

**Southwest Vermont Regional Technical School District**

**Financial Statements and Required  
Report as of  
June 30, 2010  
Together with  
Independent Auditors' Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

October 22, 2010

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, 2010, 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 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, 2010, 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 22, 2010, on our consideration of Southwest Vermont Regional Technical School District's internal control over financial reporting and 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.

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## **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 31 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 FOR THE YEAR ENDED JUNE 30, 2010

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The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2010. 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 2009-10 actual revenue exceeded its budgeted revenue by \$122,621. This is due primarily to transportation revenue received for the District's increased bus runs for Arlington and Manchester students. The surplus was \$93,837.
- The School District's 2009-10 expenditures were under expended by \$303,830. This is primarily due to significant surpluses as follows:
  - General and administrative had a positive variance of \$40,268, due to the following: a three month vacancy for the outreach coordinator position, a change in the District's insurance carrier, interest expense savings (there was no interest expense), and advertising savings. There was also the swap of the outreach coordinator salary expense from the local budget to Perkins.
  - Plant maintenance and safety had a positive variance of \$94,757, due primarily to the underutilization of fuel oil.
  - Voter authorized reserves were not used in 2010, causing a positive variance of \$60,000. Also there was no posting against the Contingency line item, causing a positive variance of \$65,940.
- The School District ended June 30, 2010 with a \$426,451 net favorable budget variance. This was derived from adding \$122,621 in excess revenue and \$303,830 from the expenditure surplus.
- General fund balance for fiscal year 2010 is \$883,097. The fund balance is comprised of the following: \$83,752 for voter approved reserve funds for capital improvements, \$80,978 for voter approved reserve funds for equipment, \$352,963 is designated to balance the 2011 budget as a revenue offset, and \$365,404 is the undesignated fund balance.

### 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

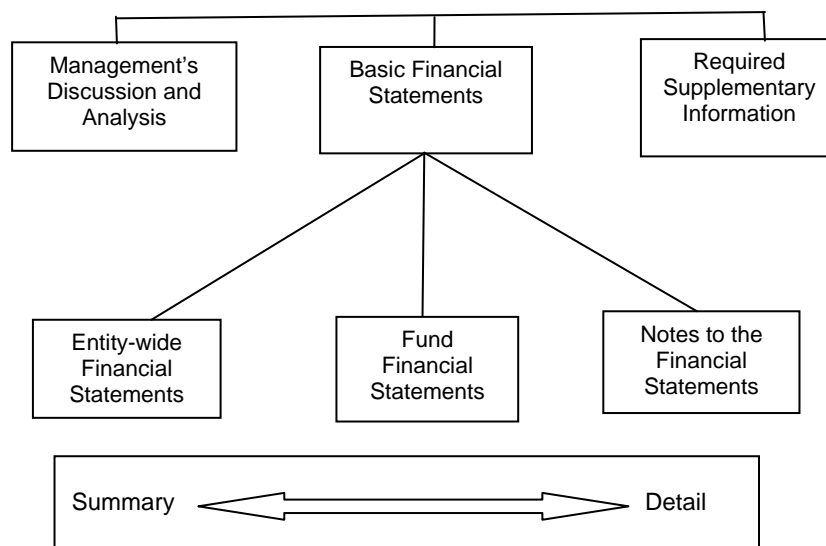


Table A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

	School District- Wide	Fund Financial Statements	
		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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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.

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.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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).

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, and Equipment 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 2010	Fiscal Year 2009	Percent Change
Cash and other current assets	\$ 1,018,025	\$ 913,342	11.46%
Capital assets - Net	<u>664,858</u>	<u>613,388</u>	8.39%
Total assets	<u>1,682,883</u>	<u>1,526,730</u>	10.23%
Current liabilities	100,955	119,401	-15.45%
Long-term liabilities	<u>35,793</u>	<u>36,284</u>	-1.35%
Total liabilities	<u>136,748</u>	<u>155,685</u>	-12.16%
Net assets:			
Investment in capital assets, net of related debt	664,858	613,388	8.39%
Unrestricted	<u>881,277</u>	<u>757,657</u>	16.32%
Total net assets	<u>\$ 1,546,135</u>	<u>\$ 1,371,045</u>	12.77%

Current and other assets increased due to primarily an increase of cash and equivalents of \$82,630. This is due to favorable variances in the revenue and expenditures. Capital assets increased by 8% primarily due to the acquisition of fixed assets in the amount of \$184,036. Current liabilities decreased primarily due to the ability to process a final payroll on June 30<sup>th</sup>, paying all the remaining payroll expenses for the fiscal year. Assets increased more than liabilities which caused net assets to increase for the year.

### Changes in Net Assets

The School District's fiscal year 2010 revenue totaled \$3,468,073 (see Table A-4). Charges for services and operating grants accounted for most of the School District's revenue by contributing 32% and 64% respectively (see Table A-5). The remainder came from other miscellaneous sources.

The total cost of all programs and services totaled \$3,292,983 for 2010. The majority of this amount is used to support regular programs (see Table A-6).

Net Assets increased during the year by \$175,090.

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

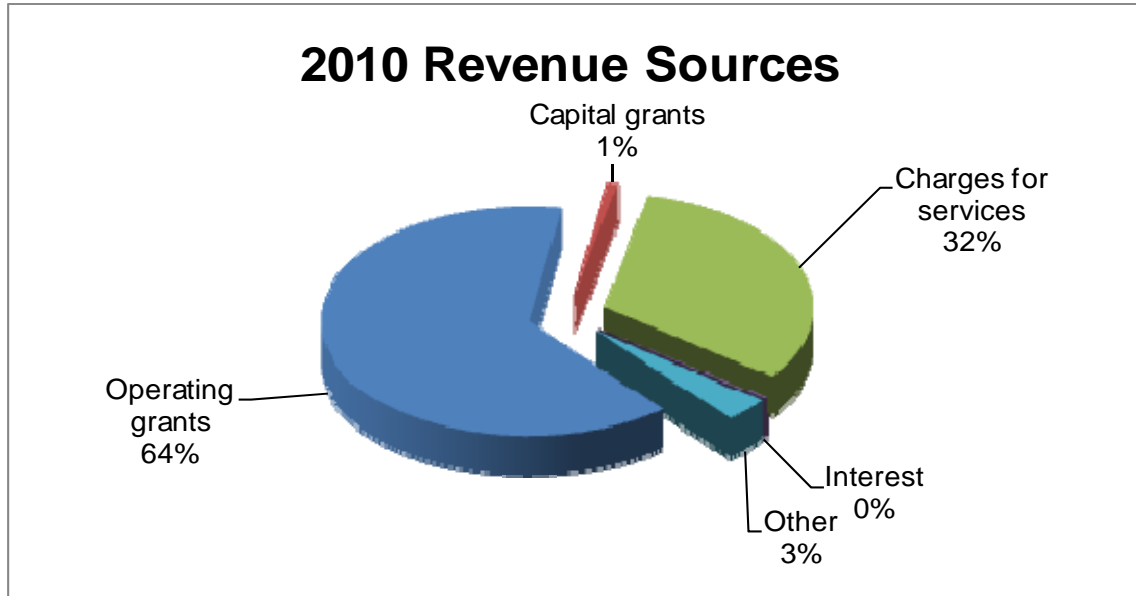
**Table A-4** Changes in Net Assets from Operating Results:

	Fiscal Year 2010	Fiscal Year 2009	Percent Change
Revenue:			
Charges for services	\$ 1,104,165	\$ 1,092,296	1.09%
Operating grants	2,207,192	2,204,737	0.11%
Capital grants	28,235	35,133	-19.63%
General revenue:			
Interest	7,556	14,345	-47.33%
Other	120,925	77,779	55.47%
Total revenue	<u>3,468,073</u>	<u>3,424,290</u>	1.28%
Expenses:			
Direct instruction	2,117,840	2,048,309	3.39%
General and administrative	468,480	521,845	-10.23%
Support services - students	243,381	238,402	2.09%
Support services - technology	103,011	86,827	18.64%
Plant maintenance and safety	274,359	267,618	2.52%
SVSU assessments and purchased services	-	48,830	-100.00%
Pupil transportation	40,952	37,888	8.09%
Board of education	36,737	40,511	-9.32%
Student organization	8,223	6,789	21.12%
Total expenses	<u>3,292,983</u>	<u>3,297,019</u>	-0.12%
Increase in net assets	<u>\$ 175,090</u>	<u>\$ 127,271</u>	-37.57%

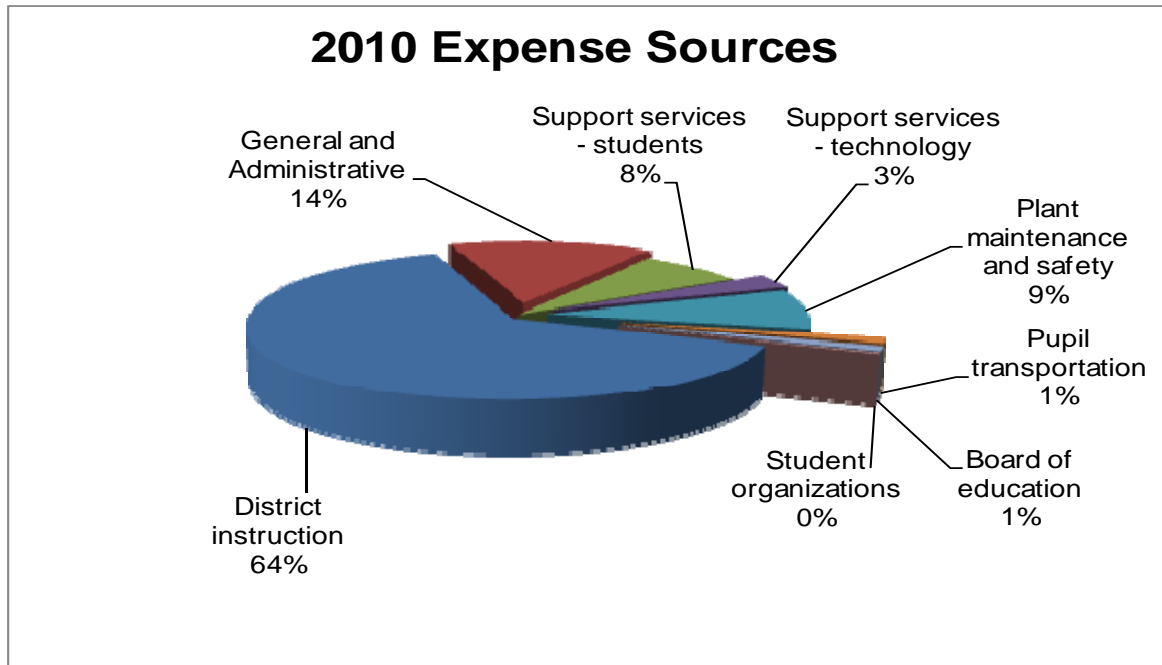
- Other revenue increased due primarily to transportation revenue received for the District's increased bus runs for Arlington and Manchester students.
- General and administrative expense decreased due to the following: a three month vacancy for the outreach coordinator position, a change in our insurance carrier, interest expense savings (there was no interest expense), and advertising savings. There was also the swap of the outreach coordinator salary expense from the local budget to Perkins direct instruction expense.
- Support services – technology costs increased due to the need to bolster the technological infrastructure of the School District with hardware purchases which were under the capitalization threshold. Also there was a swap of the technology coordinator's salary from Perkins to the local budget which moved the expense from direct instruction to support services – technology.
- FY 2010 was the final phase of the transferring of purchased services from SVSU to the School District, causing a positive variance from FY 2009.

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

**Table A-5** Sources of Revenue for 2010



**Table A-6** Sources of Expenses for 2010



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

### Governmental Activities

Revenue for the School District's governmental activities totaled \$3,468,073 while total expenses equaled \$3,292,983 resulting in a positive change in net assets of \$175,090.

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 2010	Total Cost Of Services 2009	Percent Change	Net Cost Of Services 2010	Net Cost Of Services 2009	Percent Change
<b>Functions:</b>						
District instruction	\$ 2,117,840	\$ 2,048,309	3.39%	\$(1,178,475)	\$(1,221,318)	-3.51%
General and administrative	468,480	521,845	-10.23%	468,480	521,845	-10.23%
Plant maintenance and safety	274,359	267,618	2.52%	274,359	267,618	2.52%
Support services	346,392	325,229	6.51%	346,392	325,229	6.51%
SVSU assessment	-	48,830	-	-	48,830	-
Pupil transportation	40,952	37,888	8.09%	(2,325)	37,888	-106.14%
Board of education	36,737	40,511	-9.32%	36,737	40,511	-9.32%
Student organizations	8,223	6,789	21.12%	8,223	6,789	21.12%
<b>Total</b>	<b>\$ 3,292,983</b>	<b>\$ 3,297,019</b>	<b>-0.12%</b>	<b>\$ (46,609)</b>	<b>\$ 27,392</b>	<b>-270.16%</b>

- The Cost of all governmental activities for the year was \$3,292,983.
- Charges to users, primarily tuition, amounted to \$1,104,165 for the year ended June 30, 2010, compared to \$1,092,266 in the prior year.
- The federal and state government financed \$2,235,427 of the costs.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Variations between years for the governmental fund financial statement are not the same as variations 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, 2010 with a \$426,451 net favorable budget variance. This was derived from adding \$122,621 in excess revenue and \$303,830 from the expenditure surplus.

Carl Perkins Fund – Perkins Funds grant revenue was \$173,504 in FY 2010, and \$175,442 in FY 2009.

Adult Education Fund – Adult Education expenses were \$212,220 in FY 2010 and \$187,973 in FY 2009.

Equipment Grant Fund – Equipment Funds were \$28,235 in FY 2010 and \$35,214.

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

### 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 <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:				
Tuition	\$ 991,428	\$ 991,428	\$ 1,008,981	\$ 17,553
State aid	1,897,871	1,897,871	1,987,112	89,241
Interest income	15,000	15,000	7,550	(7,450)
Other revenue	<u>20,800</u>	<u>20,800</u>	<u>44,077</u>	<u>23,277</u>
Total revenue	<u>2,925,099</u>	<u>2,925,099</u>	<u>3,047,720</u>	<u>122,621</u>
Expenditures:				
Direct instruction	1,740,326	1,762,400	1,731,119	31,281
General and administrative	544,955	503,297	463,029	40,268
Plant maintenance and safety	372,600	406,350	311,593	94,757
Support services - students	245,229	246,506	242,011	4,495
Support services - technology	106,119	109,675	105,310	4,365
SVSU assessments and purchased services	9,000	180	-	180
Pupil transportation	30,847	32,420	32,963	(543)
Board of education	42,697	39,822	36,737	3,085
Student organizations	4,144	8,225	8,223	2
Voter authorized reserves	60,000	60,000	-	60,000
Contingency	<u>78,898</u>	<u>65,940</u>	<u>-</u>	<u>65,940</u>
Total expenses	<u>3,234,815</u>	<u>3,234,815</u>	<u>2,930,985</u>	<u>303,830</u>
Net change in fund balance	(309,716)	(309,716)	116,735	426,451
Fund balance - beginning of year	<u>766,362</u>	<u>766,362</u>	<u>766,362</u>	
Fund balance - end of year	<u>\$ 456,646</u>	<u>\$ 456,646</u>	<u>\$ 883,097</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.

- Other revenue was greater than budgeted due primarily to transportation revenue received for the District's increased bus runs for Arlington and Manchester students.
- Plant maintenance and safety was less than budgeted primarily to the underutilization of fuel oil.
- Voter authorized reserves were less than budgeted due to the fact they weren't used.
- Contingency was less than budgeted due also to the fact they weren't used.

## CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2010, the School District had \$664,858 invested in a broad range of capital assets including, buildings, computers and other educational equipment.

### Capital Assets

	Fiscal Year <u>2010</u>	Fiscal Year <u>2009</u>
Leasehold improvements	\$ 12,839	\$ 13,425
Furniture and equipment	<u>652,019</u>	<u>599,963</u>
Total	<u>\$ 664,858</u>	<u>\$ 613,388</u>

### Long-Term Liabilities

As of June 30, 2010, the School District has \$35,793 in other long-term liabilities outstanding. More detailed information about the School District's long term liabilities is included in the notes to the financial statements.

	Fiscal Year <u>2010</u>	Fiscal Year <u>2009</u>
Compensated absences	<u>\$ 35,793</u>	<u>\$ 36,284</u>
Total	<u>\$ 35,793</u>	<u>\$ 36,284</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 another fiscal year without having to borrow money. Not having to borrow money allowed the District to fund other expenditures such as direct instruction.
- A sharp increase in FTE's in the first and second semester of fiscal year 2010 allowed for the decrease in local tuition rates for fiscal year 2011. This increased revenue will provide payment for the additional expenses that go along with the increased numbers in the classrooms and shops.
- The District is currently starting a new culinary arts program. There is great interest in this program and it should cause a significant increase in FTE's.
- Various outreach activities have spawned increased awareness of the School District as a whole.
- Uncertainty as to the impact on the District's future budget(s), due to the recently enacted "Challenges for Change" Legislation.
- On July 1, 2009 the Southwest Vermont Regional Technical School District assumed the following major functions from SVSU: Payroll, Human Resources, and Superintendent Services. This change of services eliminated the billing from SVSU for these services. During FY 2010, the District enjoyed a savings of \$48,830 over the previous fiscal year. Also the uncertainty of the annual assessment amount from another Supervisory Union is gone.
- Also, prior to July 1<sup>st</sup>, 2009 business files were moved from SVSU's server to the School District. This allowed for efficiency and autonomy.
- In-house contract administration and benefits management continues to allow for efficiency.

## **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, 2010

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### ASSETS

#### CURRENT ASSETS:

Cash - Unrestricted	\$ 957,719
Due from other governments	1,044
Accounts receivable	17,779
Prepaid expenses	<u>41,483</u>

Total current assets 1,018,025

#### NONCURRENT ASSETS:

Capital assets - Net	<u>664,858</u>
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TOTAL ASSETS 1,682,883

### LIABILITIES

#### CURRENT LIABILITIES:

Accounts payable	96,802
Accrued expenses	<u>4,153</u>

Total current liabilities 100,955

#### LONG-TERM LIABILITIES:

Compensated absences payable	<u>35,793</u>
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TOTAL LIABILITIES 136,748

### NET ASSETS

Investment in capital assets, net of related debt	664,858
Unrestricted	<u>881,277</u>

TOTAL NET ASSETS \$ 1,546,135

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, 2010**

GOVERNMENTAL ACTIVITIES	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
<b>FUNCTIONS/PROGRAMS:</b>					
Direct instruction	\$ 2,117,840	\$ 1,060,888	\$ 2,207,192	\$ 28,235	\$ 1,178,475
General and administrative	468,480	-	-	-	(468,480)
Plant maintenance and safety	274,359	-	-	-	(274,359)
Support services - students	243,381	-	-	-	(243,381)
Support services - technology	103,011	-	-	-	(103,011)
Pupil transportation	40,952	43,277	-	-	2,325
Board of education	36,737	-	-	-	(36,737)
Student organizations	8,223	-	-	-	(8,223)
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<b>\$ 3,292,983</b>	<b>\$ 1,104,165</b>	<b>\$ 2,207,192</b>	<b>\$ 28,235</b>	<b>46,609</b>
<b>GENERAL REVENUE:</b>					
Interest income					7,556
Miscellaneous					120,925
<b>TOTAL GENERAL REVENUE</b>					<b>128,481</b>
<b>CHANGE IN NET ASSETS</b>					<b>175,090</b>
<b>NET ASSETS - beginning of year</b>					<b>1,371,045</b>
<b>TOTAL NET ASSETS - end of year</b>					<b>\$ 1,546,135</b>

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, 2010**

	<b>Government Fund Types</b>				Total Government Funds
	General	Carl Perkins	Adult Education	Equipment Grant	
<b>ASSETS</b>					
Cash - Unrestricted	\$ 923,746	\$ -	\$ 33,973	\$ -	\$ 957,719
Accounts receivable	434	-	17,345	-	17,779
Prepaid expenses	37,473	4,010	-	-	41,483
Due from other governments	1,044	-	-	-	1,044
Due from other funds	21,355	-	-	-	21,355
<b>TOTAL ASSETS</b>	<b>\$ 984,052</b>	<b>\$ 4,010</b>	<b>\$ 51,318</b>	<b>\$ -</b>	<b>\$ 1,039,380</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 96,802	\$ -	\$ -	\$ -	\$ 96,802
Accrued liabilities	4,153	-	-	-	4,153
Due to other funds	-	4,010	17,345	-	21,355
<b>TOTAL LIABILITIES</b>	<b>100,955</b>	<b>4,010</b>	<b>17,345</b>	<b>-</b>	<b>122,310</b>
<b>FUND BALANCES:</b>					
Reserved for capital improvements	83,752	-	-	-	83,752
Reserved for equipment	80,978	-	-	-	80,978
<b>Total reserved fund balance</b>	<b>164,730</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>164,730</b>
Unreserved - Designated for subsequent year's expenditures	352,963	-	27,579	-	380,542
Unreserved - Undesignated	365,404	-	6,394	-	371,798
<b>Total unreserved fund balance</b>	<b>718,367</b>	<b>-</b>	<b>33,973</b>	<b>-</b>	<b>752,340</b>
<b>TOTAL FUND BALANCES</b>	<b>883,097</b>	<b>-</b>	<b>33,973</b>	<b>-</b>	<b>917,070</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 984,052</b>	<b>\$ 4,010</b>	<b>\$ 51,318</b>	<b>\$ -</b>	<b>\$ 1,039,380</b>

A reconciliation of the balance sheet to the statement of net assets:

Total governmental fund balances per above.	\$ 917,070
Capital assets used in governmental activities are not financial resources and, therefore, are not in the funds.	664,858
Compensated absences are not due and payable in the current period and therefore, are not reported in the funds	(35,793)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 1,546,135</b>

**SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	General	Carl Perkins	Adult Education	Equipment Grant	Total Government Funds
<b>REVENUE:</b>					
Tuition	\$ 1,008,981	\$ -	\$ 51,907	\$ -	\$ 1,060,888
State aid	1,987,112	-	46,576	28,235	2,061,923
Federal aid	-	173,504	-	-	173,504
Interest income	7,550	-	6	-	7,556
Other revenue	44,077	-	120,125	-	164,202
<b>Total revenue</b>	<b>3,047,720</b>	<b>173,504</b>	<b>218,614</b>	<b>28,235</b>	<b>3,468,073</b>
<b>EXPENDITURES:</b>					
Direct instruction	1,731,119	173,504	212,220	28,235	2,145,078
General and administrative	463,029	-	-	-	463,029
Plant maintenance and safety	311,593	-	-	-	311,593
Support services - students	242,011	-	-	-	242,011
Support services - technology	105,310	-	-	-	105,310
Pupil transportation	32,963	-	-	-	32,963
Board of education	36,737	-	-	-	36,737
Student organizations	8,223	-	-	-	8,223
<b>Total expenditures</b>	<b>2,930,985</b>	<b>173,504</b>	<b>212,220</b>	<b>28,235</b>	<b>3,344,944</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>116,735</b>	<b>-</b>	<b>6,394</b>	<b>-</b>	<b>123,129</b>
<b>FUND BALANCES - beginning of year</b>	<b>766,362</b>	<b>-</b>	<b>27,579</b>	<b>-</b>	<b>793,941</b>
<b>FUND BALANCES - end of year</b>	<b>\$ 883,097</b>	<b>\$ -</b>	<b>\$ 33,973</b>	<b>\$ -</b>	<b>\$ 917,070</b>

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, 2010**

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Net changes in fund balance - Total governmental funds	\$ 123,129
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets	184,036
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(132,566)
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>491</u>
Change in net assets - Governmental activities	<u>\$ 175,090</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, 2010**

	Private Purpose Trust	Agency
	<u>          </u>	<u>          </u>
<b>ASSETS:</b>		
Cash - restricted	\$ 2,559	\$ 56,976
Total assets	<u>\$ 2,559</u>	<u>\$ 56,976</u>
<b>LIABILITIES:</b>		
Student activity balances	\$ -	\$ 54,414
Child care liability	<u>-</u>	<u>2,562</u>
Total liabilities	<u>-</u>	<u>\$ 56,976</u>
<b>NET ASSETS:</b>		
Reserved for scholarships	<u>\$ 2,559</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
	<u>          </u>
<b>ADDITIONS:</b>	
Gifts and donations	-
Investment earnings	<u>19</u>
Total additions	<u>19</u>
<b>DEDUCTIONS:</b>	
Scholarships and awards	<u>500</u>
NET DECREASE	(481)
NET ASSETS - beginning of year	<u>3,040</u>
NET ASSETS - end of year	<u>\$ 2,559</u>

The accompanying notes are an integral part of these statements.

# **SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010**

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### **1. NATURE OF OPERATIONS**

Southwest Vermont Regional Technical School District (the "District") is a unit of 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 (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.

#### **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.

#### **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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Presentation (Continued)

#### Fund Financial Statements

The School District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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:

#### Governmental Fund Types

Governmental funds are those in which most governmental functions of the School District are reported. The acquisition, use, and balances of the School District's expendable financial resources and the related liabilities (except those accounted for in the proprietary and fiduciary funds) are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position rather than upon determination of net income. The following are the School District's governmental fund types:

*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 three Special Revenue Funds; Carl Perkins, Adult Education, and Equipment 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. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Presentation (Continued)

#### Fiduciary Fund Types (Continued)

- *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 (and Cash Equivalents) and Investments

The School District's cash and cash equivalents consist 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. 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. Investments are stated at fair value.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

### 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

### 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Retirement Plans**

*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.

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.

### **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.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Equity Classifications (Continued)

#### Funds Statements

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund is maintained.

These amounts reserved for future expenditures that have been authorized by the voters of the District. The School District maintains the following reserve:

Capital improvements reserve: 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 reserve: 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.

#### **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.

#### **Future Changes in Accounting Standards**

GASB has issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2011 financial statements.

GASB has issued Statement 59, *Financial Instruments Omnibus*, which improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2011 financial statements.

### **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.

#### 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. CASH (CASH EQUIVALENTS) AND INVESTMENTS**

The School District's investment policies are governed by state statutes. In addition, the School District has its own written investment policy. The Treasurer is authorized to use demand accounts, money market accounts, and certificate of deposits. Permissible investments include obligations of the U.S. Government, repurchase agreements, and obligations of the State of Vermont.

#### 4. CASH (CASH EQUIVALENTS) AND INVESTMENTS (Continued)

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

Uncollateralized	\$	-
Collateralized with securities held by pledging financial institution in the School District's name.	\$	676,152
Collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the School District's name.	\$	-

The remaining balances are covered by depository insurance.

The School District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The School District does not purchase investments denominated in foreign currency, and is not exposed to foreign currency risk.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. Restricted cash consists of the following:

Fiduciary fund:

James W. Quinn Memorial Scholarship fund	<u>\$ 2,559</u>
Child Care account	\$ 2,562
Student activities account	<u>54,414</u>
	<u>\$ 56,976</u>

#### 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2010, were as follows:

	July 1, 2009 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2010 <u>Balance</u>
Governmental activities:				
Capital assets that are depreciated:				
Leasehold improvements	\$ 14,646	\$ -	\$ -	\$ 14,646
Furniture and equipment	<u>1,809,746</u>	<u>184,036</u>	<u>52,842</u>	<u>1,940,940</u>
Total depreciable historical cost	<u>1,824,392</u>	<u>184,036</u>	<u>52,842</u>	<u>1,955,586</u>
Less accumulated depreciation:				
Leasehold improvements	1,221	586	-	1,807
Furniture and equipment	<u>1,209,783</u>	<u>131,980</u>	<u>52,842</u>	<u>1,288,921</u>
Total accumulated depreciation	<u>1,211,004</u>	<u>132,566</u>	<u>52,842</u>	<u>1,290,728</u>
Total cost, net	<u>\$ 613,388</u>	<u>\$ 51,470</u>	<u>\$ -</u>	<u>\$ 664,858</u>

**5. CAPITAL ASSETS (Continued)**

Depreciation expense of \$132,566 for the year ended June 30, 2010, was allocated to the following specific functions:

Direct instruction	\$ 103,265
Support services - students	1,370
Support services - technology	3,224
General and administrative	8,030
Plant maintenance and safety	8,688
Pupil transportation	<u>7,989</u>
 Total	 <u>\$ 132,566</u>

**6. LONG-TERM LIABILITIES**

A summary statement of changes in long-term debt for the fiscal year ended June 30, 2010, is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year	Long-term Balance
Other liabilities:						
Compensated absences	\$ 36,284	\$ -	\$ 491 (A)	\$ 35,793	\$ -	\$ 35,793
 Total	 <u>\$ 36,284</u>	 <u>\$ -</u>	 <u>\$ 491</u>	 <u>\$ 35,793</u>	 <u>\$ -</u>	 <u>\$ 35,793</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 and 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, 2010, was \$1,773,724 of which \$1,381,667 and \$392,057 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 2010 and the preceding two years are as follows:

	Amount Paid	Percentage
2010	\$ 15,682	4%
2009	\$ 14,771	4%
2008	\$ 14,255	4%

## 7. PENSION PLAN (Continued)

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, 2010, will be available from the two systems when their annual financial reports are issued. Further information on these plans is available at: [www.Vermontreasurer.gov/retirement](http://www.Vermontreasurer.gov/retirement).

Historical trend information showing the progress in accumulating sufficient assets to pay benefits when due will be presented in the June 30, 2010 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	\$ 21,355	\$ -
Carl Perkins grant	-	4,010
Adult education	-	17,345
	<u>          </u>	<u>          </u>
Total government activities	<u>\$ 21,355</u>	<u>\$ 21,355</u>

## **10. 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.

## **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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUE:</b>				
Tuition	\$ 991,428	\$ 991,428	\$ 1,008,981	\$ 17,553
State aid	1,897,871	1,897,871	1,987,112	89,241
Interest income	15,000	15,000	7,550	(7,450)
Other revenue	<u>20,800</u>	<u>20,800</u>	<u>44,077</u>	<u>23,277</u>
Total revenue	<u>2,925,099</u>	<u>2,925,099</u>	<u>3,047,720</u>	<u>122,621</u>
<b>EXPENDITURES:</b>				
Direct instruction	1,740,326	1,762,400	1,731,119	31,281
General and administrative	544,955	503,297	463,029	40,268
Plant maintenance and safety	372,600	406,350	311,593	94,757
Support services - students	245,229	246,506	242,011	4,495
Support services - technology	106,119	109,675	105,310	4,365
SVSU assessments and purchased services	9,000	180	-	180
Pupil transportation	30,847	32,420	32,963	(543)
Board of education	42,697	39,822	36,737	3,085
Student organizations	4,144	8,225	8,223	2
Voter authorized reserves	60,000	60,000	-	60,000
Contingency	<u>78,898</u>	<u>65,940</u>	<u>-</u>	<u>65,940</u>
Total expenditures	<u>3,234,815</u>	<u>3,234,815</u>	<u>2,930,985</u>	<u>303,830</u>
<b>NET CHANGE IN FUND BALANCE</b>	(309,716)	(309,716)	116,735	426,451
<b>FUND BALANCE - beginning of year</b>	<u>766,362</u>	<u>766,362</u>	<u>766,362</u>	<u>-</u>
<b>FUND BALANCE - end of year</b>	<u>\$ 456,646</u>	<u>\$ 456,646</u>	<u>\$ 883,097</u>	<u>\$ 426,451</u>

The accompanying notes are an integral part of these statements.

**OTHER REQUIRED REPORT**

**INDEPENDENT AUDITORS' 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 22, 2010

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, 2010, which collectively comprise Southwest Vermont Regional Technical School District's basic financial statements and have issued our report thereon dated October 22, 2010. 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 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 a 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.

**INDEPENDENT AUDITORS' 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 is 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 22, 2010.

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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