not recognize encumbrances as expenditures. As the District considers encumbrances as expenditures in its budgeting process, the accompanying Schedule of Revenue, Expenditures - Budget and Actual - General Fund includes encumbrances as if they are expenditures. All other government-wide fund financial statements do not reflect encumbrances and expenditures.

As the original budget and final appropriated budget as presented in the required supplemental information are the same, separate columns for each have not been presented.

Compensated Absences:

The District does not accrue a liability for employee's non-vesting accumulating rights to receive compensation for employees' absences due to illness.

Self-Insurance:

The District is self-insured for unemployment claims. All such claims are recorded as an expenditure of the General Fund as each claim occurs.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Brattleboro Town School District

Notes to Financial Statements

June 30, 2013

Note B - Cash, Cash Equivalents and Investments

As of June 30, 2013, approximately \$3,100,000 of the District's deposits with financial institutions were in excess of federal depository insurance limits. To cover the uninsured portion, collateralization agreements were obtained from a bank located within the state. Securities underlying repurchase agreements are maintained in safe-keeping by the bank. The securities are in the District's name. The bank has confirmed that the market value of the securities held in the collateral pool for the benefit of the District meets or exceeds the margin percentage as set forth in the collateralization agreement with the bank.

Note C - Restricted Cash

Restricted cash, of the Early Head Start Fund (a special revenue fund), at June 30, 2013 of \$18,808 represents grant proceeds and interest earnings required to be deposited in a local bank and maintained in a separate account. This cash is to serve as security to guarantee loans made by the bank to eligible participants of the Comprehensive Child Development Program.

Note D - Receivables

Receivables consist of the following for governmental funds at June 30, 2013:

	General	Special Programs	Nutrition	Total
Due from grantors	\$ -	\$ 13,310	\$ -	\$ 13,310
Due for services rendered	-	11,525	-	11,525
Other	2,164	7,510	3,049	12,723
	\$ 2,164	\$ 32,345	\$ 3,049	\$ 37,558

Note E - Due To/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet.

Note F - Capital Assets

Capital assets and depreciation activity as of and for the year ended June 30, 2013 for governmental activities are as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Cost:				
Land and land improvements	\$ 428,891	\$ -	\$ -	\$ 428,891
Buildings and improvements	9,408,591	63,965	-	9,472,556
Equipment	171,253	44,515	-	215,768
Outdoor equipment	30,530	-	-	30,530
Vehicles	225,200	-	32,248	192,952
Heavy equipment and machinery	186,183	39,991	-	226,174
Furniture and fixtures	375,641	94,615	-	470,256
Office equipment and computers	804,172	94,644	16,339	882,477
Total	11,630,461	337,730	48,587	11,919,604

Brattleboro Town School District

Notes to Financial Statements

June 30, 2013

Note F - Capital Assets - Continued

Less accumulated depreciation:

Land improvements	\$ 50,070	\$ 15,962	\$ -	\$ 66,032
Buildings and improvements	3,940,451	226,007	-	4,166,458
Equipment	110,532	26,763	-	137,295
Outdoor equipment	2,663	2,032	-	4,695
Vehicles	189,379	17,145	32,248	174,276
Heavy equipment and machinery	85,051	16,837	-	101,888
Furniture and fixtures	279,126	48,286	-	327,412
Office equipment and computers	660,426	107,244	13,827	753,843
	<u>5,317,698</u>	<u>460,276</u>	<u>46,075</u>	<u>5,731,899</u>
 Capital assets, net	<u>\$ 6,312,763</u>	<u>\$ (122,546)</u>	<u>\$ 2,512</u>	<u>\$ 6,187,705</u>

Note G - Accrued Expenses

Accrued expenses consist principally of salaries, wages and related payroll taxes.

Note H - Due from (to) Other Governments

Due from (to) other governments consist of the following for governmental funds at June 30, 2013:

	General Fund	Special Revenue	Nutrition and Nonmajor Governmental	Total
WSESU	\$ (358,272)	\$ (15,268)	\$ 57,867	\$ (315,673)
Brattleboro Union High School	201	-	-	201
State of Vermont	(3,140)	174,806	-	171,666
Dummerston Town School District	(1,647)	-	-	(1,647)
	<u>\$ (362,858)</u>	<u>\$ 159,538</u>	<u>\$ 57,867</u>	<u>\$ (145,453)</u>

Note I - Notes, Capital Leases and Bonds Payable

Notes Payable to Bank:

Notes payable to bank consist of the following at June 30, 2013:

\$5,148 water systems improvement note, due March 1, 2032, payable in annual installments of \$346, including interest at 1% per annum.

\$220,000 capital improvement note payable to bank, due May 25, 2014, payable in annual principal installments of \$55,000 with interest at 3.15% per annum.

Brattleboro Town School District

Notes to Financial Statements

June 30, 2013

Note I - Notes, Capital Leases and Bonds Payable - Continued

Capital Lease:

Capital leases payable consist of the following at June 30, 2013:

Capital lease payable to TD Banknorth Leasing Corporation, payable in annual installments of \$75,860 due on each March 1, with a final payment due March 1, 2017, including interest at 4.783%. Secured by first lien on equipment acquired by this lease.

Capital lease payable to DeLage Landen Financial Services, payable in monthly installments of \$1,144 with a final payment due August, 2014. Secured by first lien on equipment acquired by this lease.

Bonds Payable:

At June 30, 2013, bonds payable consist of a general obligation payable issued on August 2, 1995 for the original amount of \$4,300,000. Debt service payments consisting of interest only are due in June of each year, and interest and principal are due each December. The net interest cost for the municipal bonds is 5.437%.

Long-term debt activity for governmental activities for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Notes payable :				
Water systems improvement	\$ 5,148	\$ -	\$ 191	\$ 4,957
Capital improvement note	38,720	-	38,720	-
Capital improvement note	72,700	-	72,700	-
Capital improvement note	110,000	-	55,000	55,000
	\$ 226,568	\$ -	\$ 166,611	\$ 59,957
Capital leases :				
Energy project	\$ 329,686	\$ -	\$ 60,065	\$ 269,621
Copiers	27,464	-	13,732	13,732
	\$ 357,150	\$ -	\$ 73,797	\$ 283,353
Bonds payable				
Municipal bonds	\$ 860,000	\$ -	\$ 215,000	\$ 645,000

Future minimum principal payments on notes payable at June 30, 2013 are as follows:

<u>Year Ending June 30,</u>		
2014	\$	55,197
2015		203
2016		209
2017		216
2018		222
Thereafter		3,910
	\$	59,957

Brattleboro Town School District

Notes to Financial Statements

June 30, 2013

Note I - Notes, Capital Leases and Bonds Payable - Continued

Future minimum lease payments on capital leases at June 30, 2013 are as follows:

<u>Year Ending June 30,</u>		
2014	\$	89,592
2015		75,860
2016		75,860
2017		75,860
		317,172
Less amount which represents interest		33,819
Present value of lease payments	\$	283,353

Debt service requirements for bonds payable at June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 215,000	\$ 31,444	\$ 246,444
2015	215,000	25,155	240,155
2016	215,000	12,577	227,577
	\$ 645,000	\$ 69,176	\$ 714,176

Note J - Fund Balances

Fund balances consist of the following at June 30, 2013:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Nutrition and Nonmajor Governmental</u>	<u>Total</u>
Nonspendable:				
Prepaid expenses	\$ 15,879	\$ 250	\$ -	\$ 16,129
Inventory and other assets	-		7,887	7,887
Unrestricted:				
Committed:				
Educational Reserve Fund	379,217	-	-	379,217
Tax reduction	476,464	-	-	476,464
	855,681	-	-	855,681
Assigned:				
Special programs and nutrition	-	205,325	19,046	224,371
Unassigned	315,431	-	-	315,431
Total fund balances	\$ 1,186,991	\$ 205,575	\$ 26,933	\$ 1,419,499

Brattleboro Town School District

Notes to Financial Statements

June 30, 2013

Note K - Retirement Plans and On-Behalf Payments

The teachers employed by the District are covered by the State Teachers' Retirement System of Vermont, which is a cost sharing multiple employer retirement system. Vermont state statutes provide the authority under which benefit provision and the State's obligation to contribute are established. Required contributions to the system are made by the State of Vermont based upon a valuation report prepared by the System's actuary.

All teachers become members of the retirement system upon employment. 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 \$250,785 during the year ended June 30, 2013. Vesting occurs upon reaching ten (10) years of creditable service. The State made a retirement contribution at the rate of 10.25% of earnable compensation on all eligible covered salaries on behalf of the District. The District's covered payroll for the State Teachers' Retirement Plan equaled \$5,015,700 resulting in \$514,109 of on-behalf payments. Such amounts have been reported as intergovernmental revenue and district-wide expenditures in the accompanying financial statements.

Certified teachers of the District are also entitled to a separation benefit in the amount of \$7,000 if they retire and have reached the age of 55 and have 15 years of continuous service. Classified staff are eligible for a separation benefit of \$6,000 after 15 years of service or \$4,000 after 10 years of service when they retire. Management has elected not to accrue the separation benefit as the amount cannot be reasonably determined due to the fact that there is a wide disparity in the retirement ages of teachers and staff and the effect on the District's expenditures is immaterial in any given year. Separation benefit expense for the year ended June 30, 2013 was \$0. At June 30, 2013 there are 42 teachers and classified staff that are entitled to this benefit when they retire.

The District also sponsors a defined contribution plan with a 403(b) provision. The plan covers substantially all employees of the District with varying matching provisions depending on the category of the employee. Expense for the year ended June 30, 2013 was approximately \$83,000.

During the years ended June 30, 2013 and 2012, the District has offered a "Voluntary Exit Incentive Program" to certain eligible teachers of the District. The 2013 agreement offered a two year payout over fiscal 2014 and 2015 of 25% of the eligible teacher's salary during fiscal 2013. At June 30, 2013, the amount of the annual payout for those teachers that had accepted the offer is \$49,086 for the year ended June 30, 2014 and \$32,295 for the year ended June 30, 2015.

Note L - Leases and Rent Revenue

Rent revenue reported in the District's General Fund includes rent of approximately \$26,000 received from the Windham Southeast Supervisory Union.

The District leases computers, equipment and property classified as operating leases. Total rent expense paid during the year ended June 30, 2013 was approximately \$119,000. Minimum future annual lease payments under noncancelable leases are:

<u>Year Ending June 30,</u>	
2014	\$ 94,569
2015	62,173
	<u>\$ 156,742</u>

Brattleboro Town School District

Notes to Financial Statements

June 30, 2013

Note M - Reconciliation of Expenditures per Budget and Actual Schedule with Expenses Per

Government Wide Statement of Activities

Total expenditures per Schedule of Revenue, Expenditures and Encumbrances - Budget and Actual - General Fund - on page thirty-three	\$ 15,085,597
Principal reduction of capital leases, mortgage note and bonds payable included as an expenditure on the fund level financial statements	(455,408)
Fixed assets not recognized as expenditures in the government wide financial statements	(337,730)
Special Program and Nutrition Program expenditures not included in the budget and actual schedule	4,337,224
Early separation incentive expense and other	(54,988)
Depreciation recognized in government wide financial statements not included in the budget and actual schedule	<u>460,276</u>
Total expenses on Statement of Activities on page twelve	<u><u>\$ 19,034,971</u></u>

Note N - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each risk of loss. Management believes such coverage is sufficient to preclude any significant uninsured loss to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note O - Commitments and Subsequent Events

On July 1, 2013, Windham Southeast Supervisory Union signed a five-year contract whereby the District will receive transportation services annually through 2018. Costs related to this contract are billed to the individual districts based upon the number of eligible children served and miles driven. The contract contains a provision for a 2% increase per year.

The approximate minimum amounts due under the contract for years subsequent to June 30, 2013 are as follows:

Year Ending June 30,	Amount
2014	\$ 164,400
2015	167,800
2016	171,100
2017	174,500
2018	178,000

During August, 2013, the District entered into a contract with Café Services to provide food services to the District for the 2013/2014 fiscal year in the approximate amount of \$383,000.

Brattleboro Town School District

Notes to Financial Statements

June 30, 2013

Note P – Date of Subsequent Events Evaluation

Events occurring after June 30, 2013 were evaluated by management on February 13, 2014 to ensure that any subsequent events that met the criteria for recognition and/or disclosure in these financial statements have been included. There are no significant subsequent events needing disclosure other than those disclosed above.

Brattleboro Town School District
Schedule of Revenue, Expenditures - Budget and Actual - General Fund
Year Ended June 30, 2013

	Original and Final Appropriated Budget	Actual	Variance - Favorable (Unfavorable)
Revenue:			
Intergovernmental	\$ 14,570,428	\$ 14,991,397	\$ 420,969
Investment income	3,500	6,356	2,856
Rental income	25,000	25,740	740
Other revenue from local sources	16,500	38,329	21,829
Total revenue	<u>14,615,428</u>	<u>15,061,822</u>	446,394
Expenditures:			
District Wide:			
Other	248,508	277,774	(29,266)
Health services	236,973	219,987	16,986
On-behalf payments	-	514,109	(514,109)
Testing/Counseling	90,000	-	90,000
School Board	70,576	55,651	14,925
Transportation	258,846	280,679	(21,833)
Program improvement	93,760	47,136	46,624
Travel and conferences	8,600	5,860	2,740
Computer maintenance	10,000	8,081	1,919
Computer supplies	5,200	2,225	2,975
Software	24,625	10,850	13,775
Computer equipment	83,905	87,567	(3,662)
Total district wide	<u>1,130,993</u>	<u>1,509,919</u>	(378,926)
Instructional:			
Teacher salaries	2,254,221	2,189,979	64,242
Paraprofessionals	549,782	547,091	2,691
Substitute teachers and tutors	135,000	152,516	(17,516)
Health insurance	672,318	636,551	35,767
Dental insurance	52,495	46,245	6,250
Other benefits	318,622	426,659	(108,037)
Teaching supplies	92,000	81,401	10,599
Textbooks	68,920	58,988	9,932
Instructional equipment	11,660	11,922	(262)
Replacement instructional equipment	3,750	4,664	(914)
Replacement non-instructional equipment	11,800	12,110	(310)
Itinerant	518,108	448,541	69,567
Guidance	277,318	277,345	(27)
Other instructional support	289,940	317,881	(27,941)
Gifted and talented	101,130	99,295	1,835
Total instructional	<u>5,357,064</u>	<u>5,311,188</u>	45,876

Brattleboro Town School District
Schedule of Revenue, Expenditures - Budget and Actual - General Fund
Year Ended June 30, 2013

	Original and Final Appropriated Budget	Actual	Variance - Favorable (Unfavorable)
Special education	\$ 3,064,116	\$ 2,912,250	\$ 151,866
Title 1	1,203,099	543,020	660,079
Consolidated federal programs	-	638,575	(638,575)
Title 1 - ARRA	-	1,995	(1,995)
Fruits and vegetables	51,605	45,120	6,485
ARRA	-	102,790	(102,790)
Other special programs	-	7,673	(7,673)
Early Essential Education	301,501	293,636	7,865
Library:			
Salaries	180,737	178,423	2,314
Paraprofessionals	60,700	59,137	1,563
Computer software	6,400	5,249	1,151
Repairs	1,300	744	556
Supplies	3,057	3,045	12
Books	13,450	13,332	118
Audio visual supplies	5,500	3,632	1,868
Audio visual software	4,250	3,959	291
Audio visual equipment	3,000	2,962	38
Computers	3,380	3,264	116
Total library	<u>281,774</u>	<u>273,747</u>	<u>8,027</u>
Principal/Administrative:			
Salaries	350,057	350,886	(829)
Secretarial salaries	148,436	136,340	12,096
Benefits	138,327	123,911	14,416
Professional development	6,000	3,984	2,016
Travel	3,600	5,541	(1,941)
Supplies	18,600	19,026	(426)
Dues and fees	1,750	2,035	(285)
Total principal/administrative	<u>666,770</u>	<u>641,723</u>	<u>25,047</u>

Brattleboro Town School District

Schedule of Revenue, Expenditures - Budget and Actual - General Fund Year Ended June 30, 2013

	Original and Final Appropriated Budget	Actual	Variance - Favorable (Unfavorable)
Plant operations:			
Property/liability insurance	\$ 75,000	\$ 78,389	\$ (3,389)
Plant salaries	260,903	288,954	(28,051)
Benefits	128,206	114,510	13,696
Rubbish removal	22,900	21,773	1,127
Other maintenance	-	25,368	(25,368)
Water/sewer	19,855	17,919	1,936
Exterminator	4,000	4,038	(38)
Building maintenance	288,003	316,585	(28,582)
Telephone	22,075	13,243	8,832
Supplies	49,600	34,506	15,094
Electricity	93,166	90,537	2,629
Gas	4,250	2,749	1,501
Oil	116,600	122,759	(6,159)
Grounds maintenance	95,750	111,983	(16,233)
Equipment maintenance	40,050	37,229	2,821
Maintenance equipment	700	55	645
Replacement equipment	22,800	8,560	14,240
Other repairs	32,500	25,746	6,754
Other maintenance	11,500	-	11,500
Total plant operations	<u>1,287,858</u>	<u>1,314,903</u>	<u>(27,045)</u>
Assessments:			
Windham Southeast Supervisory Union	973,826	973,826	-
Nutrition:			
	7,500	7,500	-
Debt service:			
Short-term interest	7,500	3,633	3,867
Other interest	21,000	2,845	18,155
Capital improvement note principal	56,733	55,000	1,733
Deficit retirement	75,201	-	75,201
Energy lease payment	47,000	75,859	(28,859)
Other debt principal	40,366	111,374	(71,008)
Bond principal	259,022	215,000	44,022
Bond interest	-	44,021	(44,021)
Total debt service	<u>506,822</u>	<u>507,732</u>	<u>(910)</u>

Brattleboro Town School District

Schedule of Revenue, Expenditures - Budget and Actual - General Fund Year Ended June 30, 2013

	Original and Final Appropriated Budget	Actual	Variance - Favorable (Unfavorable)
Total expenditures	<u>\$ 14,832,928</u>	<u>\$ 15,085,597</u>	<u>\$ (252,669)</u>
Excess (deficiency) of revenue over expenditures	(217,500)	(23,775)	193,725
Other financing sources (uses)			
Operating transfers (out)	<u>(82,500)</u>	<u>(82,500)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	<u>\$ (300,000)</u>	<u>\$ (106,275)</u>	<u>\$ 193,725</u>