

CHITTENDEN SOUTH SUPERVISORY UNION
AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page #</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 7
BASIC FINANCIAL STATEMENTS	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets	Exhibit A 8
Statement of Activities	Exhibit B 9
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	Exhibit C 10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	Exhibit D 11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	Exhibit E 12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	Exhibit F 13
Statement of Revenues, Expenditures and Changes in Fund Balance Compared to Budget - General Fund	Exhibit G 14
NOTES TO FINANCIAL STATEMENTS	15 - 24

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Jane M. Burroughs, CPA
Donald J. Murray, CPA

INDEPENDENT AUDITOR'S REPORT

November 28, 2011

To the Board of School Directors
Chittenden South Supervisory Union
Shelburne, Vermont

We have audited the accompanying financial statements of the governmental activities and each major fund of Chittenden South Supervisory Union, as of and for the year ended June 30, 2011, which collectively comprise the Supervisory Union's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Supervisory Union's management. Our responsibility is to express opinions on these financial statements based on our audit.

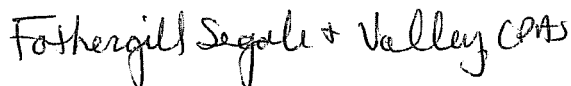
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Supervisory Union, as of June 30, 2011, and the respective changes in financial position, thereof and the budget comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2010, on our consideration of the Supervisory Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Respectfully submitted,



FOTHERGILL SEGALE & VALLEY, CPAs
Vermont Public Accountancy License #110

CHITTENDEN SOUTH SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

Our discussion and analysis of Chittenden South Supervisory Union's financial performance provides an overview of the Supervisory Union's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Supervisory Union's financial statements which begin on page 8.

Financial Highlights

Government-Wide Reporting:

- The Supervisory Union's net assets increased by \$178,182 during fiscal year 2011 as a result of this year's operations, which is an increase of approximately 6% in expenses and an increase of approximately 5% increase in revenues.
- The total cost of all of the Supervisory Union's programs was \$10,041,147 for fiscal year 2011.

Governmental Funds Reporting:

- During fiscal year 2011, the General Fund reported an increase in fund balance of \$75,468 compared to a budget of no change in fund balance.
- The unassigned fund balance for the General Fund was \$142,345 as of June 30, 2011, compared to \$233,122 as of June 30, 2010. The unassigned amount represents the amount of funds available for future budgets. Assigned fund balance of \$100,000 is for FY12 expenditures, as voted in the FY12 budget. Assigned fund balance of \$60,000 is for future payout of compensated balances. Nonspendable fund balances of the General Fund total \$45,146. This amount represents inventory on hand.
- The Special Revenue Funds primarily reports the activities related to Federal, State, and local grants. The fund balance as of June 30, 2011 was \$2,404, which is from locally funded programs. This is \$37,713 lower compared to the prior year.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits A and B) provide information about the activities of the Supervisory Union as a whole and present a longer-term view of the Supervisory Union's finances. Fund financial statements, starting with Exhibit C, include only governmental activities. The governmental activities statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Supervisory Union's operations in more detail than the government-wide statements by providing information about the Supervisory Union's most significant funds.

Reporting the Supervisory Union as a Whole

The financial statements of the Supervisory Union as a whole are presented in Exhibit A and Exhibit B. One of the most important questions asked about the Supervisory Union's finances is, "Is the Supervisory Union as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Supervisory Union as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

CHITTENDEN SOUTH SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

These two statements report the Supervisory Union's net assets and changes in them. You can think of the Supervisory Union's net assets – the difference between assets and liabilities – as one way to measure the Supervisory Union's financial health, or financial position. Over time, increases or decreases in the Supervisory Union's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the condition of the Supervisory Union's capital assets, to assess the overall health of the Supervisory Union.

In the Statement of Net Assets and the Statement of Activities, all of the Supervisory Union's activities are reflected as governmental activities. They include the Superintendent's office, the student services office, the human resources office, the finance office, the technology office, improvement of curriculum, transportation services, as well as the activity related to Federal, State and other grants that support Champlain Valley Union High School, Charlotte, Hinesburg, Shelburne, Williston and St. George School Districts. Assessments to the member School Districts and State and Federal grants finance most of these activities.

Reporting the Supervisory Union's Most Significant Funds

Governmental Funds - All of the Supervisory Union's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Supervisory Union's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Supervisory Union's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in Exhibit D and F that are included in the financial statements.

The Supervisory Union as a Whole (*Government-Wide Financial Statement Analysis*)

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Supervisory Union's governmental type activities.

The unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$46,225, reflecting operating performance better than budget. Capital assets increased with vehicle and equipment purchases, largely funded with ARRA money. Other liabilities increased as at year end more money was owed districts for grants in progress.

CHITTENDEN SOUTH SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

Table 1 – Net Assets

	Governmental Activities		Net Change
	2011	2010	
Current and other assets	\$ 904,813	\$ 901,780	\$ 3,033
Capital assets	291,549	159,592	131,957
Total assets	<u>1,196,362</u>	<u>1,061,372</u>	<u>134,990</u>
Deferred revenue	389,527	499,920	(110,393)
Other liabilities - current	155,301	79,630	75,671
Accrued compensated absences	118,650	127,120	(8,470)
Total liabilities	<u>663,478</u>	<u>706,670</u>	<u>(43,192)</u>
Net assets:			
Invested in Capital Assets, net of debt	291,549	159,592	131,957
Unrestricted	241,335	195,110	46,225
Total net assets	<u>\$ 532,884</u>	<u>\$ 354,702</u>	<u>\$ 178,182</u>

Table 2 - Change in Net Assets

	Governmental Activities		Net Change
	2011	2010	
REVENUES			
Program revenues:			
Charges for services	\$ 225,852	\$ 252,525	\$ (26,673)
Operating grants	3,763,659	3,452,495	311,164
General revenues:			
Assessments	6,147,705	5,978,721	168,984
Other general revenues	82,113	78,277	3,836
Total revenues	<u>10,219,329</u>	<u>9,762,018</u>	<u>457,311</u>
PROGRAM EXPENSES			
Executive administrative services	848,894	843,083	5,811
Human resources	383,518	379,925	3,593
Fiscal services	456,925	442,833	14,092
Shared student services	997,861	923,548	74,313
Student assistance program	-	65,508	(65,508)
Community skills program	181,643	176,030	5,613
Technology program	715,823	668,969	46,854
Student services administration	60,774	36,653	24,121
Food services	873,210	857,871	15,339
Transportation services	1,573,247	1,494,146	79,101
Federal funded student programs	2,523,478	2,494,409	29,069
State funded student programs	677,029	661,969	15,060
Local funded student programs	624,745	362,631	262,114
On behalf payments	124,000	99,000	25,000
Total program expenses	<u>10,041,147</u>	<u>9,506,575</u>	<u>534,572</u>
Increase (decrease) in net assets	<u>\$ 178,182</u>	<u>\$ 255,443</u>	<u>\$ (77,261)</u>

CHITTENDEN SOUTH SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

The Supervisory Union's total revenues increased by \$457,311 and expenses increased by \$534,572. Key revenue variances year to year included increased ARRA funds received under "Operating Grants" and increased assessments to schools in transportation and technology.

Key expenditure variances included technology and transportation increases in services desired and a variety of locally funded opportunities new or increased to the SU including VEHI Wellness, Strategic Prevention Framework, and VCPC Early Ed Grant among others.

Table 3 presents the cost of each of the Supervisory Union's five largest programs that were funded from general revenue – transportation, shared student services, food services, executive administrative services, and technology services – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Supervisory Union's taxpayers by each of these functions.

Table 3 – Governmental Activities

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Transportation services	\$ 1,573,247	\$ 1,573,247	\$ 1,494,146	\$ 1,494,146
Shared student services	997,861	997,861	923,548	923,548
Food services	873,210	873,210	857,871	857,871
Executive administrative services	848,894	848,894	843,083	843,083
Technology services	715,823	715,823	668,969	668,969
All other programs	5,032,112	1,042,601	4,718,958	1,013,938
Totals	<u>10,041,147</u>	<u>6,051,636</u>	<u>9,506,575</u>	<u>5,801,555</u>

The Supervisory Union's Funds (*Fund Financial Statement Analysis*)

As the Supervisory Union completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$359,985, which is higher than last year's total of \$322,230. Included in this year's total change in fund balance are the current year increase in fund balance of \$75,468 in the General Fund and the current year decrease of \$37,713 in the Special Revenue Fund.

General Fund Budgetary Highlights

Exhibit G has a comparison of actual to budget that shows where the favorable and unfavorable variances arose during the year. The larger variances are as follows:

CHITTENDEN SOUTH SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Assessments	\$ 6,349,740	\$ 6,147,705	\$ (202,035)
State grants	147,800 **	0	(147,800)
Expenditures:			
Student services administration	197,484	60,774	136,710
Food services	957,155	873,210	83,945
Transportation services	1,657,159	1,573,247	83,912
Technology program	777,071	715,823	61,248

** This activity is no longer reported in the General Fund but reflected in the Special Revenue Fund.

Variances of note are primarily related to schools requesting changes in services provided as the year began in both transportations and food services.

The *Special Revenue Fund* includes activity related to Federal, State, and local grants, donation and fees programs. Revenue is recognized when the expenditure is incurred. Any funds received but not spent on most of these programs are recorded as deferred revenue. The deferred revenue at June 30, 2011 was \$389,527 which was from approximately 20 various grants compared to \$499,920 as of June 30, 2010 which were also from approximately 20 various grants. The fund balance of \$2,404 is from three locally funded programs.

Quarterly financial reports reviewed by the Board of School Directors served as the vehicle for monitoring the budget for the fiscal year.

Capital Assets

During fiscal year June 30, 2011, the Supervisory Union invested \$189,246 in equipment. The total equipment purchases through June 30, 2011 was \$440,649 of which \$149,100 has been depreciated on the government wide statements resulting in net capital assets of \$291,549.

Economic Factors and Next Year's Budgets and Rates

The Supervisory Union's elected and appointed officials considered many factors when setting the 2011/2012 budget for school operations. Needs for services as defined by each of our member schools, efficiencies to be gained by providing resources centrally, implications to the schools tax rates and the local economic climate all weigh into the discussion. The School Board approved a budget of \$6,414,836 for 2011/2012, a 1.85% decrease from the prior year, reflecting the Boards response to pressure from taxpayers of the supervisory union to constrain property tax increases.

Contacting the Supervisory Union's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Supervisory Union's finances and to show the Supervisory Union's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent's Office at 5420 Shelburne Road, Suite 100, Shelburne, Vermont.

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>Governmental Activities</u>	
ASSETS		
Cash	\$ 730,616	
Accounts receivable:		
Grants receivable	111,167	
Other receivables	17,884	
Inventories - bus parts	45,146	
Property & equipment (net of accumulated depreciation of \$149,100)	<u>291,549</u>	
 Total assets		 <u>1,196,362</u>
LIABILITIES		
Accounts payable	51,828	
Due to other districts	58,558	
Deferred revenue	389,527	
Accrued wages	44,915	
Accrued compensated absences	<u>118,650</u>	
 Total liabilities		 <u>663,478</u>
NET ASSETS		
Unrestricted	241,335	
Invested in capital assets, net of related debt	<u>291,549</u>	
 Total net assets		 <u><u>\$ 532,884</u></u>

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charge for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
Governmental Activities:				
Executive administrative services	\$ 848,894	\$ 0	\$ 0	\$ (848,894)
Human resources	383,518	0	0	(383,518)
Fiscal services	456,925	0	0	(456,925)
Shared student services	997,861	0	0	(997,861)
Community skills program	181,643	0	0	(181,643)
Technology program	715,823	0	0	(715,823)
Student services administration	60,774	0	0	(60,774)
Food services	873,210	0	0	(873,210)
Transportation services	1,573,247	0	0	(1,573,247)
Federal funded student programs	2,523,478	0	2,667,502	144,024
State funded student programs	677,029	0	677,029	0
Local funded student programs	624,745	225,852	295,128	(103,765)
On behalf payments	124,000	0	124,000	0
	<u>\$10,041,147</u>	<u>\$ 225,852</u>	<u>\$ 3,763,659</u>	<u>(6,051,636)</u>
General Revenues:				
Assessments				6,147,705
Interest income				17,547
Miscellaneous income				64,566
				<u>6,229,818</u>
				Change in net assets 178,182
				Net assets - July 1, 2010 <u>354,702</u>
				Net assets - June 30, 2011 <u>\$ 532,884</u>

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash	\$ 730,616	\$ 0	\$ 730,616
Accounts receivable:			
Grants receivable	0	111,167	111,167
Other receivables	17,884	0	17,884
Due from other districts	25,757	0	25,757
Due from other funds	0	349,291	349,291
Inventories - bus parts	45,146	0	45,146
Total assets	<u>\$ 819,403</u>	<u>\$ 460,458</u>	<u>\$ 1,279,861</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 47,518	\$ 4,310	\$ 51,828
Due to other districts	20,098	64,217	84,315
Deferred revenue	0	389,527	389,527
Accrued wages	44,915	0	44,915
Due to other funds	349,291	0	349,291
Total liabilities	<u>461,822</u>	<u>458,054</u>	<u>919,876</u>
Fund Balances			
Nonspendable - Inventory	45,146	0	45,146
Assigned for FY12 expenditures	100,000	0	100,000
Assigned for compensated absences	60,000	0	60,000
Unassigned:			
General Fund	142,345	0	142,345
Locally funded programs	10,090	2,404	12,494
Total fund balances	<u>357,581</u>	<u>2,404</u>	<u>359,985</u>
Total liabilities and fund balances	<u>\$ 819,403</u>	<u>\$ 460,458</u>	<u>\$ 1,279,861</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 359,985
--	------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$440,649 and the accumulated depreciation is \$149,100.	291,549
---	---------

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of accrued compensated absences.	<u>(118,650)</u>
---	------------------

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u><u>\$ 532,884</u></u>
--	--------------------------

CHITTENDEN SOUTH SUPERVISORY UNION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

EXHIBIT E

	<u>Governmental Funds - Major Funds</u>		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Assessments	\$ 6,147,705	\$ 0	\$ 6,147,705
Earnings on investments	17,547	0	17,547
Federal grants	0	2,667,502	2,667,502
State grants	0	677,029	677,029
Local sources	64,566	520,980	585,546
On behalf payments	124,000	0	124,000
Total revenues	<u>6,353,818</u>	<u>3,865,511</u>	<u>10,219,329</u>
EXPENDITURES			
Current expenditures:			
Executive administrative services	800,075	0	800,075
Human resources	383,518	0	383,518
Fiscal services	456,925	0	456,925
Shared student services	997,861	0	997,861
Community skills programs	181,643	0	181,643
Technology program	715,823	0	715,823
Student services administration	60,774	0	60,774
Food services	873,210	0	873,210
Transportation services	1,573,247	0	1,573,247
Title I	0	491,128	491,128
Title II - A	0	342,215	342,215
Title II - D	0	9,722	9,722
Title III	0	10,026	10,026
Title IV	0	630	630
IDEIA B programs	0	1,408,453	1,408,453
Drug free/substance prevention programs	0	259,978	259,978
Other federally funded programs	0	1,326	1,326
Medicaid programs	0	502,804	502,804
Tobacco & alcohol use prevention	0	78,056	78,056
Best grant	0	30,459	30,459
Early Ed Initiative grant programs	0	53,474	53,474
Other state grant programs	0	12,236	12,236
Wellness programs	0	107,021	107,021
Community connections program	0	251,908	251,908
Drug free schools projects	0	143,962	143,962
Other locally funded programs	0	121,854	121,854
On behalf payments	124,000	0	124,000
Capital outlay	45,222	144,024	189,246
Total expenditures	<u>6,212,298</u>	<u>3,969,276</u>	<u>10,181,574</u>
EXCESS OF REVENUE OVER EXPENDITURES	141,520	(103,765)	37,755
OTHER FINANCING SOURCES(USES)			
Transfers (out) in	(66,052)	66,052	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES			
	75,468	(37,713)	37,755
FUND BALANCES - JULY 1, 2010	282,113	40,117	322,230
FUND BALANCES - JUNE 30, 2011	<u>\$ 357,581</u>	<u>\$ 2,404</u>	<u>\$ 359,985</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	37,755
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense of \$(57,289) is reported in the period and asset purchases of \$189,246.</p>		
		131,957
<p>In the statement of activities, accrued compensated absences are measured by the amounts earned by employees during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences paid exceeded the amounts incurred by \$8,470.</p>		
		8,470
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	178,182

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPARED TO BUDGET - GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Assessments	\$ 6,349,740	\$ 6,147,705	\$ (202,035)
State grants	147,800	0	(147,800)
Earnings on investments	24,000	17,547	(6,453)
Miscellaneous	14,500	64,566	50,066
Total revenues	6,536,040	6,229,818	(306,222)
EXPENDITURES			
Current expenditures			
Executive administrative services	796,739	800,075	(3,336)
Human resources	388,873	383,518	5,355
Fiscal services	463,140	456,925	6,215
Shared student services	1,011,395	997,861	13,534
Community skills programs	202,972	181,643	21,329
Technology program	777,071	715,823	61,248
Student services administration	197,484	60,774	136,710
Food services	957,155	873,210	83,945
Transportation services	1,657,159	1,573,247	83,912
Capital outlay	18,000	45,222	(27,222)
Total expenditures	6,469,988	6,088,298	381,690
EXCESS OF REVENUES OVER EXPENDITURES	66,052	141,520	75,468
OTHER FINANCING SOURCES(USES)			
Transfers out	(66,052)	(66,052)	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 0	75,468	\$ 75,468
FUND BALANCE - JULY 1, 2010		282,113	
FUND BALANCE - JUNE 30, 2011		\$ 357,581	

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Chittenden South Supervisory Union operates under the authority of the Vermont Education Laws. The Supervisory Union provides services to Champlain Valley Union High School, Charlotte School District, Hinesburg School District, Shelburne School District, Williston School District, and St. George School District.

The Supervisory Union is governed by a 16 member elected Board. Chittenden South Supervisory Union, for financial reporting purposes, consists only of the funds of the Supervisory Union. The Board of Directors has no financial accountability for any other governmental entity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Supervisory Union's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Supervisory Union are discussed below.

Reporting Entity

The Supervisory Union's basic financial statements include the accounts of all its operations.

The criteria for including organizations as component units within the Supervisory Union's reporting entity, are set forth in GASB 14 as amended by GASB 39, and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards. Based on the criteria, the Supervisory Union has no component units.

Basic Financial Statements – Government-Wide Statements

The Supervisory Union's basic financial statements include both government-wide (reporting the Supervisory Union as a whole) and fund financial statements (reporting the Supervisory Union's major funds). Both the government-wide and fund statements categorize primary activities as either governmental or business type. All of the Supervisory Union's activities are classified as governmental activities. There is no business type activity.

The government-wide Statement of Net Assets is reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Supervisory Union's net assets are reported in three parts – invested in capital assets, net of related debt; restricted; and unrestricted net assets. The Supervisory Union first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the Supervisory Union's governmental functions. The functions are also supported by general government revenue (assessments, interest income and other local revenue). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, consisting of charges for services, operating grants and contributions. Program revenue must be directly associated with the governmental function (specific services or program). Operating grants include operating-specific and discretionary grants.

The net costs (by governmental function) are normally covered by general revenue (assessments, interest income, etc.).

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

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Supervisory Union are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. The various funds are reported by major funds within the financial statements.

The emphasis in fund financial statements is on the major funds in the governmental categories. Nonmajor funds are not reflected since there are none. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The General Fund and Special Revenue Fund are shown as major funds.

Governmental Funds

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

General Fund is the primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted by grantors or donors to expenditures for specified purposes.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual - Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when liabilities are incurred.

Modified Accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" to the Supervisory Union means collectible within the current period or within six months after year end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. The exception to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

Inventories

Inventories in the General Fund consist of various bus parts and are carried at the lower of market or cost using the first-in first-out cost method. A portion of fund balance equal to inventory is shown as "nonspendable" to indicate that it is not available for appropriation.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets, which consist of equipment, is provided on the straight-line basis over the estimated useful lives of three to five years.

Accrued Compensated Absences

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these accounts. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

Government-wide Net Assets

Government-wide net assets are divided into three components:

Investment in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net assets – consist of net assets that are restricted by the state enabling legislation, by grantors, and by other contributions.

Unrestricted net assets – all other net assets are reported in this category.

Governmental Fund Balances:

Beginning with fiscal year 2011, the Supervisory Union implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the School Board. Formal action must be taken prior to the end of the fiscal year (e.g. capital projects, compensated absences). The same formal action must be taken to remove or change the limitations placed on the funds.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the School Board or body or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The School Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by the School Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service or other purposes).

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds.

When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied in the following order:

1. Committed
2. Assigned
3. Unassigned

Interfund Activity

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

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget Adoption and Comparisons

The Supervisory Union follows these procedures in establishing the budgetary data reflected in the financial statements for the General Fund:

The Supervisory Union Board prepares an operating budget in December for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures by line item and the means of financing them. The budget is approved by the Supervisory Union Board of Directors.

Budgetary integration is employed as a management control device during the year for the General Fund. From time to time during the year, transfers among budget line items are made in accordance with Board policy.

The Supervisory Union is not legally required to adopt a budget for the Special Revenue Fund. Therefore, a budgetary comparison is not presented for this fund.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – DEPOSITS

The Treasurer invests excess cash according to policies established by the Board.

Custodial credit risk is the risk that in the event of a bank failure, the Supervisory Union's deposits may not be returned to it. As of June 30, 2011, none of the Supervisory Union's bank balance of \$979,445 was exposed to custodial credit risk. The full amount was uninsured but collateralized.

NOTE 3 – CAPITAL ASSETS

The summary of capital assets as of June 30, 2011 is as follows:

	Equipment	Accum. Depreciation	Total
Book Value at June 30, 2010	\$ 251,403	\$ (91,811)	\$ 159,592
Additions	189,246	0	189,246
Depreciation	0	(57,289)	(57,289)
Book Value at June 30, 2011	<u>\$ 440,649</u>	<u>\$ (149,100)</u>	<u>\$ 291,549</u>

Depreciation expense of \$57,289 is included in the executive administrative services expense in the Statement of Activities.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 4 – GRANTS RECEIVABLE AND DEFERRED REVENUE

Grants receivable and deferred revenue consisted of the following as of June 30, 2011:

	<u>Grants Receivable</u>	<u>Deferred Revenue</u>
State of Vermont:		
Title I	\$ 18,415	\$ 0
Title II - A	906	0
Title II D	0	1,728
Title III	647	0
IDEIA B various grants	11,533	26,399
Medicaid/EPSDT	64,216	111,529
Early Ed Initiative grant programs	0	5,809
Drug free community program	11,000	0
Wellness programs	0	149,719
Other state grants	0	45,632
Community connections programs	0	12,173
Various local source programs	4,450	36,538
Total	<u>\$ 111,167</u>	<u>\$ 389,527</u>

Revenue from federal, state and other grants, designated for payment of specific Supervisory Union expenditures, are recognized in the Special Revenue Funds when the related expenditures are incurred. Any excess receipts or expenditures as of the fiscal year end are recognized as deferred revenue or accounts receivable, respectively.

NOTE 5 – ACCRUED COMPENSATED ABSENCES

The following is a summary of the changes in accrued compensated absences:

Balance - June 30, 2010	\$ 127,120
Decrease	<u>(8,470)</u>
Balance - June 30, 2011	<u>\$ 118,650</u>

NOTE 6 – CONCENTRATION OF SUPPORT

The Supervisory Union receives the majority of its revenues from assessments to member schools. Additionally, the Supervisory Union receives various grants from the State of Vermont as aid to education and as special education grants.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 7 – ASSESSMENTS FROM MEMBER SCHOOLS

The member School Districts of Chittenden South Supervisory Union are billed for their appropriate share of expenses relating to the Chittenden South Supervisory Union. The administrative assessment and special education assessment are based on the number of teacher equivalents within each participating School District. The fiscal service, technology and food service agent assessment is based on each participating School District's budget. The driver/route coordinator, pupil transportation, and speech/language assessments are based on the number of routes, the number of students needing transportation and the number of speech pathologist hours, respectively, for participating School Districts. The hearing impaired, community skills, and preschool assessments are based on the number of children participating in the program within each School District.

NOTE 8 - OPERATING LEASES

On June 22, 2011, the Supervisory Union entered into a lease for its Central Office facilities. The lease is for five years, July 1, 2011 through June 30, 2016, with required annual payments of \$64,000. Future minimum rent payments are \$64,000 annually to be paid during fiscal years June 30, 2012, 2013, 2014, 2015 and 2016.

Lease expense in fiscal year 2011 under the previous lease agreement was \$64,000.

NOTE 9 – RETIREMENT BENEFIT PLANS

State Teachers' Retirement System of Vermont

The teachers and other teacher-certified employees in the Supervisory Union are covered by the State Teachers' Retirement System, which is a single employer public employees' 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.

The contribution amount made by the State on behalf of the participants in the State Teachers' Retirement System is approximately \$124,000. The amount is estimated based on prior year's contribution percentage.

Teachers become members of the retirement system upon employment. All teachers in the Supervisory Union are Group C members and are required to contribute at a rate of 5.0% of earnable compensation. Vesting occurs upon reaching five years of creditable service. Of the Supervisory Union's total payroll of \$5,726,657, \$1,596,372 was covered under the Vermont State Teachers' Retirement System.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State of Vermont, Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 9 – RETIREMENT BENEFIT PLANS (Continued)

Vermont Municipal Employees' Retirement System

All other full-time employees who are not eligible to participate in the State Teachers' Retirement System are eligible for coverage by the Vermont Municipal Employees' Retirement System. The Vermont Municipal Employees' Retirement System (the Plan) is a cost sharing multiple-employer plan. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Supervisory Union and employees make required contributions to the Plan based upon a valuation report prepared by the Plan's actuary.

The Supervisory Union participates in the Group A, Group B, and Group C levels of contributions and benefits of the plan. Under Group A, the employee contributions are 2.5% of gross pay and employer contributions are 4% of gross pay. Under Group B, the employee contributions are 4.5% of gross pay and employer contributions are 5%. Under Group C, the employee contributions are 9.25% of gross pay and employer contributions are 6.5%. Of the Supervisory Union's total payroll of \$5,726,657, \$2,886,428 was covered under the Plan. Total employer contributions made to the Plan for years ended June 30, 2011, 2010, and 2009 were \$162,583, \$147,649, and \$128,915 respectively.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State of Vermont, Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

403(b) Retirement Contribution Plan

Effective January 1, 2009, Chittenden South Supervisory Union established a 403(b) Retirement Contribution Plan. This plan is eligible to all employees. There is a maximum annual cap employees are allowed to contribute to this plan. These funds are invested in the State of Vermont 403(b) Investment Program. There is no employer match or contribution provision in this plan.

NOTE 10 – RECONCILIATION OF EXHIBIT E TO EXHIBIT G

Amounts recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance Compared to Budget – General Fund (Exhibit G) are reported on the basis budgeted by the Supervisory Union. Amounts recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit E) for the General Fund was adjusted for on behalf payments of fringe benefits (see Note 9) as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Exhibit E	\$ 6,353,818	\$ 6,212,298
On behalf fringe benefits	<u>(124,000)</u>	<u>(124,000)</u>
Exhibit G	<u>\$ 6,229,818</u>	<u>\$ 6,088,298</u>

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 11 - RISK MANAGEMENT

The Supervisory Union is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Supervisory Union maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Supervisory Union. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

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

To provide health insurance coverage, VSBIT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield. A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

Effective January 1, 2009, the schools of Chittenden South Supervisory Union created a self funded dental plan that is managed by the third party administrator EBPA. The self funded dental plan provides coverage to the employees who are not part of the teacher bargaining unit.

NOTE 12 - CONTINGENCIES

The Supervisory Union participates in a number of federally-assisted and state grant programs which are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2011, have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Supervisory Union expects such amounts, if any, to be immaterial.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 28, 2011 the date of the audit report. Management is not aware of any subsequent events which require disclosure.

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Jane M. Burroughs, CPA
Donald J. Murray, CPA

November 28, 2011

To the Board of School Directors
and Management
Chittenden South Supervisory Union
Shelburne, Vermont

We have audited the financial statements of the governmental activities and each major fund of Chittenden South Supervisory Union as of and for the year ended June 30, 2011 and have issued our report thereon dated November 28, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 11, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Chittenden South Supervisory Union are described in Note 1 to the financial statements. GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions" was adopted during the year and the applications of existing policies were not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting Chittenden South Supervisory Union's financial statements was:

- Management's estimate of the depreciation is based on estimated useful lives of the assets. We evaluated the key factors and assumptions used and determined that the estimate used is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There was one corrected misstatement of the financial statements which consisted of a minor adjustment to the beginning fund balance. There were two uncorrected misstatements in the government-wide statements. One related to the accrued liability related to the accrued vacation at the end of the year. The net effect in expenses was \$648. The other related to the netting of the grant administration revenue in the General Fund with the expenses in the Special Revenue Fund. The net effect on the statement of activities is the revenue and expenses are both overstated by \$47,388; the net bottom line having a zero effect. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 28, 2011.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

This information is intended solely for the use of the School Board and management of the Chittenden South Supervisory Union and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Fothergill Segale & Valley, CPAs

FOTHERGILL SEGAL & VALLEY, CPAs
Vermont Public Accountancy License #110

CHITTENDEN SOUTH SUPERVISORY UNION

FEDERAL COMPLIANCE

JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page No.</u>
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 <i>Government Auditing Standards</i>	1 - 2
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	3 - 4
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Jane M. Burroughs, CPA
Donald J. Murray, CPA

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*

November 28, 2011

To the Board of School Directors
Chittenden South Supervisory Union
Shelburne, Vermont

We have audited the financial statements of the governmental activities and each major fund of Chittenden South Supervisory Union, as of and for the year ended June 30, 2011, which collectively comprise Chittenden South Supervisory Union's basic financial statements and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

Respectfully submitted,

Fothergill Segale & Valley, CPAs

FOTHERGILL SEGALE & VALLEY, CPAs
Vermont Public Accountancy License #110

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Jane M. Burroughs, CPA
Donald J. Murray, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

November 28, 2011

To the Board of School Directors
Chittenden South Supervisory Union
Shelburne, Vermont

Compliance

We have audited the compliance of Chittenden South Supervisory Union with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Supervisory Union's major federal programs for the year ended June 30, 2011. Chittenden South Supervisory Union's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Chittenden South Supervisory Union's management. Our responsibility is to express an opinion on Chittenden South Supervisory Union's compliance based on our audit.

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 above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chittenden South Supervisory Union'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. Our audit does not provide a legal determination on Chittenden South Supervisory Union's compliance with those requirements.

In our opinion, Chittenden South Supervisory Union complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Chittenden South Supervisory Union is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and

grants applicable to federal programs. In planning and performing our audit, we considered Chittenden South Supervisory Union's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on 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 Chittenden South Supervisory Union's internal control over compliance.

A deficiency in internal control over compliance 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 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, 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.

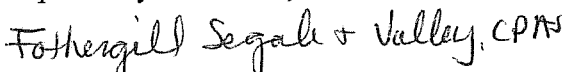
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities and each major fund of Chittenden South Supervisory Union, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 28, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Respectfully submitted,


FOTHERGILL SEGALE & VALLEY, CPAs
Vermont Public Accountancy License #110

CHITTENDEN SOUTH SUPERVISORY UNION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Accounts Receivable (Deferred Revenue) 6/30/10	Receipts (Returned)	Expenditures	Accounts Receivable (Deferred Revenue) 6/30/11
U.S. Department of Education							
Passed through State of Vermont:							
Title I	84.010	4250-01	\$ 409,898	\$ (40,877)	\$ 309,350	\$ 368,642	\$ 18,415
Title I ARRA	84.389	4250-02	62,486	0	62,486	62,486	0
Title I ARRA	84.389	4750	55,208	17,686	17,686	0	0
Subtotal - cluster				(23,191)	389,522	431,128	18,415
School Improvement/Technical Assistance	84.377	4257	147,000	(20,993)	(20,993)	0	0
School Improvement/Technical Assistance	84.377	4257-01	60,000	0	60,000	60,000	0
Subtotal - cluster				(20,993)	39,007	60,000	0
Title II-D	84.318	4263	6,754	(913)	5,841	6,309	(445)
Title II-D ARRA	84.386	4763	720	(358)	362	690	(30)
Title II-D ARRA	84.386	4763	10,000	0	10,000	8,747	(1,253)
Subtotal - cluster				(1,271)	16,203	15,746	(1,728)
Title III	84.365	4375	21,041	0	5,000	5,647	647
Title III	84.365	4375	8,500	1,396	5,775	4,379	0
Subtotal - cluster				1,396	10,775	10,026	647
IDEIA-B Preschool	84.173	4228-01	1,024	(108)	46	0	(154)
IDEIA-B Preschool	84.173	4228-01	22,827	(54)	19,480	21,700	2,166
IDEIA-B Preschool ARRA Grant	84.392	4758	29,109	(1,249)	18,494	29,110	9,367
IDEIA-B Formula Grant	84.027	4226-01	762,852	(11,835)	735,818	729,493	(18,160)
IDEIA-B Formula Grant	84.027	4226 -02	45,871	0	24,711	19,821	(4,890)
IDEIA-B Basic ARRA	84.391	4756	751,879	(74,890)	674,634	746,329	(3,195)
Subtotal - cluster				(88,136)	1,473,183	1,546,453	(14,866)
Title II-A	84.367	4651	357,680	(46,805)	294,504	342,215	906
Title IV	84.186	4247	630	0	630	630	0
Education for Homeless Children & ARRA	84.196	4765	1,326	(1,326)	0	1,326	0
Total U.S. Department of Education				(180,326)	2,223,824	2,407,524	3,374
U.S. Department of Health and Human Services							
Received directly:							
Drug Free Community Support Program	93.276	N/A	100,000	(3,517)	41,759	45,276	0
Passed through State of Vermont:							
Strategic Prevention Framework Incentive	93.243	P11007	119,940	0	119,940	119,940	0
Strategic Prevention Framework Incentive	93.243	P10019	119,756	(14,501)	0	14,501	0
Subtotal - cluster				(14,501)	119,940	134,441	0
Substance Abuse Prevention	93.959	3420	80,261	0	80,261	80,261	0
Total U.S. Department of Health and Human Services				(18,018)	241,960	259,978	0
TOTAL FEDERAL AWARDS				\$ (198,344)	\$ 2,465,784	\$ 2,667,502	\$ 3,374

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2011

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Chittenden South Supervisory Union.

NOTE 2 - BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the schedule. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred, if measurable.

CHITTENDEN SOUTH SUPERVISORY UNION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2011

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Chittenden South Supervisory Union.
2. No significant deficiencies were disclosed during the audit of the financial statements, as reported in Part B of this Schedule.
3. No instances of noncompliance material to the basic financial statements of the Supervisory Union, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit, as reported in Part C of this Schedule.
5. The auditor's report on compliance for the major federal award programs for the Supervisory Union expresses an unqualified opinion.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

IDEIA-B	#84.027 & #84.173
IDEIA B – ARRA	#84.391 & #84.392
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Supervisory Union was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. PRIOR YEAR FINDINGS

None