

# 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

August 27, 2009

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

Dear Directors,

We have recently completed our audit of your financial statements as of and for the year ended June 30, 2009. The following are our observations developed during the audit.

## FINANCIAL PERFORMANCE

The General Fund ended with a fund balance of \$5,040. Expenditures were greater than revenues by \$281,053, which was \$161,053 more than budget. Exhibit E, page 12 of the financial statements compares actual results to budget. The largest variances to budget are as follows:

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Grants - State of Vermont	\$ 217,211	\$ 300,730	\$ 83,519
Investment earnings	30,000	10,099	(19,901)
EXPENDITURES			
Special education	346,665	436,019	(89,354)
Regular Tuition	1,359,521	1,482,575	(123,054)
Medicaid	0	19,028	(19,028)

We appreciate the cooperation and helpful assistance we received during our audit. Please call if you have any questions or concerns.

Sincerely,

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

ST. GEORGE SCHOOL DISTRICT  
AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2009

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## INDEPENDENT AUDITOR'S REPORT

August 27, 2009

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, 2009, 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 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, 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 U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2009, 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.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. 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 on it.

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, 2009

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, 2009. 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 decreased by \$281,053, or nearly 98 percent.
- The cost of all of the School District's programs was \$2,078,791 this year, with no new programs added this year.
- The General Fund reported a deficit this year of \$281,053 which was \$161,053 more 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, 2009

(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 decreased by \$281,053 from a year ago – decreasing from \$286,093 to \$5,040. 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
	2009	2008	
Current and other assets	\$ 95,022	\$ 304,985	\$ (209,963)
Total assets	95,022	304,985	(209,963)
Other liabilities	89,982	18,892	71,090
Total liabilities	89,982	18,892	71,090
Net assets:			
Unrestricted	5,040	286,093	(281,053)
Total net assets	\$ 5,040	\$ 286,093	\$ (281,053)

ST. GEORGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009  
(Continued)

Table 2  
Change in Net Assets

	Governmental Activities		Net Change
	2009	2008	
<b>REVENUES</b>			
Program revenues:			
Operating grants	\$ 328,544	\$ 226,878	\$ 101,666
General revenues:			
Act 68 State aid	1,459,095	1,285,116	173,979
Other general revenues	10,099	29,151	(19,052)
Total revenues	<u>1,797,738</u>	<u>1,541,145</u>	<u>256,593</u>
<b>PROGRAM EXPENSES</b>			
Regular instruction and related	1,482,575	1,301,767	180,808
Special Education and related	436,019	310,966	125,053
Vocational education	19,995	19,856	139
Education/enrichment	19,066	20,273	(1,207)
Administrative support services	24,787	24,947	(160)
Transportation	57,392	47,773	9,619
Other grant programs	38,957	21,805	17,152
Total program expenses	<u>2,078,791</u>	<u>1,747,387</u>	<u>331,404</u>
Decrease in net assets	<u>\$ (281,053)</u>	<u>\$ (206,242)</u>	<u>\$ (74,811)</u>

The School District's total revenues increased by \$256,593 (or 17%). The increase in revenues was due primarily to planned increases in spending per pupil supported by increases in ACT 68 State Aid, and direct reimbursement for increases in special education expenditures. The total cost of all programs and services increased by \$331,404, (or 19%) with no new programs added this year. The increase in costs was associated with significant increases in enrollment at both Williston and Champlain Valley Union High School and sharp increases in special education expenditures at the same schools.

ST. GEORGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

(Continued)

*Governmental Activities*

Property tax rates for the School District increased by 19% from fiscal year 2008 due to increase in spending per pupil and lowering the use of prior year fund balance.

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	
	2009	2008	2009	2008
Regular instruction and related services	\$ 1,482,575	\$ 1,301,767	\$ 1,482,575	\$ 1,301,767
Special education and related services	436,019	310,966	170,039	126,472
All others	160,197	134,654	97,633	92,270
	<u>\$ 2,078,791</u>	<u>\$ 1,747,387</u>	<u>\$ 1,750,247</u>	<u>\$ 1,520,509</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 combined fund balance of \$5,040, which is less than last year's total of \$286,093.

*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.

Overall, the School District used \$281,053 of its fund balance, which was more than budget by \$161,053. The deficit this year came from higher than anticipated special education reimbursements and higher than anticipated tuition expenses because of an increase in student enrollment.

ST. GEORGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

(Continued)

**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 2010 budget for school operations. When adopting the budget for fiscal year 2010 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 7% increase in expenditures, tied to a 14% 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, 2009

	<u>Governmental Activities</u>	
ASSETS		
Cash	\$ 91,925	
Accounts receivable:		
State of Vermont	<u>3,097</u>	
 Total assets		 95,022
LIABILITIES		
Due to State of Vermont	8,314	
Due to Champlain Valley High School	67,886	
Due to Williston School District	8,861	
Deferred revenue	<u>4,921</u>	
 Total liabilities		 <u>89,982</u>
NET ASSETS		
 Total net assets (unrestricted)		 <u><u>\$ 5,040</u></u>

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

<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	\$ 1,482,575	\$ 0	\$ (1,482,575)
Special education and related services	436,019	265,980	(170,039)
Vocational education	19,995	0	(19,995)
Education/enrichment	19,066	0	(19,066)
Administrative support services	24,787	0	(24,787)
Transportation	57,392	23,607	(33,785)
Other grant programs	38,957	38,957	0
Total governmental activities	<u>\$ 2,078,791</u>	<u>\$ 328,544</u>	<u>(1,750,247)</u>
General Revenues:			
Act 68 State aid			1,459,095
Earnings on investments			10,099
Total general revenues			<u>1,469,194</u>
Change in net assets			(281,053)
Net assets - June 30, 2008			<u>286,093</u>
Net assets - June 30, 2009			<u>\$ 5,040</u>

## BALANCE SHEET

## GOVERNMENTAL FUND

JUNE 30, 2009

Governmental  
Fund  
General Fund

## ASSETS

Cash in banks	\$ 91,925
Accounts receivable: State of Vermont	<u>3,097</u>
Total assets	<u>\$ 95,022</u>

## LIABILITIES AND FUND BALANCE

## Liabilities

Due to State of Vermont	\$ 8,314
Due to Champlain Valley Union High School	67,886
Due to Williston School District	8,861
Deferred revenue - Medicaid	<u>4,921</u>
Total liabilities	89,982

## Fund Balance

Unreserved fund balance	<u>5,040</u>
Total liabilities and fund balance	<u>\$ 95,022</u>

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

## GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2009

	Governmental Fund <u>General Fund</u>
REVENUES	
Act 68 State aid	\$ 1,459,095
Grants - State of Vermont	300,730
Grants - Federal Government	27,814
Earnings on investments	<u>10,099</u>
Total revenues	<u>1,797,738</u>
EXPENDITURES	
Current	
Regular programs:	
Transportation	57,392
Tuition	1,482,575
Special education	436,019
State tech grant	19,929
Medicaid	19,028
Vocational Education	19,995
Education/enrichment	19,066
Board of Education	7,787
Fiscal services	7,000
Executive administration	<u>10,000</u>
Total expenditures	<u>2,078,791</u>
EXCESS EXPENDITURES OVER REVENUES	(281,053)
FUND BALANCE - JUNE 30, 2008	<u>286,093</u>
FUND BALANCE - JUNE 30, 2009	<u>\$ 5,040</u>

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)
<b>REVENUES</b>			
Act 68 State aid	\$ 1,459,095	\$ 1,459,095	\$ 0
Grants - State of Vermont	217,211	300,730	83,519
Grants - Federal Government	26,734	27,814	1,080
Earnings on investments	30,000	10,099	(19,901)
	<u>1,733,040</u>	<u>1,797,738</u>	<u>64,698</u>
<b>EXPENDITURES</b>			
Regular Programs:			
Transportation	58,738	57,392	1,346
Tuition	1,359,521	1,482,575	(123,054)
Special education	346,665	436,019	(89,354)
Vocational education	21,472	19,995	1,477
Medicaid	0	19,028	(19,028)
Education/enrichment	20,000	19,066	934
Board of Education	9,715	7,787	1,928
State tech grant	19,929	19,929	0
Fiscal services	7,000	7,000	0
Executive administration	10,000	10,000	0
	<u>1,853,040</u>	<u>2,078,791</u>	<u>(225,751)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (120,000)</u>	(281,053)	<u>\$ (161,053)</u>
FUND BALANCE - JUNE 30, 2008		<u>286,093</u>	
FUND BALANCE - JUNE 30, 2009		<u>\$ 5,040</u>	

ST. GEORGE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily 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 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, as 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, 2009  
(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.

ST. GEORGE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009  
(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 U.S. generally accepted accounting principles 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.

*Transportation and Tuition*

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 expenses of \$1,030,399 to Williston Central School and \$753,940 to Champlain Valley Union School District.

*Net Assets*

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets 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 for their use by School District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

*Fund Equity*

The fund equity in the fund financial statements is classified into the following category:

Unreserved fund balances - Indicates the portion of fund equity that is available for appropriation and expenditure in future periods.

Reserved fund balances - Indicates the portion of fund equity that has been legally segregated for specific future uses or not available for appropriation.

ST. GEORGE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009  
(Continued)

**NOTE 2 – DEPOSITS**

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

*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, 2009, 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, 2009.

Insured and collateralized	\$ 92,285
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**NOTE 3 - TAXES**

The legal voters of the Town of St. George at their annual Town Meeting approve a total budget on behalf of the St. George School District, the amount of which is based on tuition at the announced rates of the receiving schools and voter approved transportation rates and debt service. The Town bills and collects all taxes on behalf of the School District. All costs incurred in collecting taxes are borne by the Town and the full amount of the tax levied is remitted to the District.

**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 81% 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 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2009, expenditures exceeded appropriations in the General Fund by \$225,751. The excess expenditures were funded by available fund balance.

ST. GEORGE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

**NOTE 8 – SUBSEQUENT EVENT**

On July 1, 2009, the School District signed a tax anticipation note with the Chittenden Bank for \$122,000 at 1.69% per annum with principal and interest due June 30, 2010.

# 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

## **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***

August 27, 2009

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, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 27, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 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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