

Southwest Vermont Regional Technical School District

**Financial Statements and Required
Report as of
June 30, 2011
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

October 17, 2011

To the Board of School Directors
Southwest Vermont Regional Technical School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southwest Vermont Regional Technical School District as of and for the year ended June 30, 2011, 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 Southwest Vermont Regional Technical 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 the 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, each major fund, and the aggregate remaining fund information of Southwest Vermont Regional Technical School District, as of June 30, 2011, and the respective changes in financial position thereof 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 October 17, 2011, on our consideration of Southwest Vermont Regional Technical School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

6 Wembley Court
Albany, NY 12205-5808
p (518) 464-4080
f (518) 464-4087

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(Continued)

INDEPENDENT AUDITORS' REPORT

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 32 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.

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SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2011. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District's 2010-11 actual revenue exceeded its budgeted revenue by \$72,200. This is due primarily to increased State Aid resulting from increased enrollment. This favorable variance was \$89,965.
- The School District's 2010-11 expenditures were under expended by \$77,458. This is primarily due to significant variances as follows:
 - Direct Instruction had a favorable variance of \$40,862; this is primarily due to the availability of grant funds for Culinary Arts start-up costs.
 - Plant Maintenance had a favorable variance of \$30,016, due to light use of maintenance and safety funds.
 - Voter authorized reserves had an unfavorable variance of (\$69,272) due to the purchase of a new activity bus for \$47,272 (net cost after trade-in) and roof repair of \$82,000.
- The School District ended June 30, 2011 with a \$149,658 net favorable budget variance.
- General fund balance for fiscal year 2011 is \$679,792. The fund balance is comprised of the following: \$21,841 for voter approved reserve funds for capital improvements, \$68,986 for voter approved reserve funds for equipment, \$365,404 is appropriated to balance the 2012 budget as a revenue offset, and \$223,561 is the unassigned and non-spendable fund balance, available for revenue for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion & Analysis (MD&A) (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are district-wide financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operation in *more detail* than the district-wide statements.
- The *governmental fund statements* tell how basic services, such as instruction and support functions, were financed in the short-term, as well as what remains for future spending.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- *Fiduciary funds statements* provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that provide additional information about the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1 Organization of the School District's Annual Financial Report

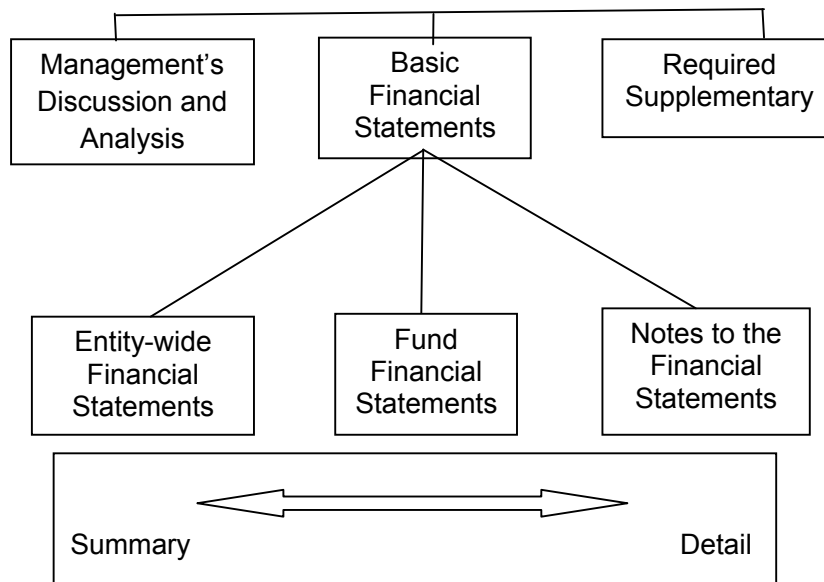


Table A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-2 Major Features of the District-Wide and Fund Financial Statements

		Fund Financial Statements	
	School District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The day-to-day operating activities of the School District, such as instruction and special education.	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Current assets and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

District-Wide Statements

The District-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

District Wide Statements (Continued)

The two District-wide statements report the School District's *net assets* and how they have changed. Net assets – the difference between the School District's assets and liabilities – are one way to measure the School District's financial health or position.

- Over time, increases or decreases in the School District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the School District, additional nonfinancial factors, such as the impact of certain legislative changes to technical education regulations and the condition of buildings and other facilities, should be considered.

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources, dollars, are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net assets:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net assets balances as follows:
 - Net assets invested in capital assets, net of debt.
 - Restricted net assets are those with constraints placed on use by external sources or imposed by law.
 - Unrestricted net assets are net assets that do not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law.
- Other funds are established to control and manage money for particular purposes (such as repayment of long-term debts) or to show that it is properly using certain revenue (such as federal grants).

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the School District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General Fund, Carl Perkins Fund, Adult Education Fund, Equipment Grant Fund, and Program Innovation Grant Fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Table A-3 Condensed Statement of Net Assets

	Fiscal Year 2011	Fiscal Year 2010	Percent Change
Cash and other current assets	\$ 740,150	\$ 1,018,025	-27.30%
Capital assets - Net	<u>808,282</u>	<u>664,858</u>	21.57%
Total assets	<u>1,548,432</u>	<u>1,682,883</u>	-7.99%
Current liabilities	44,329	100,955	-56.09%
Long-term liabilities	<u>100,817</u>	<u>35,793</u>	181.67%
Total liabilities	<u>145,146</u>	<u>136,748</u>	6.14%
Net assets:			
Investment in capital assets, net of related debt	808,282	664,858	21.57%
Restricted	90,827	164,730	-44.86%
Unrestricted	<u>504,177</u>	<u>716,547</u>	-29.64%
Total net assets	<u>\$ 1,403,286</u>	<u>\$ 1,546,135</u>	-9.24%

Current and other assets decreased primarily due to a decrease of cash and equivalents of \$277,875. This is due to investments in a new program, investments in equipment and a major capital improvement. Current liabilities decreased primarily due to prompt year-end purchasing and prompt receipt and payment of the related invoices. The increase in long-term liabilities is because more employees became eligible in FY 2011 for contractual retirement / separation payouts, than in FY 2010.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Changes in Net Assets

The School District's fiscal year 2011 revenue totaled \$3,458,042 (see Table A-4). Charges for services and operating grants accounted for most of the School District's revenue by contributing 28% and 69% respectively (see Table A-5). The remainder came from other miscellaneous sources.

The total cost of all programs and services totaled \$3,600,891 for 2011. The majority of this amount is used to support regular programs (see Table A-6).

Net Assets decreased during the year by \$142,849.

Table A-4 Changes in Net Assets from Operating Results:

	Fiscal Year 2011	Fiscal Year 2010	Percent Change
Revenue:			
Charges for services	\$ 957,352	\$ 1,104,165	-13.30%
Operating grants	2,395,368	2,207,192	8.53%
Capital grants	28,235	28,235	0.00%
General revenue:			
Interest	4,553	7,556	-39.74%
Other	72,534	120,925	-40.02%
Total revenue	<u>3,458,042</u>	<u>3,468,073</u>	-0.29%
Expenses:			
Direct instruction	2,347,820	2,117,840	10.86%
General and administrative	506,403	468,480	8.09%
Support services - students	244,403	243,381	0.42%
Support services - technology	112,145	103,011	8.87%
Plant maintenance and safety	306,184	274,359	11.60%
Pupil transportation	41,042	40,952	0.22%
Board of education	34,557	36,737	-5.93%
Student organization	8,337	8,223	1.39%
Total expenses	<u>3,600,891</u>	<u>3,292,983</u>	9.35%
Increase (decrease) in net assets	<u>\$ (142,849)</u>	<u>\$ 175,090</u>	181.59%

- Charges for services decreased and operating grants increased due to an increase in the six semester rolling average (FTE's) for FY 2011. The increase in the base education spending amount increases the operating grant amount received which allows the District to decrease the tuition charged.
- Interest income decreased due to declining interest rates. The average rate paid for the year for funds on deposit was .41%.
- Other revenue decreased due to decreased revenue for adult education. The poor economy has caused a drop of grant funds and corporate spending for adult training.
- Direct instruction increased due to the development of a new program.
- General and administrative increased due to severance benefits and legal fees.
- The increase in plant safety and maintenance is primarily due to the purchase of security system equipment totaling \$41,047 in FY 2010 which was capitalized. The investment in plant safety and maintenance equipment was not present to offset expenses in FY 2011.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Table A-5 Sources of Revenue for 2011

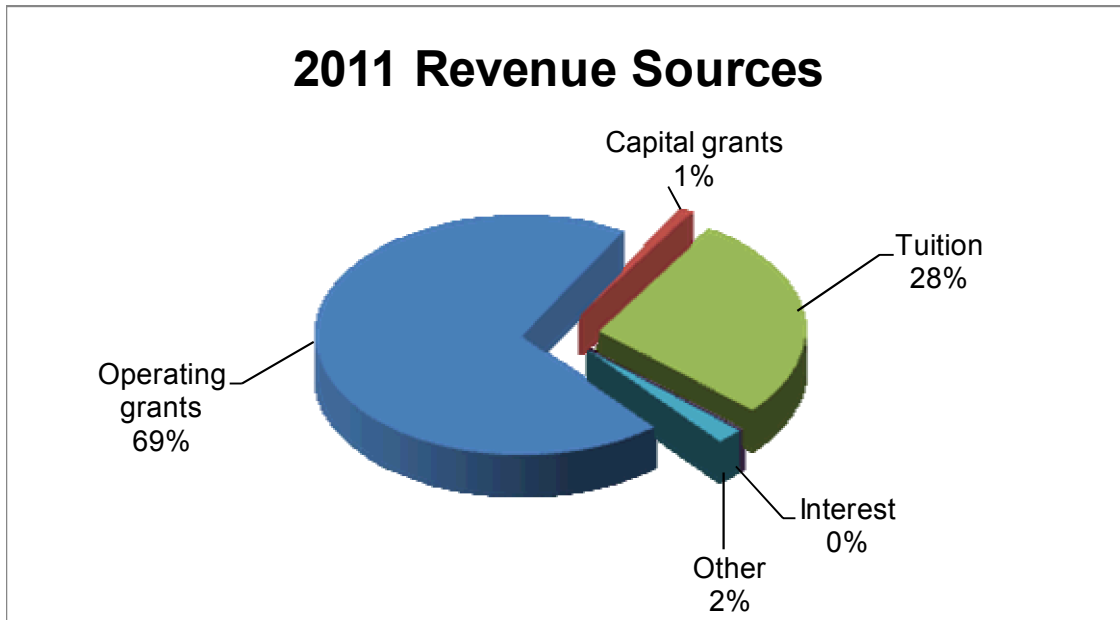
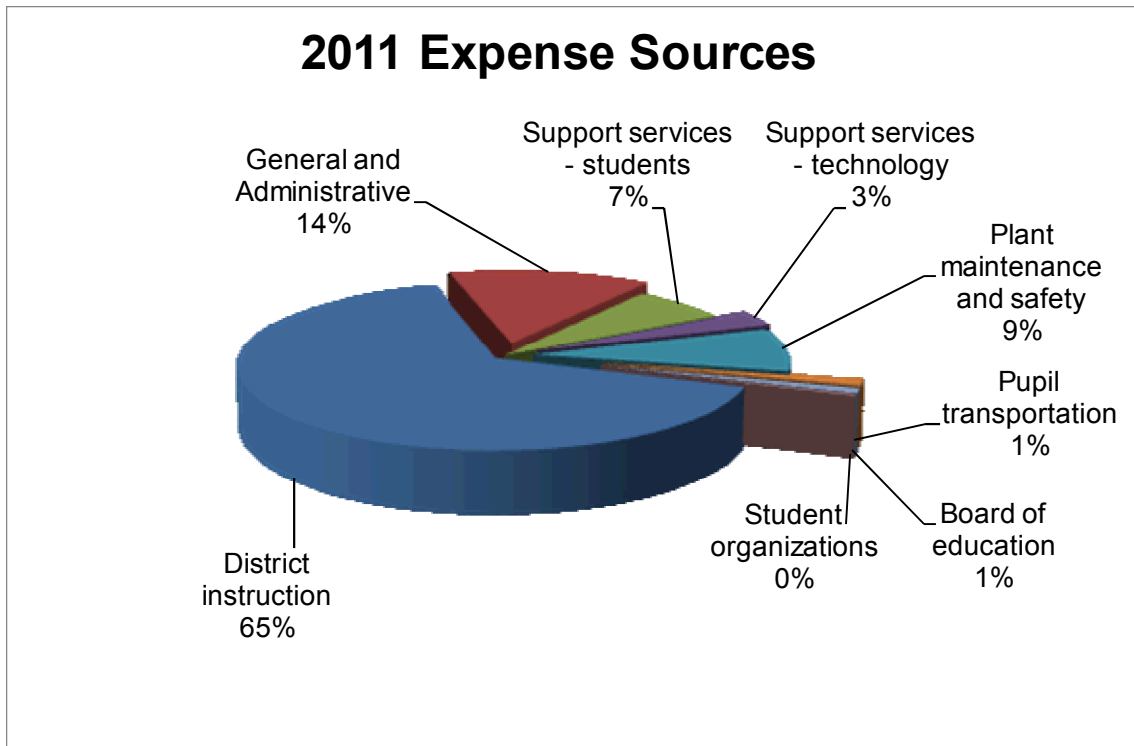


Table A-6 Sources of Expenses for 2011



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Governmental Activities

Revenue for the School District's governmental activities totaled \$3,458,042 while total expenses equaled \$3,600,891 resulting in a negative change in net assets of \$142,849.

Table A-7 presents the cost of all of the School District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and aid provided for specific programs). The net cost shows the effects of these functions.

Table A-7 Net Cost of Governmental Activities:

	Total Cost Of Services <u>2011</u>	Total Cost Of Services <u>2010</u>	Percent Change	Net Cost Of Services <u>2011</u>	Net Cost Of Services <u>2010</u>	Percent Change
Functions:						
District instruction	\$ 2,347,820	\$ 2,117,840	10.86%	\$ (1,007,510)	\$ (1,178,475)	-14.51%
General and administrative	506,403	468,480	8.09%	506,403	468,480	8.09%
Plant maintenance and safety	306,184	274,359	11.60%	306,184	274,359	11.60%
Support services	356,548	346,392	2.93%	356,548	346,392	2.93%
Pupil transportation	41,042	40,952	0.22%	15,417	(2,325)	-763.10%
Board of education	34,557	36,737	-5.93%	34,557	36,737	-5.93%
Student organizations	<u>8,337</u>	<u>8,223</u>	1.39%	<u>8,337</u>	<u>8,223</u>	1.39%
Total	<u>\$ 3,600,891</u>	<u>\$ 3,292,983</u>	9.35%	<u>\$ 219,936</u>	<u>\$ (46,609)</u>	-571.87%

- The cost of all governmental activities for the year was \$3,600,891.
- Charges to users, primarily tuition, amounted to \$957,352 for the year ended June 30, 2011, compared to \$1,104,165 in the prior year.
- The federal and state government financed \$2,423,603 of the costs through operating and capital grants.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Variances between years for the governmental fund financial statement are not the same as variances between years for the School District-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

Governmental Funds Highlights

General Fund – The School District ended June 30, 2011 with a \$149,658 net favorable budget variance. This was derived from adding \$72,200 in excess revenue and \$77,458 from the expenditure surplus.

Carl Perkins Fund – Perkins Funds grant revenue was \$176,327 in FY 2011, and \$173,504 in FY 2010.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

General Fund Highlights (Continued)

Adult Education Fund – Adult Education expenses were \$172,328 in FY 2011 and \$212,220 in FY 2010.

Equipment Grant Fund – Equipment Funds were \$28,235 in FY 2010 and FY 2011.

Program Innovation Grant Fund – This is a new grant in FY2011 and was for \$48,000.

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the general fund.

Results vs. Budget

	Original Budget	Final Budget	Actual	Variance
Revenue:				
Tuition	\$ 904,031	\$ 904,031	\$ 895,365	\$ (8,666)
State aid	2,028,865	2,028,865	2,118,830	89,965
Interest income	15,000	15,000	4,553	(10,447)
Other revenue	<u>31,000</u>	<u>31,000</u>	<u>32,348</u>	<u>1,348</u>
Total revenue	<u>2,978,896</u>	<u>2,978,896</u>	<u>3,051,096</u>	<u>72,200</u>
Expenditures:				
Direct instruction	1,841,434	1,935,496	1,894,634	40,862
General and administrative	495,327	511,717	506,879	4,838
Plant maintenance and safety	408,091	320,863	290,847	30,016
Support services - students	252,346	252,346	243,033	9,313
Support services - technology	110,658	112,754	112,563	191
SVSU assessments and purchased services	4,500	-	-	-
Pupil transportation	32,573	32,573	34,279	(1,706)
Board of education	37,665	35,150	34,557	593
Student organizations	8,000	8,000	8,337	(337)
Voter authorized reserves	60,000	60,000	129,272	(69,272)
Contingency	<u>81,265</u>	<u>62,960</u>	<u>-</u>	<u>62,960</u>
Total expenses	<u>3,331,859</u>	<u>3,331,859</u>	<u>3,254,401</u>	<u>77,458</u>
Net change in fund balance	(352,963)	(352,963)	(203,305)	149,658
Fund balance - beginning of year	<u>883,097</u>	<u>883,097</u>	<u>883,097</u>	
Fund balance - end of year	<u>\$ 530,134</u>	<u>\$ 530,134</u>	<u>\$ 679,792</u>	

The general fund is the only fund for which a budget is legally adopted.

Management considers expenditure budget variances of \$10,000 and +/- 10% to be significant.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

General Fund Budgetary Highlights (Continued)

- State aid revenue came in more than budgeted due to an increase in the base education spending amount, caused by an increase in FTE's.
- Interest income had an unfavorable variance due to declining interest rates. The average rate paid for the year for funds on deposit was .41%.
- Direct instruction had a favorable variance due to grant funds received for the culinary arts project.
- Plant maintenance had a favorable variance due to the underutilization of funds for repairs and maintenance.
- Pupil transportation had an unfavorable variance due to increased fuel usage and the price of fuel in general.
- Voter approved reserved had an unfavorable variance due to the purchase of an activity bus and a major roof repair project.
- Contingency was less than budgeted due to the fact that these funds were not used.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2011, the School District had \$808,282 invested in a broad range of capital assets including, buildings, computers and other educational equipment.

Table A-8 Capital assets, net of accumulated depreciation

	Fiscal Year <u>2011</u>	Fiscal Year <u>2010</u>
Leasehold improvements	\$ 8,836	\$ 12,839
Furniture and equipment	<u>799,446</u>	<u>652,019</u>
Total	<u>\$ 808,282</u>	<u>\$ 664,858</u>

Long-Term Liabilities

As of June 30, 2011, the School District has \$100,817 in other long-term liabilities outstanding consisting entirely of compensated absences. More detailed information about the School District's long term liabilities is included in the notes to the financial statements.

	Fiscal Year <u>2011</u>	Fiscal Year <u>2010</u>
Compensated absences	<u>\$ 100,817</u>	<u>\$ 35,793</u>
Total	<u>\$ 100,817</u>	<u>\$ 35,793</u>

FACTORS BEARING ON THE FUTURE OF THE SCHOOL DISTRICT

At the time these financial statements were prepared and audited, the School District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Once again, the School District was able to complete the fiscal year without having to borrow money. Not having the resulting interest expense allowed the District to fund other expenditures such as direct instruction.
- A spike in FTE's for Semester 1 & 2 - 2010, and Semester 1 for 2011 allowed for the decrease in local tuition rates for fiscal years 2011 and 2012. While increased FTE's allow for additional revenue, there is always increased expense required to service those additional students.
- The District completed the first phase of the development of the culinary arts program. This was the setup of the kitchen. The second phase is the setup of the classroom / dining area. This will be much less extensive than the first and is expected to be completed this year.
- Various outreach activities have spawned increased awareness of the School District as a whole.
- Uncertainty as the outcome of the "Governance Study", pursuant to the departure of our first Superintendent in January 2011. The Regional Governing Board has hired MGT of America to undertake this study commencing in November 2011.
- Uncertainty as to the impact on the District's future budget(s), due to the poor economy.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the School District and to demonstrate the School District's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact:

Southwest Vermont Regional Technical School District
Mr. Greg Lewis, Business Manager
321 Park Street
Bennington, VT 05201

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2011

ASSETS

CURRENT ASSETS:

Cash - Unrestricted	\$ 684,193
Accounts receivable	12,752
Prepaid expenses	<u>43,205</u>

Total current assets 740,150

NONCURRENT ASSETS:

Capital assets, net	<u>808,282</u>
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TOTAL ASSETS 1,548,432

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	32,328
Deferred Revenue	7,250
Accrued expenses	<u>4,751</u>

Total current liabilities 44,329

LONG-TERM LIABILITIES:

Compensated absences payable	<u>100,817</u>
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TOTAL LIABILITIES 145,146

NET ASSETS

Investment in capital assets, net of related debt	808,282
Restricted	90,827
Unrestricted	<u>504,177</u>

TOTAL NET ASSETS \$ 1,403,286

The accompanying notes are an integral part of these statements.

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

GOVERNMENTAL ACTIVITIES	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
FUNCTIONS/PROGRAMS:					
Direct instruction	\$ 2,347,820	\$ 931,727	\$ 2,395,368	\$ 28,235	\$ 1,007,510
General and administrative	506,403	-	-	-	(506,403)
Plant maintenance and safety	306,184	-	-	-	(306,184)
Support services - students	244,403	-	-	-	(244,403)
Support services - technology	112,145	-	-	-	(112,145)
Pupil transportation	41,042	25,625	-	-	(15,417)
Board of education	34,557	-	-	-	(34,557)
Student organizations	8,337	-	-	-	(8,337)
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 3,600,891</u>	<u>\$ 957,352</u>	<u>\$ 2,395,368</u>	<u>\$ 28,235</u>	<u>(219,936)</u>
GENERAL REVENUE:					
Interest income					4,553
Miscellaneous					72,534
TOTAL GENERAL REVENUE					<u>77,087</u>
CHANGE IN NET ASSETS					<u>(142,849)</u>
NET ASSETS - beginning of year					<u>1,546,135</u>
TOTAL NET ASSETS - end of year					<u>\$ 1,403,286</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENT FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO GOVERNMENT-WIDE NET ASSETS
JUNE 30, 2011**

	<u>Government Fund Types</u>			<u>Total Government Funds</u>
	<u>General</u>	<u>Carl Perkins</u>	<u>Adult Education</u>	
ASSETS				
Cash - Unrestricted	\$ 668,164	\$ -	\$ 16,029	\$ 684,193
Accounts receivable	7,750	-	5,002	12,752
Prepaid expenses	42,023	1,182	-	43,205
Due from other funds	6,184	-	-	6,184
TOTAL ASSETS	\$ 724,121	\$ 1,182	\$ 21,031	\$ 746,334
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 32,328	\$ -	\$ -	\$ 32,328
Accrued liabilities	4,751	-	-	4,751
Deferred revenue	7,250	-	-	7,250
Due to other funds	-	1,182	5,002	6,184
TOTAL LIABILITIES	44,329	1,182	5,002	50,513
FUND BALANCES:				
Non-spendable				
Prepaid expenses	42,023	1,182	-	43,205
Restricted:				
Capital improvements	21,841	-	-	21,841
Equipment	68,986	-	-	68,986
Total restricted fund balance	90,827	-	-	90,827
Assigned				
Appropriated for subsequent years expenditures	365,404	-	33,973	399,377
Unassigned	181,538	(1,182)	(17,944)	162,412
TOTAL FUND BALANCES	679,792	-	16,029	695,821
TOTAL LIABILITIES AND FUND BALANCES	\$ 724,121	\$ 1,182	\$ 21,031	\$ 746,334

A reconciliation of total governmental fund balance to government-wide net assets:

Total governmental fund balances per above.	\$ 695,821
Capital assets used in governmental activities are not financial resources and, therefore, are not in the funds.	808,282
Compensated absences are not due and payable in the current period and therefore, are not reported in the funds	(100,817)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 1,403,286

The accompanying notes are an integral part of these statements.

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	General	Carl Perkins	Adult Education	Equipment Grant	Program Innovation Grant	Total Government Funds
REVENUE:						
Tuition	\$ 895,365	\$ -	\$ 36,362	\$ -	\$ -	\$ 931,727
State aid	2,118,830	-	41,511	28,235	-	2,188,576
Federal aid	-	176,327	10,700	-	48,000	235,027
Interest income	4,553	-	-	-	-	4,553
Other revenue	32,348	-	65,811	-	-	98,159
Total revenue	3,051,096	176,327	154,384	28,235	48,000	3,458,042
EXPENDITURES:						
Direct instruction	1,894,634	176,327	172,328	28,235	48,000	2,319,524
General and administrative	506,879	-	-	-	-	506,879
Plant maintenance and safety	290,847	-	-	-	-	290,847
Support services - students	243,033	-	-	-	-	243,033
Support services - technology	112,563	-	-	-	-	112,563
Pupil transportation	34,279	-	-	-	-	34,279
Board of education	34,557	-	-	-	-	34,557
Voter authorized reserves	129,272	-	-	-	-	129,272
Student organizations	8,337	-	-	-	-	8,337
Total expenditures	3,254,401	176,327	172,328	28,235	48,000	3,679,291
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(203,305)	-	(17,944)	-	-	(221,249)
FUND BALANCES - beginning of year	883,097	-	33,973	-	-	917,070
FUND BALANCES - end of year	\$ 679,792	\$ -	\$ 16,029	\$ -	\$ -	\$ 695,821

The accompanying notes are an integral part of these statements.

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Net changes in fund balance - Total governmental funds	\$ (221,249)
Capital outlays, net of disposals, are expenditures in governmental funds, but are capitalized in the statement of net assets	278,346
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(134,922)
Non-current accrued compensated absences are not recorded as an expenditure in the governmental funds. This amount represents the decrease in accrued vested sick pay in the governmental funds	<u>(65,024)</u>
Change in net assets - Governmental activities	<u>\$ (142,849)</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2011**

	Private Purpose Trust	Agency
ASSETS:		
Cash - restricted	\$ 2,067	\$ 47,552
Total assets	<u>\$ 2,067</u>	<u>\$ 47,552</u>
LIABILITIES:		
Student activity balances	\$ -	\$ 44,976
Child care liability	-	<u>2,576</u>
Total liabilities	<u>-</u>	<u>\$ 47,552</u>
NET ASSETS:		
Reserved for scholarships	<u>\$ 2,067</u>	

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Private Purpose Trust
ADDITIONS:	
Investment earnings	<u>\$ 8</u>
DEDUCTIONS:	
Scholarships and awards	<u>500</u>
NET DECREASE	(492)
NET ASSETS - beginning of year	<u>2,559</u>
NET ASSETS - end of year	<u>\$ 2,067</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. NATURE OF OPERATIONS

Southwest Vermont Regional Technical School District (the "School District" or "District") is a local government created in April 2003 by an act of the Vermont Legislature. The District provides technical education to junior and senior high school students from districts within the region. The region consists of the communities of Bennington, North Bennington, Pownal, Shaftsbury, Woodford, Arlington, Dorset, Glastenbury, Manchester, Readsboro, Sandgate, Searsburg, Stamford and Sunderland.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Southwest Vermont Regional Technical School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies utilized by the School District are described below:

Reporting Entity

The School District is governed by the laws of Vermont. The basic financial statements of Southwest Vermont Regional Technical School District include the financial activity of the general fund and special revenue funds because they are under the direct control of the Board of School Directors. Also included in these financial statements are trust and agency funds. These components are included because the board has fiduciary responsibility for such funds.

The reporting entity of the School District is based upon criteria set forth by generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of an entity included in the School District's reporting entity.

Basis of Presentation

The School District's financial statements consist of school district-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and fund level financial statements which provide more detailed information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

School District-Wide Statements

The statement of net assets and the statement of activities present financial information about the School District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through tuition charges, state and federal aid, intergovernmental revenue, and other exchange and non-exchange transactions.

Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between program expenses and revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue includes charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including miscellaneous revenue, is presented as general revenue.

Fund Financial Statements

The fund statements provide information about the School District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The accounts of the School District are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the School District are as follows:

General Fund: The General Fund is used to account for all revenue and expenditures applicable to the general operations of the District. All general operating revenues which are not restricted as to use by sources external to the District are recorded in the General Fund.

Special Revenue Funds: The Special Revenue Funds are operating funds for which the use of revenue is restricted, generally by federal and state governments. The District has four Special Revenue Funds; Carl Perkins, Adult Education, Equipment Grant, and Program Innovation Grant.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governmental units, and/or other funds.

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the School District-wide financial statements because their resources do not belong to the School District and are not available to be used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fiduciary Fund Types (Continued)

There are two types of fiduciary funds:

- Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefits individuals, private organizations, or other governments. The District has one Private Purpose Trust Fund: the James W. Quinn Memorial Scholarship Fund.
- Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds.

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 the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The School District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the School District gives or receives value without directly receiving or giving equal value in exchange include assessments, grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The School District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash

The School District's cash consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Vermont State law governs the School District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash (Continued)

Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of Vermont State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts.

Accounts Receivable

Accounts receivable are shown gross. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenue to provide financing or other services.

In the District-wide statements, the amounts reported on the Statement of Net Assets for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

See Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenue activity

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2002. For assets acquired prior to July 1, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the School District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 10,000	N/A	N/A
Leasehold improvements	\$ 25,000	SL	7-50
Furniture and equipment	\$ 2,500	SL	5-10
Motor vehicle	\$ 5,000	SL	8

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Procedures and Budgetary Accounting

Budget is managed annually on a basis consistent with generally accepted accounting principles.

The School District follows these procedures in establishing the budgetary data for the general fund reflected in the general purpose financial statements:

1. The Business Manager and the Director/Superintendent prepares the annual operating budget for the School District's year ending June 30. The finance committee reviews the budget and makes any changes that it deems appropriate. The operating budget includes proposed expenditures and the means of financing them. The budget is then submitted to the full school board for its approval.
2. After the budget is adopted, the School District disseminates a copy of the operating budget and notice of the annual meeting of the School District to discuss the budget.
3. In March, the annual School District floor meeting is held for all legal votes of the service region (Arlington, Bennington, Dorset, Glastenbury, Manchester, North Bennington, Pownal, Readsboro, Sandgate, Searsburg, Shaftsbury, Stamford, Sunderland, and Woodford) for the School District. On the day following the floor meeting, the budget is legally enacted by voting which will take place at large by Australian Ballot.
4. Budget revisions, which would increase the amount of total budgeted expenditures, must be approved by another vote from the entire service region.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget for the general fund is as adopted using the modified accrual basis. The total budgeted amount of expenditures is as originally adopted. Transfers between expenditure categories have occurred during the year.

Vested Employee Benefits

Other Benefits

Vermont Municipal Employees' Retirement System: the School District funds accrued pension cost. Certain School District employees are members of the state administered Vermont Municipal Employees' Retirement System. Under Vermont statutes, the School District and its employees each contribute a statutory percentage of compensation to the system. Any remaining actuarial liability of the retirement system is funded by the State of Vermont.

State Teachers' Retirement System of Vermont: Teachers who are full-time employees of the School District are members of the State Teachers' Retirement System of Vermont. Under Vermont statutes, the School District employees contribute a statutory percentage of compensation to the system. Any remaining actuarial liability of the retirement system is funded by the State of Vermont.

Compensated Absences

The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the governmental funds inasmuch as it will be funded from current financial resources and the government-wide statements for amounts to be paid from future financial resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vested Employee Benefits (Continued)

Compensated Absences (Continued)

The School District recognizes a liability for sick leave and additional salary related payments as the benefits are earned by the employees, based on the rendering of past service and the probability that the employees will be compensated for the benefits through pay or some other means. This includes sick leave that was earned but not used during the current or prior periods and for which employees can receive compensation in a future period. Amounts do not include leave that is expected to lapse and includes leave that employees will eventually qualify for but have not earned.

Postretirement Benefits

In addition to providing pension benefits, the School District offers health insurance coverage and survivor benefits to retired employees and their survivors. The respective retirees pay for this coverage, with no additional expense recognized by the School District.

Deferred Revenue

Deferred revenue is reported when potential revenue does meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met or when the School District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recorded.

Statute provides the authority for the School District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Deferred revenue recorded in governmental funds for taxes is not recorded in the School District-wide statements.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Assets.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the School District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications

District-Wide Statements

In the government-wide financial statements, net assets are classified in the following categories:

Invested in capital assets, net of related debt – this category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance reported in this category.

Restricted Net Assets – this category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Restricted net assets consist of the following:

Capital improvements	\$	21,841
Equipment		<u>68,986</u>
Total restricted net assets	\$	<u><u>90,827</u></u>

Unrestricted Net Assets – this category includes both designated and undesignated net assets of the District. Designated net assets include reserves that were established by the Board, which are considered internally designated. Undesignated net assets are not restricted for any project or other purpose.

Governmental Fund Statements

In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually are required to be maintained intact. Non-spendable fund balance includes the prepaid expenses recorded in the general fund and Carl Perkins fund.

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The School District has available the following restricted fund balance:

Capital improvements

The capital improvements reserve is used to restrict the portion of fund balance that is used to finance future capital projects and is not available for appropriation.

Equipment

The equipment reserve is used to restrict the portion of fund balance that is used to finance future equipment purchases and is not available for appropriation.

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e. the Board of Education. The School District has no committed fund balances as of June 30, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Governmental Fund Statements (Continued)

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance – Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND SCHOOL DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the School District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities compared with the current financial resources focus of the governmental funds.

Total Fund Balances of Governmental Funds vs. Net Assets of Governmental Activities

Total fund balances of the School District's governmental funds differ from "net assets" of governmental activities reported in the statement of net assets. This difference primarily results from the additional long-term economic focus of the statement of net assets versus the solely current financial resources focus of the governmental fund balance sheets.

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used for the statement of activities.

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND SCHOOL DISTRICT-WIDE STATEMENTS (Continued)

Long-Term Liabilities Transaction Differences

Long-term liability transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred and principal payments are recorded as a reduction of liabilities in the statement of net assets.

4. CUSTODIAL CREDIT, CONCENTRATION OF CREDIT RISKS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, Vermont State statutes govern the District's investment policies, as discussed previously in these Notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	<u>\$ 852,614</u>	<u>\$ 733,812</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 2,053,513	
Covered by FDIC insurance	<u>324,375</u>	
Total	<u>\$ 2,377,888</u>	

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes.

Restricted cash consists of the following:

Childcare account	\$ 2,576
Student activities accounts	<u>44,976</u>
Total activities accounts	<u>\$ 47,552</u>
Fiduciary fund - non-expendable	
James W. Quinn Memorial scholarship	<u>\$ 2,067</u>

5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011, were as follows:

	July 1, 2010 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2011 <u>Balance</u>
Governmental activities:				
Capital assets that are depreciated:				
Leasehold improvements	\$ 14,646	\$ -	\$ -	\$ 14,646
Furniture and equipment	<u>1,940,940</u>	<u>297,143</u>	<u>168,565</u>	<u>2,069,518</u>
Total depreciable historical cost	<u>1,955,586</u>	<u>297,143</u>	<u>168,565</u>	<u>2,084,164</u>
Less accumulated depreciation:				
Leasehold improvements	1,807	4,003	-	5,810
Furniture and equipment	<u>1,288,921</u>	<u>130,919</u>	<u>149,768</u>	<u>1,270,072</u>
Total accumulated depreciation	<u>1,290,728</u>	<u>134,922</u>	<u>149,768</u>	<u>1,275,882</u>
Total cost, net	<u>\$ 664,858</u>	<u>\$ 162,221</u>	<u>\$ 18,797</u>	<u>\$ 808,282</u>

Depreciation expense of \$134,922 for the year ended June 30, 2011, was allocated to specific functions as follows:

Direct instruction	\$ 97,957
Support services - students	1,370
Support services - technology	3,556
General and administrative	4,939
Plant maintenance and safety	15,337
Pupil transportation	<u>11,763</u>
Total	<u>\$ 134,922</u>

6. LONG-TERM LIABILITIES

A summary statement of changes in long-term debt for the fiscal year ended June 30, 2011, is as follows:

	Beginning <u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>	Long-term <u>Balance</u>
Other liabilities:						
Compensated absences	\$ 35,793	\$ 65,024	\$ - (A)	\$ 100,817	\$ -	\$ 100,817
Total	<u>\$ 35,793</u>	<u>\$ 65,024</u>	<u>\$ -</u>	<u>\$ 100,817</u>	<u>\$ -</u>	<u>\$ 100,817</u>

(A) Additions and deletions are shown net because it is impractical to determine these amounts separately.

7. PENSION PLAN

The School District participates in the Vermont Municipal Employees' Retirement System (VMERS) and the State Teachers' Retirement System of Vermont (STRSV). The VMERS is a cost-sharing, multiple public employer retirement system, while the STRSV is a multiple public employer retirement system with noncontributing employer provisions. Vermont statutes and Social Security Law govern obligations of employers and employees to contribute benefits to employees. The systems offer a wide range of plans and benefits that are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. All benefits generally vest after ten years of credited service.

The total payroll for all employees of the School District for the year ended June 30, 2011, was \$1,833,194 of which \$1,435,203 and \$397,991 were attributable to the STRSV and VMERS, respectively. Contributions payable to the VMERS are calculated on the basis of salaries paid during the system's fiscal year ending June 30 and are made in accordance with funding requirements determined by the system's actuaries. The State of Vermont makes contributions on behalf of School District employees participating in the STRSV. The amount of the state's contributions made on behalf of School District employees is not available at this time.

The employer contributions made and percentages of covered payroll for VMERS for 2011 and the preceding two years are as follows:

	<u>Amount Paid</u>	<u>Percentage</u>
2011	\$ 15,919	4%
2010	\$ 15,682	4%
2009	\$ 14,771	4%

The pension benefit obligation (PBO) of credited projected benefits is a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employees service to date. The retirement systems do not make separate measurements for individual employers. Information regarding the PBO of credited projected benefits and net assets available to pay benefits as of June 30, 2011, will be available from the two systems when their annual financial reports are issued. Further information on these plans is available at: www.Vermonttreasurer.gov/retirement.

Historical trend information showing the progress in accumulating sufficient assets to pay benefits when due will be presented in the June 30, 2011 annual financial reports of the two systems when they are issued. Additional detailed information concerning the systems will also be available in these reports.

8. RELATED PARTIES

The School District leases the building it occupies from Mount Anthony Union High School District #14. The lease is for 30 years beginning on July 1, 2007, and ending June 30, 2037. The lease agreement is for \$1, annually.

There are currently two members of the School District Board of School Directors who are also members of the Mt. Anthony Board, Shaftsbury School Board, and Southwest Vermont Supervisory Union Board. Additionally, there is one member who is a member of the Pownal School Board.

9. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net assets.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

The following is a summary of interfund activity:

	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 6,184	\$ -
Carl Perkins grant	-	1,182
Adult education	-	5,002
	<u> </u>	<u> </u>
Total government activities	<u>\$ 6,184</u>	<u>\$ 6,184</u>

10. CONTINGENCIES

Other Contingencies

The School District participates in various state and federal grant programs which are subject to program compliance audits by the grantors or their representatives. The audits of these programs are an on-going process and many have not been conducted or completed. Accordingly, the School District's compliance with applicable grant requirements will be established at a 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 anticipates such amounts, if any, to be immaterial.

Governance

The School District will complete a governance study in 2011-2012 that will review the administration, education service delivery, human resources, financial management, purchasing, technology management, and transportation of the District. The report on this study will include the financial and educational implications of maintaining the current governance structure or dissolving the District and becoming a member district of Southwest Vermont Supervisory Union. Once this analysis is complete the Board will consider the recommendations and whether they should be implemented.

11. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE:				
Tuition	\$ 904,031	\$ 904,031	\$ 895,365	\$ (8,666)
State aid	2,028,865	2,028,865	2,118,830	89,965
Interest income	15,000	15,000	4,553	(10,447)
Other revenue	<u>31,000</u>	<u>31,000</u>	<u>32,348</u>	<u>1,348</u>
Total revenue	<u>2,978,896</u>	<u>2,978,896</u>	<u>3,051,096</u>	<u>72,200</u>
EXPENDITURES:				
Direct instruction	1,841,434	1,935,496	1,894,634	40,862
General and administrative	495,327	511,717	506,879	4,838
Plant maintenance and safety	408,091	320,863	290,847	30,016
Support services - students	252,346	252,346	243,033	9,313
Support services - technology	110,658	112,754	112,563	191
SVSU assessments and purchased services	4,500	-	-	-
Pupil transportation	32,573	32,573	34,279	(1,706)
Board of education	37,665	35,150	34,557	593
Student organizations	8,000	8,000	8,337	(337)
Voter authorized reserves	60,000	60,000	129,272	(69,272)
Contingency	<u>81,265</u>	<u>62,960</u>	<u>-</u>	<u>62,960</u>
Total expenditures	<u>3,331,859</u>	<u>3,331,859</u>	<u>3,254,401</u>	<u>77,458</u>
NET CHANGE IN FUND BALANCE	(352,963)	(352,963)	(203,305)	149,658
FUND BALANCE - beginning of year	<u>883,097</u>	<u>883,097</u>	<u>883,097</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 530,134</u>	<u>\$ 530,134</u>	<u>\$ 679,792</u>	<u>\$ 149,658</u>

The accompanying notes are an integral part of these statements.

OTHER REQUIRED REPORT

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

October 17, 2011

To the Board of School Directors
Southwest Vermont Regional Technical School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southwest Vermont Regional Technical School District, as of and for the year ended June 30, 2011, which collectively comprise Southwest Vermont Regional Technical School District's basic financial statements and have issued our report thereon dated October 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwest Vermont Regional Technical 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 School District'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.

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 (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Vermont Regional Technical 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*.

We noted certain matters that we have reported to the management of Southwest Vermont Regional Technical School District in a separate letter dated October 17, 2011.

This report is intended solely for the information and use of management, others within the School District, the Board of School Directors, 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.

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