

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
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October 14, 2013

To the Board of School Directors
and Management
Chittenden South Supervisory Union
Shelburne, Vermont

We have audited the financial statements of the governmental activities and each major fund of Chittenden South Supervisory Union as of and for the year ended June 30, 2013 and have issued our report thereon dated October 14, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 11, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Chittenden South Supervisory Union are described in Note 1 to the financial statements. In July of 2012, the School implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting Chittenden South Supervisory Union's financial statements was:

- Management's estimate of the depreciation is based on estimated useful lives of the assets. We evaluated the key factors and assumptions used and determined that the estimate used is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements due to audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2013.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements, or to the financial statements themselves.

This information is intended solely for the use of the School Board and management of the Chittenden South Supervisory Union and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Fothergill Segale & Valley, CPAs

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CHITTENDEN SOUTH SUPERVISORY UNION

FEDERAL COMPLIANCE

JUNE 30, 2013

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INDEPENDENT AUDITOR'S 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*

To the Board of School Directors
Chittenden South Supervisory Union
Shelburne, Vermont

We have audited, 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, the financial statements of the governmental activities, and each major fund of Chittenden South Supervisory Union, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Chittenden South Supervisory Union's basic financial statements and have issued our report thereon dated October 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chittenden South Supervisory Union's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Chittenden South Supervisory Union's internal control. Accordingly, we do not express an opinion on the effectiveness of the Chittenden South Supervisory Union's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chittenden South Supervisory Union'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

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Montpelier, Vermont

October 14, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of School Directors
Chittenden South Supervisory Union
Shelburne, Vermont

Report on Compliance for Each Major Federal Program

We have audited Chittenden South Supervisory Union's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Chittenden South Supervisory Union's major federal programs for the year ended June 30, 2013. Chittenden South Supervisory Union's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Chittenden South Supervisory Union's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chittenden South Supervisory Union's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Chittenden South Supervisory Union's compliance.

Opinion on Each Major Federal Program

In our opinion, Chittenden South Supervisory Union complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Internal Control Over Compliance

Management of Chittenden South Supervisory Union is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Chittenden South Supervisory Union's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chittenden South Supervisory Union's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities and each major fund of the Chittenden South Supervisory Union as of and for the year ended June 30, 2013, and have issued our report thereon dated October 14, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Chittenden South Supervisory Union's

financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of School Baord, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

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October 14, 2013

CHITTENDEN SOUTH SUPERVISORY UNION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Accounts Receivable (Deferred Revenue) 6/30/12	(Returned) Receipts	Expenditures	Accounts Receivable (Deferred Revenue) 6/30/13
<i>U.S. Department of Education</i>							
Passed through State of Vermont:							
Title I	84.010	4250-01	\$ 359,072	\$ 8,852	\$ 346,485	\$ 328,595	\$ (9,038)
Title III	84.365	4375-13	16,650	0	4,658	3,223	(1,435)
Title III	84.365	4375-12	21,988	(4,040)	8,944	12,984	0
IDEIA-B Preschool	84.173	4228-01	20,080	(53)	19,485	19,538	0
IDEIA-B Basic	84.027	4228	32,000	402	32,420	22,800	(9,218)
IDEIA-B Formula Grant	84.027	4226-01	898,899	(38,731)	844,052	837,329	(45,454)
IDEIA-B Formula Grant	84.027	4226-02	53,511	(10,471)	20,660	23,654	(7,477)
Subtotal - cluster				(48,853)	916,617	903,321	(62,149)
Team Nutrition - GMHK Grant	10.574	4458	1,000	0	1,000	1,000	0
Title II-A	84.367	4651	243,394	3,656	223,656	223,360	3,360
Total U.S. Department of Education				(40,385)	1,501,360	1,472,483	(69,262)
<i>U.S. Department of Health and Human Services</i>							
Passed through State of Vermont							
Strengthening Public Health	93.507	3420-5942S	5,000	0	5,000	4,750	(250)
Strengthening Public Health	93.531	3420-5942S	10,000	0	10,000	9,500	(500)
Substance Abuse Prevention	93.959	3420-13019S	40,000	0	20,000	40,000	20,000
Total U.S. Department of Health and Human Services				0	35,000	54,250	19,250
<i>U.S. Department of Agriculture</i>							
Passed through State of Vermont							
Federal School Lunch	10.553	4452	287,714	0	287,714	287,714	0
Federal School Breakfast	10.555	4450	59,905	0	59,905	59,905	0
Subtotal - cluster				0	347,619	347,619	0
Total U.S. Department of Agriculture				0	347,619	347,619	0
TOTAL FEDERAL AWARDS				<u>\$ (40,385)</u>	<u>\$ 1,883,979</u>	<u>\$ 1,874,352</u>	<u>\$ (50,012)</u>

See Notes to Schedule.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Chittenden South Supervisory Union.

NOTE 2 - BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the schedule. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred, if measurable.

NOTE 3 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the Supervisory Union provided federal awards to subrecipients as follows:

	CFDA #	10.553 & 10.555 Federal School Breakfast & Lunch	84.027 IDEIA-B	81.173 IDEIA-B Preschool
Subrecipient				
Charlotte Town School District	\$	29,870	\$ 41,688	\$ 2,548
Champlain Valley Union High School		92,295	70,449	0
Hinesburg Town School District		47,925	51,367	3,995
Shelburne Town School District		65,160	82,070	6,274
St. George School District		0	23,757	321
Williston Town School District		112,369	139,753	6,400
Totals	\$	347,619	\$ 409,084	\$ 19,538

CHITTENDEN SOUTH SUPERVISORY UNION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Chittenden South Supervisory Union.
2. No significant deficiencies were disclosed during the audit of the financial statements, as reported in Part B of this Schedule.
3. No instances of noncompliance material to the basic financial statements of the Supervisory Union, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit, as reported in Part C of this Schedule.
5. The auditor's report on compliance for the major federal award programs for the Supervisory Union expresses an unqualified opinion.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

Title II-A	#84.367
Federal School Lunch	#10.553
Federal School Breakfast	#10.555

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Supervisory Union was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. PRIOR YEAR FINDINGS

None

CHITTENDEN SOUTH SUPERVISORY UNION
AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors
Chittenden South Supervisory Union
Shelburne, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Chittenden South Supervisory Union as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Chittenden South Supervisory Union's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Governmental 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Chittenden South Supervisory Union, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013 on our consideration of the Chittenden South Supervisory Union'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Chittenden South Supervisory Union's internal control over financial reporting and compliance.

Respectfully submitted,

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

October 14, 2013

CHITTENDEN SOUTH SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013

Our discussion and analysis of Chittenden South Supervisory Union's financial performance provides an overview of the Supervisory Union's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the Supervisory Union's financial statements which begin on page 8.

Financial Highlights

- The Supervisory Union's Net Position decreased by \$126,559 during fiscal year 2013 as a result of this year's operations. Expenses increased by .96% and revenues increased by 1.36% compared to the prior year.
- The net position balance of the Supervisory Union was \$244,413 as of June 30, 2013; \$164,940 was invested in capital assets and \$79,473 was unrestricted.
- During fiscal year 2013, the General Fund reported a decrease in fund balance of \$60,763 which was \$39,237 better than budget.
- The total fund balance of the General Fund was \$257,962 as of June 30, 2013 compared to \$318,725 as of June 30, 2012. The unassigned fund balance was \$43,183 as of June 30, 2013, compared to \$111,982 as of June 30, 2012. The unassigned amount represents the amount of funds available for future budgets. Assigned fund balance of \$100,000 is for FY14 expenditures, as approved by the Board for the FY14 budget; \$60,000 is committed for compensated absences. \$54,779 is nonspendable fund balance which represents inventory on hand and prepaids.
- The Special Revenue Fund reports the activities related to Federal, State, and local grants. The cumulative fund deficit as of June 30, 2013 was \$(16,260). The deficit balance is from locally funded programs. During fiscal year 2013, expenditures were greater than revenues and other sources by \$3,834.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits A and B) provide information about the activities of the Supervisory Union as a whole and present a longer-term view of the Supervisory Union's finances. Fund financial statements, starting with Exhibit C, include only governmental activities. The governmental activities statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Supervisory Union's operations in more detail than the government-wide statements by providing information about the Supervisory Union's most significant funds.

Reporting the Supervisory Union as a Whole

The financial statements of the Supervisory Union as a whole are presented in Exhibit A and Exhibit B. One of the most important questions asked about the Supervisory Union's finances is, "Is the Supervisory Union as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Supervisory Union as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

CHITTENDEN SOUTH SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

These two statements report the Supervisory Union's Net Position and changes in them. You can think of the Supervisory Union's Net Position – the difference between assets and liabilities – as one way to measure the Supervisory Union's financial health, or financial position. Over time, increases or decreases in the Supervisory Union's Net Position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the condition of the Supervisory Union's capital assets, to assess the overall health of the Supervisory Union.

In the Statement of Net Position and the Statement of Activities, all of the Supervisory Union's activities are reflected as governmental activities. They include the Superintendent's office, the student services office, the human resources office, the finance office, the technology office, improvement of curriculum, transportation services, as well as the activity related to Federal, State and other grants that support Champlain Valley Union High School, Charlotte, Hinesburg, Shelburne, Williston and St. George School Districts. Assessments to the member School Districts and State and Federal grants finance most of these activities.

Reporting the Supervisory Union's Most Significant Funds

Governmental Funds - All of the Supervisory Union's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Supervisory Union's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Supervisory Union's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Exhibit D and F that are included in the financial statements.

The Supervisory Union as a Whole (*Government-Wide Financial Statement Analysis*)

Our analysis below focuses on the Net Position (Table 1) and changes in Net Position (Table 2) of the Supervisory Union's governmental type activities.

The unrestricted Net Position, the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements decreased by \$79,365. This reflected operating performance as expected, since the Board approved using \$100,000 of fund balance for fiscal year 2014. Capital assets decreased because depreciation was greater than capital additions by \$47,194.

CHITTENDEN SOUTH SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

Table 1 – Net Position

	Governmental Activities		
	2013	2012	Net Change
Current and other assets	\$ 832,166	\$ 881,415	\$ (49,249)
Capital assets	164,940	212,134	(47,194)
Total assets	<u>997,106</u>	<u>1,093,549</u>	<u>(96,443)</u>
Deferred revenue	438,051	403,427	34,624
Other liabilities - current	152,413	171,689	(19,276)
Accrued compensated absences	162,229	147,461	14,768
Total liabilities	<u>752,693</u>	<u>722,577</u>	<u>30,116</u>
Net Position:			
Invested in Capital Assets, net of debt	164,940	212,134	(47,194)
Unrestricted	79,473	158,838	(79,365)
Total Net Position	<u>\$ 244,413</u>	<u>\$ 370,972</u>	<u>\$ (126,559)</u>

Table 2 - Change in Net Position

	Governmental Activities		Net
	2013	2012	Change
REVENUES			
Program revenues:			
Charges for services	\$ 258,991	\$ 273,970	\$ (14,979)
Operating grants	2,814,865	2,775,166	39,699
General revenues:			
Assessments	6,412,148	6,287,133	125,015
Other general revenues	6,367	29,347	(22,980)
Total revenues	<u>9,492,371</u>	<u>9,365,616</u>	<u>126,755</u>
PROGRAM EXPENSES			
Executive administrative services	958,727	968,100	(9,373)
Human resources	372,912	379,266	(6,354)
Fiscal services	478,807	470,870	7,937
Shared student services	994,064	1,006,973	(12,909)
Community skills program	176,699	194,079	(17,380)
Technology program	771,973	762,203	9,770
Student services administration	42,507	40,451	2,056
Food services	1,303,397	900,509	402,888
Transportation services	1,707,882	1,675,059	32,823
Federal funded student programs	1,525,733	1,871,717	(345,984)
State funded student programs	537,459	627,851	(90,392)
Local funded student programs	614,770	501,750	113,020
On behalf payments	134,000	128,700	5,300
Total program expenses	<u>9,618,930</u>	<u>9,527,528</u>	<u>91,402</u>
Increase (decrease) in Net Position	<u>\$ (126,559)</u>	<u>\$ (161,912)</u>	<u>\$ 35,353</u>

CHITTENDEN SOUTH SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

The Supervisory Union's total revenues increased by \$126,755 and expenses increased by \$91,402. The primary variance relates to the inclusion this year of all federal and state food service revenue at the SU as the state now provides payments to the SU not the local schools. Other notable variances include a continued decline in TITLE Grant revenue and smaller increases in local grants supporting some of our CSSU programs.

Table 3 presents the cost of each of the Supervisory Union's five largest programs that were funded from general revenue – transportation, shared student services, food services, executive administrative services, and technology services – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Supervisory Union's taxpayers by each of these functions.

Table 3 – Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2013	2013	2012	2012
Transportation services	\$ 1,707,882	\$ 1,707,882	\$ 1,675,059	\$ 1,675,059
Shared student services	994,064	994,064	1,006,973	1,006,973
Food services	1,303,397	936,419	900,509	900,509
Executive administrative services	958,727	958,727	968,100	968,100
Technology services	771,973	771,973	762,203	762,203
Other	3,882,887	1,176,009	4,214,684	1,165,548
Total services	<u>\$ 9,618,930</u>	<u>\$ 6,545,074</u>	<u>\$ 9,527,528</u>	<u>\$ 6,478,392</u>

The Supervisory Union's Funds (*Fund Financial Statement Analysis*)

As the Supervisory Union completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$241,702, which is lower than last year's total of \$306,299. Included in this year's total change in fund balance are the current year decrease in fund balance of \$60,763 in the General Fund and the current year decrease of \$3,834 in the Special Revenue Fund.

The *Special Revenue Fund* includes activity related to Federal, State, and local grants, donations and fees programs. Revenue is recognized when the expenditure is incurred. Any funds received but not spent on most of these programs are recorded as deferred revenue. The deferred revenue at June 30, 2013 was \$435,690 which was from approximately 20 various grants compared to \$401,251 as of June 30, 2012 which were also from approximately 20 various grants. The fund deficit of \$(16,260) is from two locally funded programs.

General Fund Budgetary Highlights - Quarterly financial reports reviewed by the Board of School Directors served as the vehicle for monitoring the budget for the fiscal year.

CHITTENDEN SOUTH SUPERVISORY UNION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

Exhibit G has a comparison of actual to budget that shows where the favorable and unfavorable variances arose during the year. The larger variances are as follows:

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Federal grant	\$ 140,000	0	\$ (140,000)
Expenditures:			
Student services administration	202,806	42,507	160,299
Human resources	419,452	372,912	46,540
Transportation services	1,658,197	1,707,882	(49,685)
Capital outlay	21,000	61,921	(40,921)

Federal Grant Revenue in support of Student services is budgeted as revenue on our financial statements but used to pay salaries and benefits directly, hence the offsetting under-run in expenditures. Human Resources variance is the result of budgeted positions remaining open during the year. Capital outlays are related to technology and transportation equipment expenditures.

Capital Assets - During fiscal year June 30, 2013, the Supervisory Union invested \$61,921 in equipment. The total equipment purchases through June 30, 2013 was \$499,651 of which \$334,711 has been depreciated on the government wide statements resulting in net capital assets of \$164,940.

Economic Factors and Next Year's Budgets and Rates

The Supervisory Union's elected and appointed officials considered many factors when setting the 2013/2014 budget for school operations. Needs for services as defined by each of our member schools, efficiencies to be gained by providing resources centrally, implications to the schools tax rates and the local economic climate all weigh into the discussion. The School Board approved a budget of \$7,006,784 for 2013/2014, a 5.71% increase from the prior year budget, reflecting the Boards response to pressure from taxpayers of the Supervisory Union to constrain property tax increases.

Effective July 1, 2014, Supervisory Unions in Vermont are required by statute to reflect certain Transportation and Special Education expenses on both the financial records of the Supervisory Union and the records of their member districts. The certain expenses at the moment include transportation expense for contracted out bus service and professional salaries and benefits in Special Education. We are in the process of working through the details of these transactions. It is estimated that when the work is completed approximately \$6,500,000 in additional expense and offsetting assessment collections will be reflected for the first time on the Supervisory Unions statements.

Contacting the Supervisory Union's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Supervisory Union's finances and to show the Supervisory Union's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent's Office at 5420 Shelburne Road, Suite 100, Shelburne, Vermont.

STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Governmental Activities</u>	
ASSETS		
Cash	\$ 522,374	
Accounts receivable:		
Grants receivable	54,944	
Other receivables	14,533	
Due from other districts	185,536	
Prepaid expenses	6,145	
Inventories - bus parts	48,634	
Property & equipment (net of accumulated depreciation of \$334,711)	<u>164,940</u>	
Total assets		997,106
LIABILITIES		
Accounts payable	44,096	
Due to other districts	32,948	
Deferred revenue	438,051	
Accrued wages	75,369	
Accrued compensated absences due after one year	<u>162,229</u>	
Total liabilities		<u>752,693</u>
NET POSITION		
Unrestricted	79,473	
Invested in capital assets	<u>164,940</u>	
Total net position		<u>\$ 244,413</u>

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charge for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
Governmental Activities:				
Executive administrative services	\$ 958,727	\$ 0	\$ 0	\$ (958,727)
Human resources	372,912	0	0	(372,912)
Fiscal services	478,807	0	0	(478,807)
Shared student services	994,064	0	0	(994,064)
Community skills program	176,699	0	0	(176,699)
Technology program	771,973	0	0	(771,973)
Student services administration	42,507	0	0	(42,507)
Food services	1,303,397	0	366,978	(936,419)
Transportation services	1,707,882	0	0	(1,707,882)
Federal funded student programs	1,525,733	0	1,525,733	0
State funded student programs	537,459	0	537,459	0
Local funded student programs	614,770	258,991	250,695	(105,084)
On behalf payments	134,000	0	134,000	0
Total governmental activities	<u>\$ 9,618,930</u>	<u>\$ 258,991</u>	<u>\$ 2,814,865</u>	<u>(6,545,074)</u>
General Revenues:				
Assessments				6,412,148
Interest income				6,322
Miscellaneous income				45
Total general revenues				<u>6,418,515</u>
Change in net position				(126,559)
Net position - July 1, 2012				<u>370,972</u>
Net position - June 30, 2013				<u>\$ 244,413</u>

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 522,374	\$ 0	\$ 522,374
Accounts receivable:			
Grants receivable	0	54,944	54,944
Other receivables	13,343	1,190	14,533
Due from other districts	166,536	19,000	185,536
Due from other funds	0	397,539	397,539
Prepaid expenses	6,145	0	6,145
Inventories - bus parts	48,634	0	48,634
Total assets	<u>\$ 757,032</u>	<u>\$ 472,673</u>	<u>\$ 1,229,705</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ 23,801	\$ 20,295	\$ 44,096
Due to other districts	0	32,948	32,948
Deferred revenue	2,361	435,690	438,051
Accrued wages	75,369	0	75,369
Due to other funds	397,539	0	397,539
Total liabilities	<u>499,070</u>	<u>488,933</u>	<u>988,003</u>
Fund Balances			
Nonspendable - inventory and prepaids	54,779	0	54,779
Committed for compensated absences	60,000	0	60,000
Assigned for FY14 expenditures	100,000	0	100,000
Unassigned:			
General Fund	43,183	0	43,183
Locally funded programs	0	(16,260)	(16,260)
Total fund balances	<u>257,962</u>	<u>(16,260)</u>	<u>241,702</u>
Total liabilities and fund balances	<u>\$ 757,032</u>	<u>\$ 472,673</u>	<u>\$ 1,229,705</u>

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

JUNE 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 241,702
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Amounts reported for governmental activities in the
statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$499,651 and the accumulated depreciation is \$334,711.	164,940
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of accrued compensated absences.	<u>(162,229)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 244,413</u>
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CHITTENDEN SOUTH SUPERVISORY UNION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

EXHIBIT E

	Governmental Funds - Major Funds		
	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Assessments	\$ 6,412,148	\$ 0	\$ 6,412,148
Earnings on investments	6,322	0	6,322
Federal grants	0	1,874,352	1,874,352
State grants	0	555,818	555,818
Local sources	45	509,686	509,731
On behalf payments	134,000	0	134,000
Total revenues	<u>6,552,515</u>	<u>2,939,856</u>	<u>9,492,371</u>
EXPENDITURES			
Current expenditures:			
Executive administrative services	834,844	0	834,844
Human resources	372,912	0	372,912
Fiscal services	478,807	0	478,807
Shared student services	994,064	0	994,064
Community skills programs	176,699	0	176,699
Technology program	771,973	0	771,973
Student services administration	42,507	0	42,507
Food services	936,419	366,978	1,303,397
Transportation services	1,707,882	0	1,707,882
Title I	0	328,595	328,595
Title II - A	0	223,360	223,360
Title III	0	16,207	16,207
IDEIA B programs	0	903,321	903,321
Drug free/substance prevention programs	0	54,250	54,250
DOH community prevention	0	44,386	44,386
Medicaid programs	0	422,811	422,811
Tobacco & alcohol use prevention	0	34,056	34,056
Best grant	0	17,662	17,662
Early Ed Initiative grant programs	0	10,000	10,000
Other state grant programs	0	8,544	8,544
Wellness programs	0	43,442	43,442
Community connections program	0	483,106	483,106
Other locally funded programs	0	88,222	88,222
On behalf payments	134,000	0	134,000
Capital outlay	61,921	0	61,921
Total expenditures	<u>6,512,028</u>	<u>3,044,940</u>	<u>9,556,968</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	40,487	(105,084)	(64,597)
OTHER FINANCING SOURCES(USES)			
Transfers (out) in	<u>(101,250)</u>	<u>101,250</u>	<u>0</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(60,763)	(3,834)	(64,597)
FUND BALANCES (DEFICIT) - JULY 1, 2012	<u>318,725</u>	<u>(12,426)</u>	<u>306,299</u>
FUND BALANCES (DEFICIT) - JUNE 30, 2013	<u>\$ 257,962</u>	<u>\$ (16,260)</u>	<u>\$ 241,702</u>

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

YEAR ENDED JUNE 30, 2013

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	(64,597)
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Amounts reported for governmental activities in the statement of
activities are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense.

Depreciation expense of \$(109,115) is reported in the period and asset
purchases of \$61,921.

(47,194)

In the statement of activities, accrued compensated absences

are measured by the amounts earned by employees during the year.

In the governmental funds, however, expenditures for these items are
measured by the amount of financial resources used (essentially,
the amounts actually paid). This year, compensated absences
incurred exceeded the amounts paid by \$14,768.

(14,768)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(126,559)</u>
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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPARED TO BUDGET - GENERAL FUND

YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Assessments	\$ 6,355,373	\$ 6,412,148	\$ 56,775
Federal grant	140,000	0	(140,000)
Earnings on investments	15,000	6,322	(8,678)
Miscellaneous	17,800	45	(17,755)
Total revenues	6,528,173	6,418,515	(109,658)
EXPENDITURES			
Current expenditures			
Executive administrative services	858,910	834,844	24,066
Human resources	419,452	372,912	46,540
Fiscal services	487,768	478,807	8,961
Shared student services	985,933	994,064	(8,131)
Community skills programs	206,121	176,699	29,422
Technology program	789,993	771,973	18,020
Student services administration	202,806	42,507	160,299
Food services	931,941	936,419	(4,478)
Transportation services	1,658,197	1,707,882	(49,685)
Capital outlay	21,000	61,921	(40,921)
Total expenditures	6,562,121	6,378,028	184,093
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,948)	40,487	74,435
OTHER FINANCING SOURCES(USES)			
Transfers out	(66,052)	(101,250)	35,198
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (100,000)</u>	(60,763)	<u>\$ 39,237</u>
FUND BALANCE - JULY 1, 2012		318,725	
FUND BALANCE - JUNE 30, 2013		<u>\$ 257,962</u>	

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Chittenden South Supervisory Union operates under the authority of the Vermont Education Laws. The Supervisory Union provides services to Champlain Valley Union High School, Charlotte School District, Hinesburg School District, Shelburne School District, Williston School District, and St. George School District.

The Supervisory Union is governed by a 16 member elected Board. Chittenden South Supervisory Union, for financial reporting purposes, consists only of the funds of the Supervisory Union. The Board of Directors has no financial accountability for any other governmental entity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Supervisory Union's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Supervisory Union are discussed below.

Reporting Entity

The Supervisory Union's basic financial statements include the accounts of all its operations.

The criteria for including organizations as component units within the Supervisory Union's reporting entity, are set forth in GASB 14 as amended by GASB 39, and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards. Based on the criteria, the Supervisory Union has no component units.

Basic Financial Statements – Government-Wide Statements

The Supervisory Union's basic financial statements include both government-wide (reporting the Supervisory Union as a whole) and fund financial statements (reporting the Supervisory Union's major funds). Both the government-wide and fund statements categorize primary activities as either governmental or business type. All of the Supervisory Union's activities are classified as governmental activities. There is no business type activity.

The government-wide Statement of Net Position is reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Supervisory Union's Net Position is reported in three parts – invested in capital assets, net of related debt; restricted; and unrestricted Net Position. The Supervisory Union first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

CHITTENDEN SOUTH SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the Supervisory Union's governmental functions. The functions are also supported by general government revenue (assessments, interest income and other local revenue). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, consisting of charges for services, operating grants and contributions. Program revenue must be directly associated with the governmental function (specific services or program). Operating grants include operating-specific and discretionary grants.

The net costs (by governmental function) are normally covered by general revenue (assessments, interest income, etc.).

This government-wide focus is more on the sustainability of the Supervisory Union as an entity and the change in the Supervisory Union's Net Position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Supervisory Union are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. The various funds are reported by major funds within the financial statements.

The emphasis in fund financial statements is on the major funds in the governmental categories. Nonmajor funds are not reflected since there are none. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The General Fund and Special Revenue Fund are shown as major funds.

Governmental Funds

The funds used by the Supervisory Union are Governmental Funds. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Supervisory Union reports these major governmental funds:

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

Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted by grantors or donors to expenditures for specified purposes.

CHITTENDEN SOUTH SUPERVISORY UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual - Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when liabilities are incurred.

Modified Accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" to the Supervisory Union means collectible within the current period or within six months after year end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. The exception to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

Inventories

Inventories in the General Fund consist of various bus parts and are carried at the lower of market or cost using the first-in first-out cost method. A portion of fund balance equal to inventory is shown as "nonspendable" to indicate that it is not available for appropriation.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets, which consist of equipment, is provided on the straight-line basis over the estimated useful lives of three to five years.

Accrued Compensated Absences

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these accounts. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

Government-wide Net Position

In July of 2012, the Supervisory Union adopted GASB Statement No. 63. In June of 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the Statement of Net Position. Net resources invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and deferred inflows of resources attributable to either capital asset acquisition, construction or improvement. This amount is then increased by any deferred outflows of resources attributable to capital asset acquisition, construction, or improvement (to arrive at net investment in capital assets). Net position is reported as restricted when there are legal limitations imposed on its use by legislation or external restrictions by creditors, grantors, laws or regulations of other governments

Government-wide Net Position are divided into three components:

Investment in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted Net Position – consist of Net Position that are restricted by the state enabling legislation, by grantors, and by other contributions.

Unrestricted Net Position – all other Net Position are reported in this category.

Governmental Fund Balances:

Beginning with fiscal year 2012, the Supervisory Union implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the School Board. Formal action must be taken prior to the end of the fiscal year (e.g. capital projects, compensated absences). The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the School Board or body or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The School Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by the School Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service or other purposes).

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied in the following order:

1. Committed
2. Assigned
3. Unassigned

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund activities are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide financial statements.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget Adoption and Comparisons

The Supervisory Union follows these procedures in establishing the budgetary data reflected in the financial statements for the General Fund:

The Supervisory Union Board prepares an operating budget in December for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures by line item and the means of financing them. The budget is approved by the Supervisory Union Board of Directors.

Budgetary integration is employed as a management control device during the year for the General Fund. From time to time during the year, transfers among budget line items are made in accordance with Board policy.

The Supervisory Union is not legally required to adopt a budget for the Special Revenue Fund. Therefore, a budgetary comparison is not presented for this fund.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Supervisory Union's deposits may not be returned to it. As of June 30, 2013, none of the Supervisory Union's bank balance of \$722,698 was exposed to custodial credit risk. The full amount was uninsured but collateralized.

NOTE 3 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2013 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund		
General Fund	\$ 0	\$ 397,539
Special Revenue	397,539	0
	<u>\$ 397,539</u>	<u>\$ 397,539</u>

The General Fund transferred \$101,250 per the budget to the SAP/Mentor Program.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 4 – CAPITAL ASSETS

The summary of capital assets as of June 30, 2013 is as follows:

	Equipment	Accum. Depreciation	Total
Book Value at June 30, 2012	\$ 455,362	\$ (243,228)	\$ 212,134
Additions	61,921	0	61,921
Disposals	(17,632)	17,632	0
Depreciation	0	(109,115)	(109,115)
Book Value at June 30, 2013	<u>\$ 499,651</u>	<u>\$ (334,711)</u>	<u>\$ 164,940</u>

Depreciation expense of \$109,115 is included in the executive administrative services expense.

NOTE 5 – GRANTS RECEIVABLE AND DEFERRED REVENUE

Grants receivable and deferred revenue consisted of the following as of June 30, 2013:

	Grants Receivable	Deferred Revenue
Special Revenue Fund:		
Title I	\$ 0	\$ 9,038
Title II - A	3,360	0
Title III	0	1,435
IDEIA B various grants	0	62,149
Strengthening public health	19,250	0
Community based prevention grant	18,636	0
Medicaid/EPSTD	13,698	161,859
Wellness programs	0	10,491
Other state grants	0	15,368
Community connections programs	0	19,893
Jt collective bargaining grant	0	33,386
VEHI program	0	86,927
Various local source programs	0	35,144
Total Special Revenue Fund	<u>54,944</u>	<u>435,690</u>
General Fund:		
VSA	0	2,361
Total	<u>\$ 54,944</u>	<u>\$ 438,051</u>

Revenue from federal, state and other grants, designated for payment of specific Supervisory Union expenditures, are recognized in the Special Revenue Funds when the related expenditures are incurred. Any excess receipts or expenditures as of the fiscal year end are recognized as deferred revenue or accounts receivable, respectively.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 6 – ACCRUED COMPENSATED ABSENCES

The following is a summary of the changes in accrued compensated absences:

Balance - June 30, 2012	\$ 147,461
Increases	25,494
Decreases	<u>(10,726)</u>
Balance - June 30, 2013	<u>\$ 162,229</u>

NOTE 7 – CONCENTRATION OF SUPPORT

The Supervisory Union receives the majority of its revenues from assessments to member schools. Additionally, the Supervisory Union receives various grants from the State of Vermont as aid to education and as special education grants.

NOTE 8 – ASSESSMENTS FROM MEMBER SCHOOLS

The member School Districts of Chittenden South Supervisory Union are billed for their appropriate share of expenditures relating to the Chittenden South Supervisory Union. Core Services which includes Executive Administrative Services, Human Resources, Fiscal Services and Student Services, are allocated based on the fall student census average daily membership (ADM). Purchased Services are allocated based on the level of services provided to the member school. The allocation for purchased services is either based on average daily membership, personnel cost, days of service, driver hours or number of students served.

NOTE 9 - OPERATING LEASES

On June 22, 2012, the Supervisory Union entered into a lease for its Central Office facilities. The lease is for four years, July 1, 2012 through June 30, 2016, with required annual payments of \$64,000. Future minimum rent payments are \$64,000 annually to be paid during fiscal years June 30, 2014, 2015 and 2016. Lease expense in fiscal year 2013, under the lease agreement, was \$64,000.

NOTE 10 – RETIREMENT BENEFIT PLANS

State Teachers' Retirement System of Vermont

The teachers and other teacher-certified employees in the Supervisory Union are covered by the State Teachers' Retirement System, which is a single employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the State's obligation to contribute are established. Required contributions to the system are made by the State of Vermont based upon a valuation report prepared by the System's actuary.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 10 – RETIREMENT BENEFIT PLANS (Continued)

The contribution amount made by the State on behalf of the participants in the State Teachers' Retirement System is approximately \$134,000. The amount is estimated based on the current year's contribution percentage.

Teachers become members of the retirement system upon employment. All teachers in the Supervisory Union are Group C members and are required to contribute at a rate of 5.0% of earnable compensation. Vesting occurs upon reaching five years of creditable service. Of the Supervisory Union's total payroll of \$5,522,090, \$1,311,671 was covered under the Vermont State Teachers' Retirement System.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State of Vermont, Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

Vermont Municipal Employees' Retirement System

All other full-time employees who are not eligible to participate in the State Teachers' Retirement System are eligible for coverage by the Vermont Municipal Employees' Retirement System. The Vermont Municipal Employees' Retirement System (the Plan) is a cost sharing multiple-employer plan. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Supervisory Union and employees make required contributions to the Plan based upon a valuation report prepared by the Plan's actuary.

The Supervisory Union participates in the Group A, Group B, and Group C levels of contributions and benefits of the plan. Under Group A, the employee contributions are 2.5% of gross pay and employer contributions are 4% of gross pay. Under Group B, the employee contributions are 4.5% of gross pay and employer contributions are 5% of gross pay. Under Group C, the employee contributions are 9.25% of gross pay and employer contributions are 6.5% of gross pay. Of the Supervisory Union's total payroll of \$5,522,090, \$3,130,291 was covered under the Plan. Total employer contributions made to the Plan for years ended June 30, 2013, 2012, and 2011 were \$ 178,656, \$171,102, and \$162,583 respectively.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State of Vermont, Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

403(b) Retirement Contribution Plan

Effective January 1, 2009, Chittenden South Supervisory Union established a 403(b) Retirement Contribution Plan. This plan is eligible to all employees. There is a maximum annual cap employees are allowed to contribute to this plan. These funds are invested in the State of Vermont 403(b) Investment Program. There is no employer match or contribution provision in this plan.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 11 – RECONCILIATION OF EXHIBIT E TO EXHIBIT G

Amounts recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance Compared to Budget – General Fund (Exhibit G) are reported on the basis budgeted by the Supervisory Union. Amounts recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit E) for the General Fund was adjusted for on behalf payments of fringe benefits (see Note 10) as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Exhibit E	\$ 6,552,515	\$ 6,512,028
On behalf fringe benefits	<u>(134,000)</u>	<u>(134,000)</u>
Exhibit G	<u>\$ 6,418,515</u>	<u>\$ 6,378,028</u>

NOTE 12 - RISK MANAGEMENT

The Supervisory Union is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Supervisory Union maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Supervisory Union. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

In addition, Chittenden South Supervisory Union is a member of Vermont School Boards' Association Insurance Trust, Inc. (VSBIT) Medical Benefits Program. VSBIT is a nonprofit corporation formed in 1978 to provide insurance and risk management programs for Vermont Supervisory Unions and is owned by the participating districts.

To provide health insurance coverage, VSBIT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield. A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. The pooling agreement does not permit the pool to make additional assessments to its members.

NOTE 13 - CONTINGENCIES

The Supervisory Union participates in a number of federally-assisted and state grant programs which are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2013, have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Supervisory Union expects such amounts, if any, to be immaterial.

CHITTENDEN SOUTH SUPERVISORY UNION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 14 – BUDGETARY COMPARISON STATEMENT – SPECIAL REVENUE FUND

The Supervisory Union is not legally required to adopt a budget for the Special Revenue Fund. Therefore, a budgetary comparison statement is not presented for this fund.

NOTE 15 – FUND DEFICIT – SPECIAL REVENUE FUND

The Supervisory Union's Special Revenue Fund ended the fiscal year with a deficit of \$16,260. Management is working on a plan to eliminate this deficit in the future.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 14, 2013. Management is not aware of any subsequent events which require disclosure.