

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 17, 2009

To the Board of School Directors
Chittenden South Supervisory Union
5420 Shelburne Road, Suite 300
Shelburne, VT 05482

Dear Directors:

We have completed our audit of your June 30, 2009 financial statements. The following are our observations noted during our audit.

FINANCIAL PERFORMANCE

The financial statement format under GASB 34 is presented in two separate types of reporting, 1) the "Government-Wide" reporting and 2) the "Governmental Fund" reporting. Page 3 of the Management's Discussion and Analysis under "Financial Highlights" provides an overview of the financial outcome under each reporting statement. Pages 4 – 6 provide a more detailed analysis.

For budgetary purposes, the Board uses the "Governmental Fund" reporting statements. These statements are shown in Exhibit C and Exhibit E of the financial statements. For budgetary purposes, the Supervisory Union ended with a General Fund fund balance of \$105,289, and Special Revenue Fund fund balance of \$19,458. Exhibit G provides a detailed budget to actual analysis of revenues and expenditures for fiscal year June 30, 2009 for the General Fund. The most significant variances were as follows::

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Assessments	\$ 5,307,645	\$ 5,482,778	\$ 175,133
Expenditures:			
Student services administration	186,219	44,290	141,929
Food services	314,670	598,517	(283,847)
Transportation services	1,402,337	1,528,910	(126,573)

We would also like to take this opportunity to thank you and the staff of Chittenden South Supervisory Union for their cooperation and assistance during our audit.

Sincerely,

Fothergill Segale & Valley, CPAs
Fothergill Segale & Valley, CPAs

CHITTENDEN SOUTH SUPERVISORY UNION
AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2009

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 17, 2009

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, 2009, which collectively comprise of the Supervisory Union's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Chittenden South 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 Chittenden South Supervisory Union as of June 30, 2009, and the respective changes in financial position, thereof and the budgetary 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 17, 2009, 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 should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 7, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion of it.

Respectfully submitted,

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

CHITTENDEN SOUTH SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009

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, 2009. 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 decreased by \$31,669 during fiscal year 2009 as a result of this year's operations, which is a decrease of approximately 24% from fiscal year 2008.
- The total cost of all of the Supervisory Union's programs was \$8,413,438 for fiscal year 2009. This cost is an increase of 11% from fiscal year 2008, which is similar to the approximate revenue increase from 2008 to 2009.

Governmental Funds Reporting:

- During fiscal year 2009, the General Fund reported a deficit of \$49,039 compared to a budget of no excess or deficit.
- The unreserved fund balance for the General Fund was \$42,284 as of June 30, 2009, compared to \$83,322 as of June 30, 2008, a 49% decrease. The unreserved amount represents the amount of funds available for future budgets. Reserved fund balances of the General Fund total \$63,005 as of June 30, 2009. This amount represents \$10,090 for professional development and \$52,915 of inventory on hand. This is an 11% decrease from June 30, 2008.
- The Special Revenue Funds primarily reports the activities related to Federal, State, and local grants. The fund balance as of June 30, 2009 was \$19,458 which is from locally funded programs. This is \$12,705 less compared to prior year, as a result of the fiscal year 2009 activities, a 40% decrease.

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.

CHITTENDEN SOUTH SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009
(Continued)

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.

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 – was decreased by \$78,796, reflecting operating performance worse than budget. Most expenditures in excess of budgeted amounts were covered with adjustments to assessments to member schools with the notable exception of transportation. The SU has embarked on a multi-year plan to revamp budgeting and management accounting in the transportation arena to better anticipate performance and bill accordingly.

CHITTENDEN SOUTH SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009
(Continued)

Table 1 – Net Assets

	Governmental Activities		Net Change
	2009	2008	
Current and other assets	\$ 471,503	\$ 561,148	\$ (89,645)
Capital assets	92,852	45,725	47,127
Total assets	<u>564,355</u>	<u>606,873</u>	<u>(42,518)</u>
Deferred revenue	247,207	248,521	(1,314)
Other liabilities - current	99,549	126,136	(26,587)
Accrued compensated absences	118,340	101,288	17,052
Total liabilities	<u>465,096</u>	<u>475,945</u>	<u>(10,849)</u>
Net assets:			
Invested in Capital Assets, net of debt	92,852	45,725	47,127
Unrestricted	6,407	85,203	(78,796)
Total net assets	<u>\$ 99,259</u>	<u>\$ 130,928</u>	<u>\$ (31,669)</u>

Table 2 - Change in Net Assets

	Governmental Activities		Net Change
	2009	2008	
REVENUES		(**as reclassified)	
Program revenues:			
Charges for services	\$ 235,592	\$ 241,815	\$ (6,223)
Operating grants	2,614,624	2,418,375	196,249
General revenues:			
Assessments	5,482,778	4,878,219	604,559
Other general revenues	48,775	73,623	(24,848)
Total revenues	<u>8,381,769</u>	<u>7,612,032</u>	<u>769,737</u>
PROGRAM EXPENSES			
Executive administrative services	870,835	834,408	36,427
Human resources	368,862	350,146	18,716
Fiscal services	435,988	418,868	17,120
Shared student services	887,339	837,567	49,772
Student assistance program	44,669	45,472	(803)
Family infant & toddler program	127,645	116,874	10,771
Technology program	643,462	539,044	104,418
Student services administration	44,290	46,108	(1,818)
Food services	598,517	307,841	290,676
Transportation services	1,528,910	1,421,479	107,431
Federal funded student programs	1,848,051	1,741,342	106,709
State funded student programs	584,665	535,133	49,532
Local funded student programs	329,205	311,589	17,616
On behalf payments	101,000	69,000	32,000
Total program expenses	<u>8,413,438</u>	<u>7,574,871</u>	<u>838,567</u>
Increase (decrease) in net assets	<u>\$ (31,669)</u>	<u>\$ 37,161</u>	<u>\$ (68,830)</u>

** Food service activity shown separately versus combined with shared student services, as originally reflected.

CHITTENDEN SOUTH SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009
(Continued)

The Supervisory Union's total revenues increased by \$769,737 and expenses increased by \$838,567. Significant costs were moved from member schools to the supervisory union particularly in food service and technology as schools found it valuable to consolidate operations in both those areas for efficiency. In transportation, services were added after budget with express buses now running from two communities to the high school on a daily basis.

Table 3 presents the cost of each of the Supervisory Union's four largest programs that were funded from general revenue – transportation, executive administrative services, shared student 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	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2009	2009	2008	2008
			(as reclassified)*	(as reclassified)
Transportation services	\$ 1,528,910	\$ 1,528,910	\$ 1,421,479	\$ 1,421,479
Shared student services	887,339	887,339	837,567	837,567
Executive administrative services	870,835	870,835	834,408	834,408
Technology services	643,462	643,462	539,044	539,044

* Food service activity removed from shared student services cost.

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 \$124,747, which is lower than last year's total of \$186,491. Included in this year's total change in fund balance are the current year deficit of \$49,039 in the General Fund and the current year deficit of \$12,705 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:

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Assessments	\$ 5,307,645	\$ 5,482,778	\$ 175,133
Expenditures:			
Student services administration	186,219	44,290	141,929
Food services	314,670	598,517	(283,847)
Transportation services	1,402,337	1,528,910	(126,573)

CHITTENDEN SOUTH SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009
(Continued)

The change in assessments year to year reflects costs for additional services requested by member schools in food service, transportation and ELL. The actual under-run in Student Services reflects the application of grant monies directly credited to Student Services. Food Service's over budget reflects the transfer of employees from local budgets to the SU budget at both CVU and Williston. Transportation is well over budget due to costs associated with additional services requested during the year.

The *Special Revenue Fund* includes activity related to Federal grant, State grant 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, 2009 was \$247,207 which was from 11 various grants compared to \$248,521 as of June 30, 2008 which were from 14 various grants. No major changes in grant programs occurred year to year. The fund balance of \$19,458 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 Asset

During fiscal year June 30, 2009, the Supervisory Union invested \$64,968 in computer equipment. The total equipment purchases through June 30, 2009 was \$141,364 of which \$48,512 has been depreciated on the government wide statements resulting in net capital assets of \$92,852.

Economic Factors and Next Year's Budgets and Rates

The Supervisory Union's elected and appointed officials considered many factors when setting the 2009/2010 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 schools tax rates and the local economic climate all weigh into the discussion. The CSSU School Board approved a budget of \$1,849,236 in core services for 2009/2010 (a .9% increase from the prior year) and approved a budget of \$4,145,340 in purchased services for 2009/2010 (a 17.7% increase from the prior year).

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, 2009

	<u>Governmental Activities</u>	
ASSETS		
Cash	\$ 168,864	
Accounts receivable:		
Grants receivable	179,236	
Other receivables	54,288	
Due from other districts	16,200	
Inventories - bus parts	52,915	
Property & equipment (net of accumulated depreciation of \$48,512)	<u>92,852</u>	
 Total assets		 <u>564,355</u>
LIABILITIES		
Accounts payable	79,352	
Deferred revenue	247,207	
Accrued wages	20,197	
Accrued compensated absences	<u>118,340</u>	
 Total liabilities		 <u>465,096</u>
NET ASSETS		
Unrestricted	6,407	
Invested in capital assets, net of related debt	<u>92,852</u>	
 Total net assets		 <u><u>\$ 99,259</u></u>

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

<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	\$ 870,835	\$ 0	\$ 0	\$ (870,835)
Human resources	368,862	0	0	(368,862)
Fiscal services	435,988	0	0	(435,988)
Shared student services	887,339	0	0	(887,339)
Student assistance program	44,669	0	0	(44,669)
Family infant & toddler program	127,645	0	0	(127,645)
Technology program	643,462	0	0	(643,462)
Student services administration	44,290	0	0	(44,290)
Food services	598,517	0	0	(598,517)
Transportation services	1,528,910	0	0	(1,528,910)
Federal funded student programs	1,848,051	0	1,848,051	0
State funded student programs	584,665	0	584,665	0
Local funded student programs	329,205	235,592	80,908	(12,705)
On behalf payments	101,000	0	101,000	0
	<u>\$ 8,413,438</u>	<u>\$ 235,592</u>	<u>\$ 2,614,624</u>	<u>(5,563,222)</u>
General Revenues:				
Assessments				5,482,778
Interest income				26,951
Miscellaneous income				21,824
				<u>5,531,553</u>
				(31,669)
				<u>130,928</u>
				<u>\$ 99,259</u>

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2009

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 168,864	\$ 0	\$ 168,864
Accounts receivable:			
Grants receivable	0	179,236	179,236
Other receivables	54,288	0	54,288
Due from other districts	48,025	0	48,025
Due from other funds	0	119,280	119,280
Inventories - bus parts	52,915	0	52,915
Total assets	<u>\$ 324,092</u>	<u>\$ 298,516</u>	<u>\$ 622,608</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 79,326	\$ 26	\$ 79,352
Due to other districts	0	31,825	31,825
Deferred revenue	0	247,207	247,207
Accrued wages	20,197	0	20,197
Due to other funds	119,280	0	119,280
Total liabilities	<u>218,803</u>	<u>279,058</u>	<u>497,861</u>
Fund Balances			
Unreserved:			
General Fund	42,284	0	42,284
Locally funded programs	0	19,458	19,458
Reserved:			
Professional development	10,090	0	10,090
Inventory	52,915	0	52,915
Total fund balances	<u>105,289</u>	<u>19,458</u>	<u>124,747</u>
Total liabilities and fund balances	<u>\$ 324,092</u>	<u>\$ 298,516</u>	<u>\$ 622,608</u>

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

JUNE 30, 2009

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 124,747

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
\$141,364 and the accumulated depreciation is \$48,512. 92,852

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. (118,340)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 99,259

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	Governmental Funds - Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
REVENUES			
Assessments	\$ 5,482,778	\$ 0	\$ 5,482,778
Earnings on investments	26,951	0	26,951
Federal grants	0	1,848,051	1,848,051
State grants	15,328	569,337	584,665
Local sources	21,824	316,500	338,324
On behalf payments	101,000	0	101,000
Total revenues	<u>5,647,881</u>	<u>2,733,888</u>	<u>8,381,769</u>
EXPENDITURES			
Current expenditures:			
Executive administrative services	835,942	0	835,942
Human resources	368,862	0	368,862
Fiscal services	435,988	0	435,988
Shared student services	887,339	0	887,339
Student assistance program	59,997	0	59,997
Family infant & toddler program	127,645	0	127,645
Technology program	643,462	0	643,462
Student services administration	44,290	0	44,290
Food services	598,517	0	598,517
Transportation services	1,528,910	0	1,528,910
Title I	0	426,635	426,635
Title II - A	0	271,468	271,468
Title II - D	0	10,096	10,096
Title III	0	5,362	5,362
Title IV	0	26,654	26,654
Title V	0	15,073	15,073
IDEIA B programs	0	846,550	846,550
Drug free/substance prevention programs	0	240,536	240,536
Other federally funded programs	0	5,677	5,677
Medicaid programs	0	441,568	441,568
Family infant & toddler	0	17,800	17,800
Tobacco & alcohol use prevention	0	74,056	74,056
Best grant	0	29,280	29,280
Other state grant programs	0	6,633	6,633
Wellness programs	0	24,375	24,375
Community connections program	0	246,694	246,694
Other locally funded programs	0	58,136	58,136
On behalf payments	101,000	0	101,000
Capital outlay	64,968	0	64,968
Total expenditures	<u>5,696,920</u>	<u>2,746,593</u>	<u>8,443,513</u>
EXCESS OF REVENUE OVER EXPENDITURES	(49,039)	(12,705)	(61,744)
FUND BALANCES - JULY 1, 2008	154,328	32,163	186,491
FUND BALANCES - JUNE 30, 2009	<u>\$ 105,289</u>	<u>\$ 19,458</u>	<u>\$ 124,747</u>

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

YEAR ENDED JUNE 30, 2009

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (61,744)

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

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 \$(17,841) is reported in the period and asset purchases of \$64,968.

47,127

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 incurred exceeded the amounts paid by \$17,052.

(17,052)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (31,669)

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

YEAR ENDED JUNE 30, 2009

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Assessments	\$ 5,307,645	\$ 5,482,778	\$ 175,133
State grants	0	15,328	15,328
Earnings on investments	42,000	26,951	(15,049)
Miscellaneous	14,500	21,824	7,324
	<u>5,364,145</u>	<u>5,546,881</u>	<u>182,736</u>
EXPENDITURES			
Current expenditures			
Executive administrative services	847,599	835,942	11,657
Human resources	370,435	368,862	1,573
Fiscal services	445,164	435,988	9,176
Shared student services	866,461	887,339	(20,878)
Student assistance program	45,736	59,997	(14,261)
Family infant & toddler program	152,901	127,645	25,256
Technology program	677,473	643,462	34,011
Student services administration	186,219	44,290	141,929
Food services	314,670	598,517	(283,847)
Transportation services	1,402,337	1,528,910	(126,573)
Capital outlay	55,150	64,968	(9,818)
	<u>5,364,145</u>	<u>5,595,920</u>	<u>(231,775)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 0</u>	<u>(49,039)</u>	<u>\$ (49,039)</u>
FUND BALANCE - JULY 1, 2008		<u>154,328</u>	
FUND BALANCE - JUNE 30, 2009		<u>\$ 105,289</u>	

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 Central School, Hinesburg Elementary School, Shelburne Community School, Williston Central School, 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, 2009

(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, reserves, 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, 2009

(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 has been reserved 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, 2009

(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:

Governmental fund balances are reported as “reserved” when balances are not available for appropriation or expenditures (for example because they represent supplies inventories) or because they are legally segregated for a specific use. The remaining balances are “unreserved” fund balances.

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, 2009

(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, 2009, none of the Supervisory Union's bank balance of \$462,487 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, 2009 is as follows:

	Equipment	Accum. Depreciation	Total
Book Value at June 30, 2008	\$ 76,396	\$ (30,671)	\$ 45,725
Additions	64,968	0	64,968
Depreciation	0	(17,841)	(17,841)
Book Value at June 30, 2009	<u>\$ 141,364</u>	<u>\$ (48,512)</u>	<u>\$ 92,852</u>

Depreciation expense of \$17,841 is included in the executive administrative services expense in the statement of activities.

CHITTENDEN SOUTH SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009
(Continued)

NOTE 4 – GRANTS RECEIVABLE AND DEFERRED REVENUE

Grants receivable and deferred revenue consisted of the following as of June 30, 2009:

	Grants Receivable	Deferred Revenue
State of Vermont:		
Title I	\$ 88,016	\$ 0
Title I Technical Asst	0	1,678
Title II - A	8,878	0
Title II D	0	29
Title III	0	597
IDEIA B	31,631	0
Strategic Prevention Incentive	0	19,606
Medicaid	31,825	0
EPSDT	0	53,467
Subtotal - State of Vermont	160,350	75,377
Parent to Parent of Vermont:		
Family infant & toddler program	13,350	0
US Department of Health and Human Services:		
Drug free community support grant	5,536	0
Local Sources:		
Summer Camp and Access program	0	14,200
Hinesburg playground	0	39,408
It collective bargaining grant	0	33,776
Wellness programs (VEHL)	0	51,453
CVU Wellness Initiative	0	18,139
Other local programs	0	14,854
Total	\$ 179,236	\$ 247,207

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, 2008	\$ 101,288
Change	17,052
Balance - June 30, 2009	\$ 118,340

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

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.

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 March 21, 2001 the Supervisory Union entered into a lease for its Central Office facilities. The lease is for ten years, August 15, 2001 through June 30, 2011, with required annual payments of \$64,000. Future minimum rent payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009-2010	64,000
2010-2011	64,000
Total	<u>\$ 128,000</u>

Lease expense in fiscal year 2009 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 \$101,000. The amount is estimated based on prior year's contribution percentage.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE 9 – RETIREMENT BENEFIT PLANS (Continued)

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 3.54% of earnable compensation. Vesting occurs upon reaching five years of creditable service. Of the Supervisory Union's total payroll of \$4,941,937, \$1,365,042 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.

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 and Group B 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%. Of the Supervisory Union's total payroll of \$4,941,937, \$2,613,075 was covered under the Plan. Total employer contributions made to the Plan for years ended June 30, 2009, 2008, and 2007 were \$128,915, \$116,344, and \$106,378 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 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2009, expenditures exceeded appropriations in the General Fund by \$231,775. The excess expenditures were funded by excess revenue and excess fund balance.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE 11 – 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	\$ 5,647,881	\$ 5,696,920
On behalf fringe benefits	<u>(101,000)</u>	<u>(101,000)</u>
Exhibit G	<u>\$ 5,546,881</u>	<u>\$ 5,595,920</u>

NOTE 12 - 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 13 - 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, 2009, 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.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 17, 2009, the date of the audit report. Management is not aware of any subsequent events which require disclosure.