

ST. GEORGE SCHOOL DISTRICT
AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2012

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FOTHERGILL SEGALE & VALLEY

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INDEPENDENT AUDITOR'S REPORT

September 13, 2012

To the Board of School Directors
St. George School District
St. George, Vermont

We have audited the accompanying financial statements of the governmental activities and the major fund of St. George School District, as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School District'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 the major fund of the School District, as of June 30, 2012, 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 September 13, 2012, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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
FOTHERGILL SEGALE & VALLEY, CPAs
Vermont Public Accountancy License #110

ST. GEORGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

Our discussion and analysis of St. George School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the School District's financial statements which begin on page 8.

Financial Highlights

- The School District's net assets of our governmental activities increased by \$23,629, compared to an increase of \$102,203 in the prior year.
- The cost of all of the School District's programs was \$1,888,199 this year, compared to \$1,803,103 in the prior year, with no new programs added this year.
- The General Fund reported an excess of revenues over expenditures this year of \$23,629 which was \$23,629 better than what was budgeted.

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 School District as a whole and present a longer-term view of the School District's finances. Fund financial statements start on Exhibit C. For governmental activities, these 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 School District's operations in more detail than the government-wide statements by providing information about the School District's most significant funds.

Reporting the School District as a Whole

Our analysis of the School District as a whole is reflected on Exhibit A and Exhibit B. One of the most important questions asked about the School District's finances is, "Is the School District 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 School District 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 revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. You can think of the School District's net assets – the difference between assets and liabilities – as one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District'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 School District's property tax base and the condition of the School District's capital assets, to assess the overall health of the School District.

All of the School District's basic services are governmental activities. They include regular and special education for Pre Kindergarten through 8th grade, High School costs, support services, administrative services, transportation and other activities. Property taxes and state grants finance most of these activities.

ST. GEORGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

(Continued)

Reporting the School District's Most Significant Funds

The financial statements of the School District's major governmental funds are reflected on Exhibit C through Exhibit E. These fund financial statements provide detailed information about the most significant funds – not the School District as a whole. The School Board establishes the funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money (like grants received from the State of Vermont Department of Education).

Governmental Funds

All of the School District'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 School District'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 School District's programs.

The School District as a Whole

The School District's combined net assets increased by \$23,629 from a year ago – increasing from \$203,844 to \$227,473. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the School District's governmental activities.

Table 1
Net Assets

| | Governmental Activities | | Net Change |
|--------------------------|----------------------------|-------------------|------------------|
| | 2012 | 2011 | |
| Current and other assets | \$ 292,944 | \$ 272,349 | \$ 20,595 |
| Total assets | <u>292,944</u> | <u>272,349</u> | <u>20,595</u> |
| Other liabilities | 65,471 | 68,505 | (3,034) |
| Total liabilities | <u>65,471</u> | <u>68,505</u> | <u>(3,034)</u> |
| Net assets: | | | |
| Unrestricted | 227,473 | 203,844 | 23,629 |
| Total net assets | <u>\$ 227,473</u> | <u>\$ 203,844</u> | <u>\$ 23,629</u> |

ST. GEORGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

(Continued)

Table 2
Change in Net Assets

| | Governmental Activities | | |
|---------------------------------|----------------------------|-------------------|--------------------|
| | <u>2012</u> | <u>2011</u> | <u>Net Change</u> |
| REVENUES | | | |
| Program revenues: | | | |
| Operating grants | \$ 274,131 | \$ 312,027 | \$ (37,896) |
| General revenues: | | | |
| Act 68 State aid | 1,632,576 | 1,583,224 | 49,352 |
| Other general revenues | <u>5,121</u> | <u>10,055</u> | <u>(4,934)</u> |
| Total revenues | <u>1,911,828</u> | <u>1,905,306</u> | <u>6,522</u> |
| PROGRAM EXPENSES | | | |
| Regular instruction and related | 1,335,311 | 1,333,974 | 1,337 |
| Special Education and related | 419,233 | 339,590 | 79,643 |
| Vocational education | 15,541 | 16,860 | (1,319) |
| Education/enrichment | 22,000 | 20,000 | 2,000 |
| Administrative support services | 22,111 | 23,890 | (1,779) |
| Transportation | 58,319 | 51,767 | 6,552 |
| Other grant programs | <u>15,684</u> | <u>17,022</u> | <u>(1,338)</u> |
| Total program expenses | <u>1,888,199</u> | <u>1,803,103</u> | <u>85,096</u> |
| Increase in net assets | <u>\$ 23,629</u> | <u>\$ 102,203</u> | <u>\$ (78,574)</u> |

The School District's total revenues increased by \$6,522 (or 0.3%). The increase in revenues was due primarily to planned increases in spending per pupil supported by increases in ACT 68 State Aid. The total cost of all programs and services increased by \$85,096, (or 4.7%) with no new programs added this year. The increase in costs was associated with a significant increase in special education expenditures at both Williston and Champlain Valley Union.

ST. GEORGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

(Continued)

Governmental Activities

Table 3 presents the cost of each of the School District's largest programs – regular instruction and special education and related 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 School District's taxpayers by each of these functions.

Table 3
Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|--|---------------------------|---------------------|-------------------------|---------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Regular instruction and related services | \$ 1,335,311 | \$ 1,333,974 | \$ 1,312,997 | \$ 1,248,321 |
| Special education and related services | 419,233 | 339,590 | 209,916 | 157,404 |
| All others | 133,655 | 129,539 | 91,155 | 85,351 |
| | <u>\$ 1,888,199</u> | <u>\$ 1,803,103</u> | <u>\$ 1,614,068</u> | <u>\$ 1,491,076</u> |

The School District's Funds

- As the School District completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a fund balance of \$227,473, which is better than last year's total of \$203,844.

General Fund Budgetary Highlights

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

The General Fund ended with a fund balance of \$227,473. Revenues were greater than expenditures by \$23,629, which was \$23,629 better than budget. The largest variances to budget are as follows:

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------------|-----------------|------------|--|
| REVENUES: | | | |
| Grants - State of Vermont | \$ 212,883 | \$ 223,209 | \$ 10,326 |
| Prior year tuition refunds | 0 | 9,584 | 9,584 |
| EXPENDITURES | | | |
| Special education | 380,777 | 419,233 | (38,456) |
| Regular Tuition | 1,379,731 | 1,335,311 | 44,420 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

(Continued)

Overall, the School District increased its fund balance by \$23,629, which was better than budget by \$23,629. The surplus this year is a result of lower tuition expenditures versus budgeted enrollment and the receipt of prior year tuition refunds. This is partially offset by an increase in special education services net of state special education revenue.

Economic Factors and Next Year's Budgets and Rates

The School District's elected and appointed officials considered many factors when setting the fiscal year 2013 budget for school operations. When adopting the budget for fiscal year 2013 school year the School Board took into account the current economic climate, enrollment changes year to year and resulting property tax impacts to changes in the expenditures of the School District.

The School Board settled on a 6.29% decrease in expenditures, tied to a 3.12% increase in property tax rates.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Operations Officer, Chittenden South Supervisory Union, Shelburne, Vermont.

STATEMENT OF NET ASSETS

JUNE 30, 2012

| | <u>Governmental Activities</u> | |
|---|------------------------------------|-----------------------|
| ASSETS | | |
| Cash | \$ 292,728 | |
| Accounts receivable: | | |
| Due from CSSU | <u>216</u> | |
| Total assets | | 292,944 |
| LIABILITIES | | |
| Due to State of Vermont | 6,088 | |
| Due to Champlain Valley Union High School | 27,562 | |
| Due to Williston School District | 16,866 | |
| Deferred revenue | <u>14,955</u> | |
| Total liabilities | | <u>65,471</u> |
| NET ASSETS | | |
| Total net assets (unrestricted) | | <u>\$ 227,473</u> |

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Operating Grants and Contributions</u> | <u>Net (Expenses) Revenues and Changes in Net Assets Governmental Activities</u> |
|--|---------------------|---|--|
| Governmental Activities: | | | |
| Regular instruction and related services | \$ 1,335,311 | \$ 22,314 | \$ (1,312,997) |
| Special education and related services | 419,233 | 209,317 | (209,916) |
| Vocational education | 15,541 | 0 | (15,541) |
| Education/enrichment | 22,000 | 0 | (22,000) |
| Administrative support services | 22,111 | 0 | (22,111) |
| Transportation | 58,319 | 26,816 | (31,503) |
| Other grant programs | 15,684 | 15,684 | 0 |
| Total governmental activities | <u>\$ 1,888,199</u> | <u>\$ 274,131</u> | <u>(1,614,068)</u> |
| General Revenues: | | | |
| Act 68 State aid | | | 1,632,576 |
| Earnings on investments | | | 5,121 |
| Total general revenues | | | <u>1,637,697</u> |
| Change in net assets | | | 23,629 |
| Net assets - June 30, 2011 | | | <u>203,844</u> |
| Net assets - June 30, 2012 | | | <u>\$ 227,473</u> |

BALANCE SHEET

GOVERNMENTAL FUND

JUNE 30, 2012

Governmental
Fund
General Fund

ASSETS

| | |
|----------------------|-------------------|
| Cash in banks | \$ 292,728 |
| Accounts receivable: | |
| Due from CSSU | <u>216</u> |
| Total assets | <u>\$ 292,944</u> |

LIABILITIES AND FUND BALANCE

Liabilities

| | |
|---|---------------|
| Due to State of Vermont | 6,088 |
| Due to Champlain Valley Union High School | 27,562 |
| Due to Williston School District | 16,866 |
| Deferred revenue - Medicaid | <u>14,955</u> |
| Total liabilities | 65,471 |

Fund Balance

| | |
|--|-------------------|
| Assigned fund balance for revenue for future budgets | <u>227,473</u> |
| Total liabilities and fund balance | <u>\$ 292,944</u> |

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2012

| | Governmental Fund <u>General Fund</u> |
|-----------------------------------|---|
| REVENUES | |
| Act 68 State aid | \$ 1,632,576 |
| Grants - State of Vermont | 223,209 |
| Grants - Federal Government | 41,338 |
| Earnings on investments | 5,121 |
| Prior year tuition refunds | 9,584 |
| | <u>1,911,828</u> |
| Total revenues | 1,911,828 |
| EXPENDITURES | |
| Current | |
| Regular programs: | |
| Transportation | 58,319 |
| Tuition | 1,335,311 |
| Special education | 419,233 |
| State tech grant | 15,684 |
| Vocational Education | 15,541 |
| Education/enrichment | 22,000 |
| Board of Education | 10,017 |
| Fiscal management | 2,094 |
| Executive administration | 10,000 |
| | <u>1,888,199</u> |
| Total expenditures | 1,888,199 |
| EXCESS REVENUES OVER EXPENDITURES | 23,629 |
| FUND BALANCE - JUNE 30, 2011 | <u>203,844</u> |
| FUND BALANCE - JUNE 30, 2012 | <u>\$ 227,473</u> |

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

GENERAL FUND

YEAR ENDED JUNE 30, 2012

| | Original Budget | Transfers | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|-------------|------------------|-------------------|--|
| REVENUES | | | | | |
| Act 68 State aid | \$ 1,632,577 | \$ 0 | \$ 1,632,577 | \$ 1,632,576 | \$ (1) |
| Grants - State of Vermont | 212,883 | 0 | 212,883 | 223,209 | 10,326 |
| Grants - Federal Government | 40,546 | 0 | 40,546 | 41,338 | 792 |
| Earnings on investments | 7,500 | 0 | 7,500 | 5,121 | (2,379) |
| Prior year tuition refunds | 0 | 0 | 0 | 9,584 | 9,584 |
| Total revenues | 1,893,506 | 0 | 1,893,506 | 1,911,828 | 18,322 |
| EXPENDITURES | | | | | |
| Regular Programs: | | | | | |
| Transportation | 51,132 | 0 | 51,132 | 58,319 | (7,187) |
| Tuition | 1,379,731 | 0 | 1,379,731 | 1,335,311 | 44,420 |
| Special education | 380,777 | 0 | 380,777 | 419,233 | (38,456) |
| Vocational education | 16,601 | 0 | 16,601 | 15,541 | 1,060 |
| Education/enrichment | 25,000 | 0 | 25,000 | 22,000 | 3,000 |
| Board of Education | 9,422 | 0 | 9,422 | 10,017 | (595) |
| State tech grant | 15,683 | 0 | 15,683 | 15,684 | (1) |
| Fiscal management | 5,160 | 0 | 5,160 | 2,094 | 3,066 |
| Executive administration | 10,000 | 0 | 10,000 | 10,000 | 0 |
| Total expenditures | 1,893,506 | 0 | 1,893,506 | 1,888,199 | 5,307 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | \$ 0 | \$ 0 | \$ 0 | 23,629 | \$ 23,629 |
| FUND BALANCE - JUNE 30, 2011 | | | | 203,844 | |
| FUND BALANCE - JUNE 30, 2012 | | | | \$ 227,473 | |

ST. GEORGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

St. George School District is organized, according to State Law, under the governance of the Board of School Directors to provide public education for the Town of St. George.

The St. George School District is governed by a three member elected Board. The St. George School District, for financial reporting purposes, consists only of the funds of the School District. The St. George School District's elected Board of Directors has no financial accountability for any other governmental entity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The more significant accounting policies established in GAAP and used by the School District are discussed below.

Reporting Entity

The School District's basic financial statements include the accounts of all School operations. The criteria for including organizations as component units within the School District'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 aforementioned criteria, the School District has no component units.

Basic Financial Statements – Government-Wide Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). Both the government-wide and fund financial statements categorize activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The government-wide Statement of Net Assets presents all the School District's activities on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in one part – unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's governmental functions. The functions are also supported by general government revenues (property taxes and other local revenues). The Statement of Activities reduces gross expenses by related program revenues, operating grants and contributions. Program revenues must be directly associated with the governmental function (regular education, special education, etc.). Operating grants include operating-specific and discretionary grants.

ST. GEORGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The net costs (by governmental function) are normally covered by general revenues (property taxes, interest income, etc.).

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

Basic Financial Statements – Fund Financial Statements

The financial transactions of the School District 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, revenue and expenditures/expenses. The various funds are reported by major funds within the financial statements.

The emphasis in fund financial statements is on the major funds in either of the governmental categories. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The General Fund is the only major fund.

The following funds are used by the School District:

Governmental Fund

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 following is a description of the governmental funds of the School District:

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

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures 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. Revenues are recognized when transactions occur and expenses are recognized when transactions are incurred.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)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" means collectible within the current period or within six months after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

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.

Budgets and Budgetary Accounting

The School Board prepares an annual budget based on the transportation, tuition, and debt service expenditures approved by the voters.

Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net resources invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by School District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Fund Equity

GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" 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).

ST. GEORGE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

NOTE 2 – DEPOSITS

The Treasurer invests excess cash in collateralized accounts with the People's United Bank.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2012, the School District's bank balance was not exposed to custodial credit risk. The following is a breakdown of the School's bank deposits at June 30, 2012.

| | |
|------------------------------|-------------------|
| Uninsured and collateralized | <u>\$ 293,141</u> |
|------------------------------|-------------------|

ST. GEORGE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

NOTE 3 – SHORT TERM DEBT

On July 1, 2011, the School District signed a tax anticipation note with People’s United Bank for \$121,000 at 1.74% per annum. Principal and interest of \$2,094 were paid in full June 30, 2012.

The following is a summary of the changes in short term debt:

| | | |
|-------------------------------------|----|------------------|
| Balance June 30, 2011 | \$ | 0 |
| Proceeds from tax anticipation note | | 121,000 |
| Principal payments | | <u>(121,000)</u> |
| Balance June 30, 2012 | \$ | <u>0</u> |

NOTE 4 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, errors and omissions. The District 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 District. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

NOTE 5 – CONCENTRATION OF SUPPORT

The School District receives approximately 85% of its revenue from Act 68 State Aid. The amount of Act 68 State Aid received by the School District is equal to the budgeted expenditures approved by the voters less expected other revenues for the year. Act 68 State Aid is funded with statewide property taxes. The State determines a different education property tax rate for homestead and non-homestead properties based on statewide information. The tax rate on homesteads in St. George is adjusted based on the amount of Act 68 State Aid in relation to the number of students in St. George. The tax rate for non-homestead property in St. George is not impacted by the amount of St. George’s Act 68 State Aid. The State uses a common level of appraisal to equalize property values between communities.

In addition to Act 68 State Aid, the School District receives grants from the State of Vermont for special education, transportation and other programs.

NOTE 6 – CONCENTRATION OF EXPENDITURES

The School District is billed for its share of expenses related to transportation, tuition and special education cost for its students to attend local schools. The School District had expenditures of \$938,938 to Williston Central School and \$714,853 to Champlain Valley Union School District.

ST. GEORGE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

NOTE 7 - CONTINGENCIES

The District 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, 2012, 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 School District expects such amounts, if any, to be immaterial.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 13, 2012, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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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*

September 13, 2012

To the Board of School Directors
St. George School District
St. George, Vermont

We have audited the financial statements of the governmental activities and the major fund of St. George School District, as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 13, 2012. 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 the School District'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 the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District'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 the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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
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