

**Southwest Vermont Regional Technical School District**

**June 30, 2014  
Financial Statement  
Together with  
Independent Auditor's Report**

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

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## **INDEPENDENT AUDITOR'S REPORT**

May 29, 2015

To the Members of the Regional Governing Board of the  
Southwest Vermont Regional Technical School District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Southwest Vermont Regional Technical School District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District'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 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 *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 from 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.

(Continued)

## INDEPENDENT AUDITOR'S REPORT (Continued)

### 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 the District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-13, and 33 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 May 29, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

Bonadio & Co., LLP

VT License #092.0048099

# **SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

## **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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*The following is a discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2014. The section is a summary of the 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 District's financial statements, which immediately follow this section.*

### **FINANCIAL HIGHLIGHTS**

- The District's fiscal year 2014 actual revenue was less than budgeted revenue by \$100,892. This is primarily due to variances as follows:
  - Unfavorable variance of \$166,178 in tuition revenue primarily due to a refund required for fiscal year 2014 for the overcharged difference between the announced tuition and the allowable tuition rates and the State paid more towards tuition (see bullet below).
  - Favorable variance of \$101,635, in state aid due primarily to increased revenue in state aid for base education spending.
  - Unfavorable variance of \$35,676 in other revenue due to reduced funds coming directly from Arlington District for transportation, and increased funds from the state.
  
- The District's fiscal year 2014 expenditures were under expended by \$213,167. This is primarily due to significant variances as follows:
  - Favorable variance of \$79,968 in direct instruction primarily due to vacancy savings and salary shrinkage.
  - Favorable variance of \$103,089 in plant maintenance and safety due to under spending by the Mount Anthony Union High School which directly impacts this expenditure function.
  
- General fund balance for fiscal year 2014 is \$825,576. The fund balance is comprised of the following: \$82,304 for voter approved reserve funds for capital improvements, \$190,111 for voter approved reserve funds for equipment, \$57,666 is non-spendable due to prepaid expenses, and \$231,576 is appropriated to balance the 2015 budget as a revenue offset, and \$263,919 is the unassigned fund balance available for revenue (tuition offset) for 2016.

### **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 District:

- The first two statements are government-wide financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operation in *more detail* than the government-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.
- *Fiduciary funds statements* provide information about the financial relationships in which the 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 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 District's Annual Financial Report

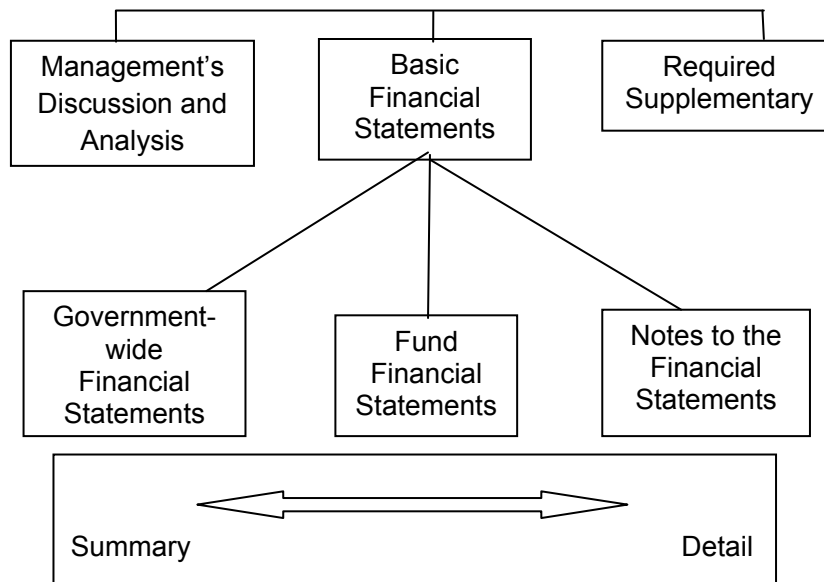


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

**Table A-2** Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements	
	Government-wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the District, such as instruction and special education.	Instances in which the 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 position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and change in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of change in net position</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/deferred outflows of resources & liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

### Government-wide Statements

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

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Government-wide Statements (Continued)

The two Government-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets/deferred outflows of resources and liabilities/deferred inflows of resources – is one way to measure the District's financial health or position.

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

Net position of the governmental activities differs 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 balance.

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 position:

- 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 position balances as follows:
  - Net investment in capital assets.
  - Restricted net position has constraints placed on use by external sources or imposed by law.
  - Unrestricted net position does not meet any of the above restrictions.

### Fund Financial Statements

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

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



## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Fund Financial Statements (Continued)

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that 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 District's programs. Because this information does not encompass the additional long-term focus of the School Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental funds statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General Fund, Carl Perkins Fund, Adult Education Funds, Equipment Grant Fund, and VEHI Grant Fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and change in fund balance.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The 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 District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Table A-3** Condensed Statement of Net Position

	Fiscal Year 2014	Fiscal Year 2013	Dollar Change	Percent Change
Cash and other current assets	\$ 1,151,133	\$ 901,694	\$ 249,439	27.66%
Capital assets - net	<u>763,980</u>	<u>770,554</u>	<u>(6,574)</u>	-0.85%
Total assets	<u>1,915,113</u>	<u>1,672,248</u>	<u>242,865</u>	14.52%
Current liabilities	293,425	146,680	146,745	100.04%
Long-term liabilities	<u>99,361</u>	<u>73,457</u>	<u>25,904</u>	35.26%
Total liabilities	<u>392,786</u>	<u>220,137</u>	<u>172,649</u>	78.43%
Net position:				
Net investment in capital assets	738,361	770,554	(32,193)	-4.18%
Restricted	272,415	211,801	60,614	28.62%
Unrestricted	<u>511,551</u>	<u>469,756</u>	<u>41,795</u>	8.90%
Total net position	<u>\$ 1,522,327</u>	<u>\$ 1,452,111</u>	<u>\$ 70,216</u>	4.84%

Cash and other current assets increased by approximately \$230,000. This is due primarily to an increase in various receivables at year end for grant proceeds and other amounts owed to the District. Liabilities increase approximately \$173,000 as a result of the addition of a capital lease obligation for the purchase of a backhoe during the year and the increase in payables and accrued liabilities as a result of the timing of payments at year end.

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

### Changes in Net Position

The District's fiscal year 2014 revenue totaled \$3,500,860 (see Table A-4). Tuition and operating grants accounted for most of the District's revenue by contributing 80% and 18% respectively (see Table A-5). The remainder came from other miscellaneous sources.

The total cost of all programs and services totaled \$3,430,644 for 2014. The majority of this amount is used to support regular programs (see Table A-6).

Net position increased during the year by \$57,736.

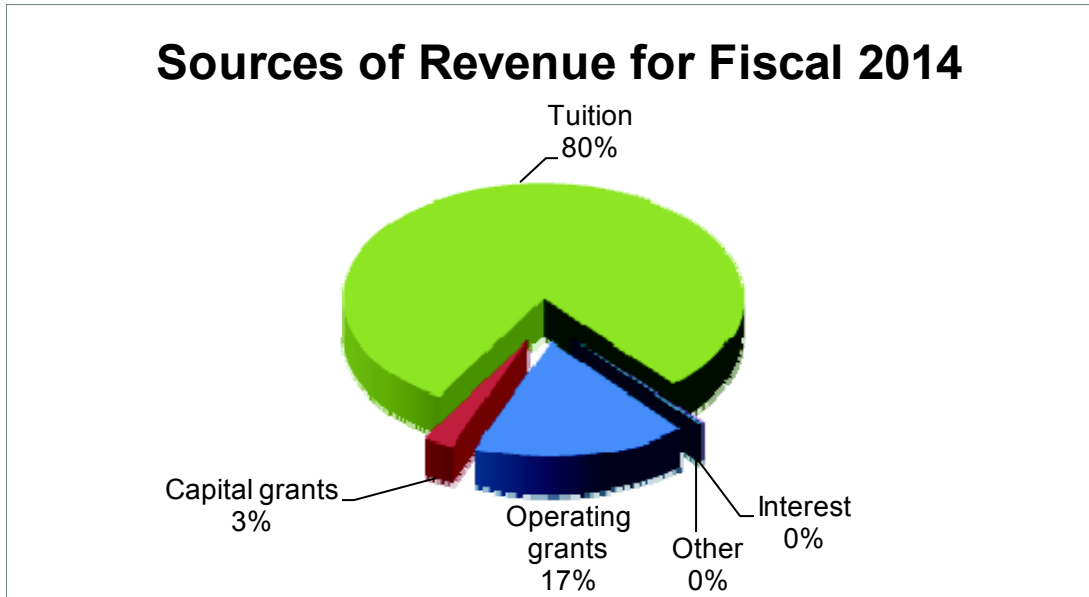
**Table A-4** Changes in Net Position from Operating Results:

	Fiscal Year 2014	Fiscal Year 2013	Dollar Change	Percent Change
Revenue:				
Charges for services	\$ 938,538	\$ 914,036	\$ 24,502	2.68%
Operating grants	203,062	2,550,140	(2,347,078)	-92.04%
Capital grants	28,235	28,235	-	0.00%
General revenue:				
Interest	2,327	2,542	(215)	-8.46%
Other	2,000	2,917	(917)	-31.44%
Total revenue	<u>1,174,162</u>	<u>3,497,870</u>	<u>(2,323,708)</u>	-66.43%
Expenses:				
Direct instruction	2,001,275	2,236,456	(235,181)	-10.52%
General and administrative	545,352	322,571	222,781	69.06%
Support services - students	285,671	263,129	22,542	8.57%
Support services - technology	179,255	180,766	(1,511)	-0.84%
Plant maintenance and safety	328,445	362,570	(34,125)	-9.41%
Pupil transportation	41,738	36,229	5,509	15.21%
Board of education	38,011	37,270	741	1.99%
Student organization	10,897	12,197	(1,300)	-10.66%
Total expenses	<u>3,430,644</u>	<u>3,451,188</u>	<u>(20,544)</u>	-0.60%
Increase in net position	<u>\$ (2,256,482)</u>	<u>\$ 46,682</u>	<u>\$ (2,303,164)</u>	4933.73%

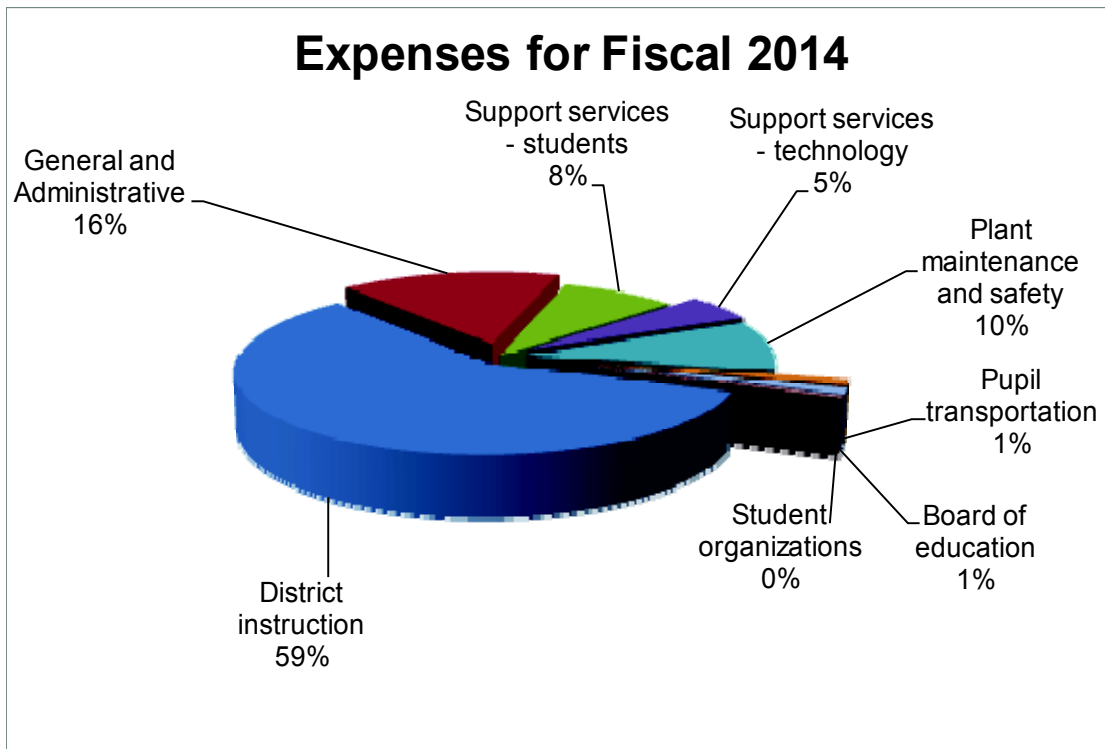
- Direct Instruction decreased primarily due to vacancy savings and salary shrinkage.
- General and administrative increased as a result of various small and large equipment purchases for various programs during the year. The budget was increased for these purchases.

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

**Table A-5** Sources of Revenue for 2014



**Table A-6** Sources of Expenses for 2014



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

### Governmental Activities

Revenue for the District's governmental activities totaled \$3,500,860 while total expenses equaled \$3,430,644 resulting in a positive change in net position of \$57,736.

Table A-7 presents the cost of all of the 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 2014	Total Cost Of Services 2013	Percent Change	Net Cost Of Services 2014	Net Cost Of Services 2013	Percent Change
<b>Functions:</b>						
District instruction	\$ 2,001,275	\$ 2,236,456	-10.52%	\$ 857,764	\$ (1,205,239)	-171.17%
General and administrative	545,352	322,571	69.06%	545,352	322,571	69.06%
Plant maintenance and safety	328,445	362,570	-9.41%	328,445	362,570	-9.41%
Support services	464,926	443,895	4.74%	464,926	443,895	4.74%
Pupil transportation	41,738	36,229	15.21%	15,414	36,229	-57.45%
Board of education	38,011	37,270	1.99%	38,011	37,270	1.99%
Student organizations	10,897	12,197	-10.66%	10,897	12,197	-10.66%
<b>Total</b>	<b>\$ 3,430,644</b>	<b>\$ 3,451,188</b>	<b>-0.60%</b>	<b>\$ 2,260,809</b>	<b>\$ 9,493</b>	<b>23715.54%</b>

- The cost of all governmental activities for the year was \$3,430,644.
- Charges to users, primarily tuition, amounted to \$927,771 for the year ended June 30, 2014, compared to \$863,320 in the prior year.
- The federal and state government financed \$2,557,995 of the costs through operating and capital grants.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the governmental fund financial statement are not the same as variances between years for the School Government-wide financial statements. The 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 District ended June 30, 2014 with a \$99,795 net favorable budget variance.

Carl Perkins Fund – Perkins Funds grant revenue was \$150,671 in FY 2014, and \$113,087 in FY 2013.

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

### Governmental Funds Highlights (Continued)

Adult Education Fund – Adult Education expenses were \$103,174 in FY 2014 and \$190,529 in FY 2013.

Equipment Grant Fund – Equipment Funds were \$28,235 in FY 2014 and FY 2013.

### 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	\$ 992,725	\$ 992,725	\$ 826,547	\$ (166,178)
State aid	2,225,063	2,225,063	2,326,698	101,635
Interest income	3,000	3,000	2,327	(673)
Other revenue	<u>64,000</u>	<u>64,000</u>	<u>28,324</u>	<u>(35,676)</u>
Total revenue	<u>3,284,788</u>	<u>3,284,788</u>	<u>3,183,896</u>	<u>(100,892)</u>
Expenditures:				
Direct instruction	1,868,909	1,856,904	1,776,936	79,968
General and administrative	557,068	558,245	543,571	14,674
Plant maintenance and safety	415,086	415,086	311,997	103,089
Support services - students	275,394	286,222	285,455	767
Support services - technology	186,778	186,778	174,207	12,571
Pupil transportation	31,290	31,290	30,631	659
Board of education	37,847	37,847	38,011	(164)
Student organizations	<u>12,500</u>	<u>12,500</u>	<u>10,897</u>	<u>1,603</u>
Total expenditures	<u>3,384,872</u>	<u>3,384,872</u>	<u>3,171,705</u>	<u>213,167</u>
Other financing sources:				
Proceeds from capital lease obligation	<u>-</u>	<u>-</u>	<u>68,050</u>	<u>68,050</u>
Change in fund balance	(100,084)	(100,084)	80,241	<u>\$ 180,325</u>
Fund balance - beginning of year	<u>745,335</u>	<u>745,335</u>	<u>745,335</u>	

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

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

As of June 30, 2014, the District had \$763,980 invested in a broad range of capital assets including, buildings, computers and other educational equipment.

**Table A-8 Capital Assets, Net**

	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>
Leasehold improvements	\$ 76,779	\$ 81,465
Furniture and equipment	<u>687,201</u>	<u>689,089</u>
Total	<u>\$ 763,980</u>	<u>\$ 770,554</u>

As of June 30, 2014, the District had \$111,792 in other long-term liabilities outstanding consisting of capital lease obligation and compensated absences. More detailed information about the District's long-term liabilities is included in the notes to the financial statements.

**Table A-9 Long-Term Liabilities**

	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>
Capital lease obligation	\$ 38,050	\$ -
Compensated absences	<u>73,742</u>	<u>73,457</u>
Total	<u>\$ 111,792</u>	<u>\$ 73,457</u>

## **FACTORS BEARING ON THE FUTURE OF THE DISTRICT**

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

- Once again, the District was able to complete the fiscal year without having to borrow money. Not having the resulting interest expense allowed the District to fund other expenditures such as direct instruction.
- A decline in FTE's after Semester 2 – 2011 and Semesters 1 & 2 - 2012 has caused the tuition rates to rise.

## **CONTACTING THE 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 District and to demonstrate the 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  
Ms. Stephanie Mulligan, Business Manager  
321 Park Street  
Bennington, VT 05201

# SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2014

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### ASSETS

#### CURRENT ASSETS:

Cash	\$	664,759
Restricted cash		272,415
Accounts receivable		130,049
Due from other governments		26,244
Prepaid expenses		<u>57,666</u>
Total current assets		1,151,133

#### NONCURRENT ASSETS:

Capital assets, net		<u>763,980</u>
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TOTAL ASSETS		<u>1,915,113</u>
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### LIABILITIES

#### CURRENT LIABILITIES:

Accounts payable		147,986
Capital lease obligation, current portion		12,431
Unearned revenue		6,250
Accrued expenses		<u>126,758</u>
Total current liabilities		293,425

#### LONG-TERM LIABILITIES:

Capital lease obligation, long term portion		25,619
Compensated absences payable		<u>73,742</u>
Total long-term liabilities		<u>99,361</u>

TOTAL LIABILITIES		<u>392,786</u>
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### NET POSITION

Net Investment in capital assets		738,361
Restricted		272,415
Unrestricted		<u>511,551</u>
TOTAL NET POSITION	\$	<u>1,522,327</u>

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, 2014**

	Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants	Capital Grants	
GOVERNMENTAL ACTIVITIES					
FUNCTIONS/PROGRAMS:					
Direct instruction	\$ 2,001,275	\$ 912,214	\$ 203,062	\$ 28,235	\$ (857,764)
General and administrative	545,352	-	-	-	(545,352)
Plant maintenance and safety	328,445	-	-	-	(328,445)
Support services - students	285,671	-	-	-	(285,671)
Support services - technology	179,255	-	-	-	(179,255)
Pupil transportation	41,738	26,324	-	-	(15,414)
Board of education	38,011	-	-	-	(38,011)
Student organizations	10,897	-	-	-	(10,897)
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 3,430,644</u>	<u>\$ 938,538</u>	<u>\$ 203,062</u>	<u>\$ 28,235</u>	<u>(2,260,809)</u>
GENERAL REVENUE:					
Basic education spending					2,326,698
Interest income					2,327
Miscellaneous					<u>2,000</u>
TOTAL GENERAL REVENUE					<u>2,331,025</u>
CHANGE IN NET POSITION					70,216
NET POSITION - beginning of year					<u>1,452,111</u>
NET POSITION - end of year					<u>\$ 1,522,327</u>

The accompanying notes are an integral part of these statements.

**SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO GOVERNMENT-WIDE NET POSITION  
JUNE 30, 2014**

	<b>Governmental Fund Types</b>				Total Governmental Funds
	General	Carl Perkins	Adult Education	VEHI Grant	
<b>ASSETS</b>					
Cash	\$ 607,317	\$ -	\$ 57,442	\$ -	\$ 664,759
Restricted cash	272,415	-	-	-	272,415
Accounts receivable	12,670	-	46,285	-	58,955
State and federal receivable	-	71,094	-	-	71,094
Prepaid expenditures	57,666	-	-	-	57,666
Due from other governments	26,244	-	-	-	26,244
Due from other funds	70,360	-	-	6,250	76,610
<b>TOTAL ASSETS</b>	<b>\$ 1,046,672</b>	<b>\$ 71,094</b>	<b>\$ 103,727</b>	<b>\$ 6,250</b>	<b>\$ 1,227,743</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 95,697	\$ 37,165	\$ 15,124	\$ -	\$ 147,986
Accrued liabilities	125,399	-	1,359	-	126,758
Unearned revenue	-	-	-	6,250	6,250
Due to other funds	-	33,929	42,681	-	76,610
<b>TOTAL LIABILITIES</b>	<b>221,096</b>	<b>71,094</b>	<b>59,164</b>	<b>6,250</b>	<b>357,604</b>
<b>FUND BALANCE:</b>					
<b>Nonspendable:</b>					
Prepaid expenditures	57,666	-	-	-	57,666
<b>Restricted:</b>					
Capital improvements	82,304	-	-	-	82,304
Equipment	190,111	-	-	-	190,111
Total restricted fund balance	272,415	-	-	-	272,415
<b>Assigned</b>					
Unappropriated	-	-	44,563	-	44,563
Appropriated for subsequent years expenditures	231,576	-	-	-	231,576
Total assigned fund balance	231,576	-	44,563	-	276,139
<b>Unassigned</b>					
	263,919	-	-	-	263,919
<b>TOTAL FUND BALANCE</b>	<b>825,576</b>	<b>-</b>	<b>44,563</b>	<b>-</b>	<b>870,139</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,046,672</b>	<b>\$ 71,094</b>	<b>\$ 103,727</b>	<b>\$ 6,250</b>	<b>\$ 1,227,743</b>

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

Total governmental fund balances per above.	\$ 870,139
Capital assets used in governmental activities are not financial resources and, therefore, are not in the funds.	763,980
Capital leases are not due in the current period and therefore, are not reported in the funds	(38,050)
Compensated absences are not due and payable in the current period and therefore, are not reported in the funds	(73,742)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 1,522,327</b>

**SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	General	Carl Perkins	Adult Education	VEHI Grant	Equipment Grant	Total Government Funds
<b>REVENUE:</b>						
Tuition	\$ 826,547	\$ -	\$ 85,667	\$ -	\$ -	\$ 912,214
State aid	2,326,698	-	27,469	-	28,235	2,382,402
Federal aid	-	150,671	24,922	-	-	175,593
Interest income	2,327	-	-	-	-	2,327
Other revenue	<u>28,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,324</u>
Total revenue	<u>3,183,896</u>	<u>150,671</u>	<u>138,058</u>	<u>-</u>	<u>28,235</u>	<u>3,500,860</u>
<b>EXPENDITURES:</b>						
Direct instruction	1,776,936	120,671	103,174	-	28,235	2,029,016
General and administrative	543,571	-	-	-	-	543,571
Plant maintenance and safety	311,997	-	-	-	-	311,997
Support services - students	285,455	-	-	-	-	285,455
Support services - technology	174,207	-	-	-	-	174,207
Pupil transportation	30,631	-	-	-	-	30,631
Board of education	38,011	-	-	-	-	38,011
Student organizations	10,897	-	-	-	-	10,897
Debt service	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Total expenditures	<u>3,171,705</u>	<u>150,671</u>	<u>103,174</u>	<u>-</u>	<u>28,235</u>	<u>3,453,785</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	12,191	-	34,884	-	-	47,075
<b>OTHER FINANCING SOURCES</b>						
Proceeds from capital lease obligations	<u>68,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,050</u>
CHANGE IN FUND BALANCE	80,241	-	34,884	-	-	115,125
FUND BALANCE - beginning of year	<u>745,335</u>	<u>-</u>	<u>9,679</u>	<u>-</u>	<u>-</u>	<u>755,014</u>
FUND BALANCE - end of year	<u>\$ 825,576</u>	<u>\$ -</u>	<u>\$ 44,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 870,139</u>

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, 2014**

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Net change in fund balance - Total governmental funds	\$ 47,075
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	142,914
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(149,488)
Certain expenses in the statement of activities such as capital leases and compensated absences do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	<u>29,715</u>
Change in net position - Governmental activities	<u>\$ 70,216</u>

The accompanying notes are an integral part of these statements.

**SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2014**

	Private Purpose Trust	<u>Agency</u>
<b>ASSETS:</b>		
Cash - restricted	\$ 23,137	\$ 60,827
Total assets	<u>\$ 23,137</u>	<u>\$ 60,827</u>
<b>LIABILITIES:</b>		
Student activity balances	\$ -	\$ 58,214
Child care liability	-	<u>2,613</u>
Total liabilities	-	<u>\$ 60,827</u>
<b>NET POSITION:</b>		
Reserved for scholarships	<u>\$ 23,137</u>	

**SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

**STATEMENT OF CHANGE IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Private Purpose Trust
<b>ADDITIONS:</b>	
Contributions	\$ 1,500
Interest income	481
Total additions	<u>1,981</u>
<b>DEDUCTIONS:</b>	
Scholarships and awards	<u>1,013</u>
CHANGE IN NET POSITION	968
NET POSITION - beginning of year	<u>22,169</u>
NET POSITION - end of year	<u>\$ 23,137</u>

The accompanying notes are an integral part of these statements.

# **SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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### **1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

#### **Reporting Entity**

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

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

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

#### **Basis of Presentation**

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

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Basis of Presentation (Continued)**

#### Government-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the 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 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 all taxes, is presented as general revenue.

#### Fund Financial Statements

The 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 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 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 balance, 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 District are as follows:

#### Governmental Fund Types

Governmental funds are those in which most governmental functions of the District are reported. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the 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 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.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Basis of Presentation (Continued)**

#### Governmental Fund Types (Continued)

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

#### Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the 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 District acts as trustee or agent for resources that belong to others. These activities are not included in the Government-wide financial statements because their resources do not belong to the 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.
- *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 GAAP 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 Government-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 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 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.



**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus and Basis of Accounting (Continued)**

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

**Cash**

The District's cash consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Vermont State law governs the 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.

**Receivables**

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

**Capital Assets, Net**

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 Government-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 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 Superintendent/Director prepares the annual operating budget for the 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.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Budgetary Procedures and Budgetary Accounting (Continued)**

2. After the budget is adopted, the District disseminates a copy of the operating budget and notice of the annual meeting of the District to discuss the budget.
3. In March, the annual District floor meeting is held for all eligible voters of the service region (Arlington, Bennington, Dorset, Glastenbury, Manchester, North Bennington, Pownal, Readsboro, Sandgate, Searsburg, Shaftsbury, Stamford, Sunderland, and Woodford) for the 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 or decrease the amount of total budgeted expenditures, must be approved by another vote from the entire service region.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget for the general fund is as adopted using the modified accrual basis. The total budgeted amount of expenditures is as originally adopted. Transfers between expenditure categories have occurred during the year.

### **Vested Employee Benefits**

#### Other Benefits

*Vermont Municipal Employees' Retirement System:* the District funds accrued pension cost. Certain District employees are members of the state administered Vermont Municipal Employees' Retirement System. Under Vermont statutes, the 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.

#### Other Benefits

*State Teachers' Retirement System of Vermont:* Teachers who are full-time employees of the District are members of the State Teachers' Retirement System of Vermont. Under Vermont statutes, the 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 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.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Vested Employee Benefits (Continued)**

Postretirement Benefits

In addition to providing pension benefits, the 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 District.

**Unearned Revenue**

Unearned revenue is reported when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met or when the District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recorded.

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

Unearned revenue recorded in governmental funds is generally not recorded in the Government-wide statements.

**Accrued Liabilities and Long-Term Obligations**

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

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.

**Net Position/Fund Balance Classifications**

Government-wide Statements

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets and unspent bond proceeds related to those debt issuances.

Restricted Net Position – Reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted net position consists of the following:

Restricted cash consists of the following:

Childcare account	\$	2,613
Student activities accounts		<u>58,214</u>
Total activities accounts	\$	<u>60,827</u>

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Net Position/Fund Balance Classifications (Continued)**

Unrestricted Net Position – Reports all other net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

### Governmental Fund Statements

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

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

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

### Capital improvements

The capital improvements reserve is used to restrict the portion of fund balance that is used to finance future capital projects and is not available for appropriation. This reserve is accounted for in the general fund under restricted fund balance.

### Equipment

The equipment reserve is used to restrict the portion of fund balance that is used to finance future equipment purchases and is not available for appropriation. This reserve is accounted for in the general fund under restricted fund balance.

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e. the Board of Education. The District has no committed fund balances as of June 30, 2014.

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

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

### Order of Fund Balance Spending Policy

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

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Net Position/Fund Balance Classifications (Continued)**

#### **Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the 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.

#### **Explanation of Certain Differences between Fund Financial Statements and Government-Wide Statements**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and Government-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 Balance of Governmental Funds vs. Net position of Governmental Activities**

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

#### **Statement of Revenue, Expenditures, and Change in Fund Balance vs. Statement of Activities**

Differences between the governmental funds statement of revenue, expenditures, and change 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 position.

#### **Newly Adopted Accounting Standard**

During the year ended June 30, 2014, the District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The primary impact on the District's financial statements for the year then ended would have been the addition of the financial statement categories of deferred outflows of resources and deferred inflows of resources, but the District did not have any transactions that fall into these classifications at year end.

## 2. CUSTODIAL CREDIT, CONCENTRATION OF CREDIT RISKS

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

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	\$ 1,125,113	\$ 748,723
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 725,561	
Covered by FDIC insurance	<u>399,552</u>	
Total	<u>\$ 1,125,113</u>	

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

General Fund:	
Capital improvements	\$ 82,304
Equipment	<u>190,111</u>
	<u>\$ 272,415</u>
Fiduciary Fund:	
Private Purpose Memorial Funds	<u>\$ 23,137</u>

### 3. CAPITAL ASSETS, NET

Capital asset balances and activity for the year ended June 30, 2014, were as follows:

	July 1, 2013 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2014 <u>Balance</u>
Governmental activities:				
Capital assets that are depreciated:				
Leasehold improvements	\$ 96,647	\$ -	\$ -	\$ 96,647
Furniture and equipment	<u>2,095,111</u>	<u>142,914</u>	<u>40,322</u>	<u>2,197,703</u>
Total depreciable historical cost	<u>2,191,758</u>	<u>142,914</u>	<u>40,322</u>	<u>2,294,350</u>
Less accumulated depreciation:				
Leasehold improvements	15,182	4,686	-	19,868
Furniture and equipment	<u>1,406,022</u>	<u>144,802</u>	<u>40,322</u>	<u>1,510,502</u>
Total accumulated depreciation	<u>1,421,204</u>	<u>149,488</u>	<u>40,322</u>	<u>1,530,370</u>
Total cost, net	<u>\$ 770,554</u>	<u>\$ (6,574)</u>	<u>\$ -</u>	<u>\$ 763,980</u>

Depreciation expense of \$141,247 for the year ended June 30, 2014, was allocated to specific functions as follows:

Direct instruction	\$ 71,566
Support services - students	216
Support services - technology	5,048
General and administrative	4,781
Plant maintenance and safety	11,107
Pupil transportation	<u>16,448</u>
Total	<u>\$ 109,166</u>

### 4. LONG-TERM LIABILITIES

A summary statement of changes in long-term debt for the fiscal year ended June 30, 2014, is as follows:

	Beginning <u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
Long-term liabilities:					
Capital lease obligation	\$ -	\$ 68,050	\$ 30,000	\$ 38,050	\$ 12,431
Compensated absences (A)	<u>73,457</u>	<u>285</u>	<u>-</u>	<u>73,742</u>	<u>-</u>
Total	<u>\$ 73,457</u>	<u>\$ 68,335</u>	<u>\$ 30,000</u>	<u>\$ 111,792</u>	<u>\$ 12,431</u>

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

**4. LONG-TERM LIABILITIES (Continued)**

During fiscal year 2014, the District entered into a capital lease for the acquisition of a backhoe. The total amount was \$68,050 at an interest rate of 2.00% with monthly payments due on the tenth of every month through July 2017. The future principal lease payments are as follows:

For the year ending June 30,	2015	\$	13,198
	2016		13,198
	2017		<u>13,199</u>
		\$	39,595
	Less: interest		<u>1,545</u>
		\$	<u><u>38,050</u></u>

**5. PENSION PLAN**

The 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 District for the year ended June 30, 2014, was \$1,658,540 of which \$312,702 and \$1,345,838 were attributable to the VMERS and STRSV, respectively. Contributions payable to the VMERS are calculated on the basis of salaries paid during the system's fiscal year ended June 30 and are made in accordance with funding requirements determined by the system's actuaries.

The employer contributions made and percentages of covered payroll for VMERS for 2014 and the preceding two years are as follows:

	Amount <u>Paid</u>	<u>Percentage</u>
2014	\$ 12,507	4%
2013	\$ 16,389	4%
2012	\$ 16,114	4%

The District funds its portion of the retirement contribution from the general fund. Contributions are made on behalf of District employees participating in the STRSV by the State of Vermont.

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 position available to pay benefits as of June 30, 2014, will be available from the two systems when their annual financial reports are issued.



## 5. PENSION PLAN (Continued)

Historical trend information showing the progress in accumulating sufficient assets to pay benefits when due will be presented in the June 30, 2014 annual financial reports of the two systems when they are issued. Additional detailed information concerning the systems will also be available in these reports. Further information on these plans is available at [www.vermonttreasurer.gov/retirement](http://www.vermonttreasurer.gov/retirement).

## 6. RELATED PARTIES

The 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 is currently one member of the District Board of School Directors who is also a member of the Shaftsbury Board, Mount Anthony Union High School District #14 Board, and Southwest Vermont Supervisory Union Board. There is currently a second member of the District Board of School Directors who is also a member of the Mount Anthony Union High School District #14 Board and Southwest Vermont Supervisory Union Board. There is currently a third member of the District Board of School Directors who is also a member of the Shaftsbury Board and Southwest Vermont Supervisory Union Board.

## 7. INTERFUND BALANCES AND ACTIVITY

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

The 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	\$ 70,360	\$ -
Carl Perkins grant	-	33,929
VEHI grant	6,250	-
Adult education	-	42,681
	<u>                    </u>	<u>                    </u>
Total governmental funds	<u>\$ 76,610</u>	<u>\$ 76,610</u>

## 8. CONTINGENCIES

### Grants

The 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 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 District anticipates such amounts, if any, to be immaterial.

## 8. CONTINGENCIES (Continued)

### Litigation

The District has indicated that there is ongoing litigation involving the District, but it is impossible to determine at this time the extent of the liability, if any, of the District with respect to these cases.

## 9. RISK MANAGEMENT

The 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.

## 10. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans. The District is required to adopt the provisions of these Statements for the year ending June 30, 2015, with early adoption encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The District is required to adopt the provisions of this Statement in conjunction with GASB Statement No. 68, for the year ending June 30, 2015, with early adoption encouraged.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District is required to adopt the provisions of this Statement for the year ending June 30, 2016.

The District has not assessed the impact of these statements on its future financial statements.

## 11. SUBSEQUENT EVENTS

### State Law Enacted

In 2014, the General Assembly of the State of Vermont enacted Act 179 and section E.514 of Act 179 will require the District to pay an annual assessment for those teachers who become members of the State Teachers' Retirement System of Vermont on or after July 1, 2015 for those teachers' health and medical benefits.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUE:</b>				
Tuition	\$ 992,725	\$ 992,725	\$ 826,547	\$ (166,178)
State aid	2,225,063	2,225,063	2,326,698	101,635
Interest income	3,000	3,000	2,327	(673)
Other revenue	<u>64,000</u>	<u>64,000</u>	<u>28,324</u>	<u>(35,676)</u>
Total revenue	<u>3,284,788</u>	<u>3,284,788</u>	<u>3,183,896</u>	<u>(100,892)</u>
<b>EXPENDITURES:</b>				
Direct instruction	1,868,909	1,856,904	1,776,936	79,968
General and administrative	557,068	558,245	543,571	14,674
Plant maintenance and safety	415,086	415,086	311,997	103,089
Support services - students	275,394	286,222	285,455	767
Support services - technology	186,778	186,778	174,207	12,571
Pupil transportation	31,290	31,290	30,631	659
Board of education	37,847	37,847	38,011	(164)
Student organizations	<u>12,500</u>	<u>12,500</u>	<u>10,897</u>	<u>1,603</u>
Total expenditures	<u>3,384,872</u>	<u>3,384,872</u>	<u>3,171,705</u>	<u>213,167</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	<u>(100,084)</u>	<u>(100,084)</u>	<u>12,191</u>	<u>112,275</u>
<b>OTHER FINANCING SOURCES:</b>				
Proceeds from capital lease obligations	<u>-</u>	<u>-</u>	<u>68,050</u>	<u>68,050</u>
CHANGE IN FUND BALANCE	(100,084)	(100,084)	80,241	<u>\$ 180,325</u>
FUND BALANCE - beginning of year	<u>745,335</u>	<u>745,335</u>	<u>745,335</u>	
FUND BALANCE - end of year	<u>\$ 645,251</u>	<u>\$ 645,251</u>	<u>\$ 825,576</u>	

The accompanying notes are an integral part of these statements.

**OTHER REQUIRED REPORT**

**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**

May 29, 2015

To the Members of the Regional Governing Board of the  
Southwest Vermont Regional Technical School District:

We have audited in accordance with the 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 and the aggregate remaining fund information of Southwest Vermont Regional Technical School District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 29, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

(Continued)

**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**

(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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.

VT License #092.0048099

*Bonadio & Co., LLP*

# SOUTHWEST VERMONT REGIONAL TECHNICAL SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

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### Section I – Summary of Auditor’s Results

Financial Statements

Type of independent auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  No

Noncompliance material to the financial statements noted?  Yes  No

### Section II - Financial Statement Findings

None.