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www.angolanoandcompany.com

February 9, 2015

Duxbury School District
Att: Michelle Baker, Bus. Mgr.
340 Mad River Pk., Ste. 7
Waitsfield, VT 05673

Dear Michelle:

I have electronically forwarded the final financial statements for Duxbury School District as of and for the year ended June 30, 2014. In addition I will be mailing you 7 bound copies. We have also sent a pdf copy to the AOE on your behalf.

If you are thinking of putting our audit report into your Town Report, auditing standards provides you with three options:

- You may include the entire audit report from page one through the last page;
- You may include pages 1 through Schedule 1;
- You can put a statement in that you were audited and that the audit is available at _____ and omit our audit report completely.

If you have any questions or need assistance, please do not hesitate to call us.

Sincerely,

Angolano & Company

Angolano & Company

Enclosures

Duxbury School District
Financial Statements
For The Year Ended June 30, 2014

Duxbury School District
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For The Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Duxbury School District, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Duxbury School District, Vermont, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the Duxbury School District, Vermont, as of June 30, 2014, and the respective changes in financial position, 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 the management's discussion and analysis and budgetary comparison information on pages 5 and 20 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 January 30, 2015, on our consideration of the Duxbury School District, Vermont'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 Duxbury School District, Vermont's internal control over financial reporting and compliance.

Angolano & Company

Angolano & Company
Shelburne, Vermont
Firm Registration Number 92-0000141

January 30, 2015

DUXBURY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

Introduction

The discussion and analysis of The Duxbury School District's ("the District") financial performance provides a narrative introduction and overview of the District's financial activities for the fiscal year ending June 30, 2014 (FY 14). The District is organized under the guidance of the Board of Directors to provide public education for Duxbury.

Financial Highlights

- Duxbury does not operate a school and the only transaction is the payment of debt associated with the formation of the Waterbury-Duxbury Union School District.
- The District collected \$24,487 in the general fund and paid \$24,486 in FY2014 in debt service principal and interest payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Duxbury School District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements – The first two statements are government-wide financial statements that report information about the District as a whole using accrual accounting methods similar to those used by private sector companies.

The Statement of Net Assets presents information on all of the District assets and liabilities with the difference between the two reported as net assets. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and inter-governmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include programs and services such as management and instructional support, and other support services such as transportation needs of the supervisory District.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories – governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four (4) governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Special Revenue, Capital Project and Debt Service funds. The basic governmental funds financial statements can be found on pages 6-11.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-19.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information including Budget to Actual Reports for the General Fund, Fiduciary, Agency and Trust Fund statements, and a Report on Compliance and Internal Control.

Government-Wide Financial Analysis

Our analysis of the District's major funds begins on Table 1. The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District's Board of Directors establish many other funds to help them control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain grants, and other money.

Amounts reported for governmental activities in this statement of net assets differ from the summary of financial operations because: capital (non-current) assets used in governmental activities are not financial resources and therefore, are deferred in the funds; non-current liabilities – consisting of bonds payable (early retirees) – are not due and payable in the current period and therefore are not reported in the funds. Inter-fund receivables and payables are reported in the fund statements, but not included in the amounts reported for governmental activities.

TABLE I			
Duxbury School District			
Statement of Net Assets and Fund Balance Reconciliation			
June 30, 2014			
	Summary of Financial Operations and Fund Balance	Governmental Activities Government-Wide	Difference
ASSETS:			
Current Assets:			
Accounts Receivable:			
Other LEA's	6,314	6,314	
Total Current Assets	6,314	6,314	-
Non-current Assets:			
Capital Assets:			
Buildings & Equipment, net of Accum. Depr.	-	-	-
Total Non-current Assets	-	-	-
TOTAL ASSETS	6,314	6,314	-
LIABILITIES:			
Current Liabilities:			
Current Portion of Long-Term Obligations	-	20,000	(20,000)
Total Current Liabilities	-	20,000	(20,000)
Non-current Liabilities			
Bonds Payable	-	55,000	(55,000)
Total Non-current Liabilities	-	55,000	(55,000)
TOTAL LIABILITIES	-	75,000	(75,000)
NET ASSETS			
Investment in Capital Assets, net of related Debt	-	(75,000)	75,000
Unrestricted	6,314	6,314	-
TOTAL NET ASSETS	6,314	(68,686)	75,000
TOTAL LIABILITIES AND NET ASSETS	6,314	6,314	-

Fund Financial Analysis

General Fund revenues from the state were \$24,587 from the state and general fund expenses \$24,486 for debt principal and interest.

Long-Term Debt

The District has one category of long-term debt, defined as debt due and payable beyond one year. At June 30, 2014, the District had \$75,000 in outstanding principal and interest. Bond principal and interest are being paid from the General Fund.

Current Issues

- The Duxbury School District's only transaction is the payment of long-term debt.
- The Duxbury School Board has met only once a year. Payment of existing debt service is the single transaction. The Duxbury School Board does not approve an annual budget.

Current Issues Continued

None to note at this time.

Contact for Further Information

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Michelle J. Baker, Business Manager, WWSU, 340 Mad River Park– Suite 7, Waitsfield, Vermont 05673 or at (802) 496-2272 ext. 117.

Duxbury School District
District-Wide Statement of Net Position
June 30, 2014

EXHIBIT I

	Governmental Activities	Total
ASSETS		
Accounts Receivable - Other LEAs	\$ 6,314	\$ 6,314
TOTAL ASSETS	<u>\$ 6,314</u>	<u>\$ 6,314</u>
LIABILITIES		
Long-Term Liabilities:		
Due Within 1 Year	20,000	20,000
Due in More Than 1 Year	<u>55,000</u>	<u>55,000</u>
TOTAL LIABILITIES	<u>75,000</u>	<u>75,000</u>
NET POSITION		
Net Investment in Capital Assets	(75,000)	(75,000)
Unrestricted (Deficit)	<u>6,314</u>	<u>6,314</u>
TOTAL NET POSITION	<u>(68,686)</u>	<u>(68,686)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 6,314</u>	<u>\$ 6,314</u>

The accompanying notes are an integral part of these financial statements

Duxbury School District
District-Wide Statement of Activities
For The Year Ended June 30, 2014

EXHIBIT II

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Total
Governmental Activities:						
Direct Services	\$ 4,487	-	-	-	\$ (4,487)	\$ (4,487)
Total Governmental Activities	<u>4,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(4,487)</u>	<u>(4,487)</u>
General Revenues:						
State Revenues not Restricted to Specific Programs					24,487	24,487
Miscellaneous					<u>1</u>	<u>1</u>
Total General Revenues					<u>24,488</u>	<u>24,488</u>
Change in Net Position					20,001	20,001
Net Position - Beginning of Year					<u>(88,687)</u>	<u>(88,687)</u>
Net Position - Ending of Year					<u>\$ (68,686)</u>	<u>\$ (68,686)</u>

The accompanying notes are an integral part of these financial statements

Duxbury School District
Combined Balance Sheet
All Fund Types - Fund Base
June 30, 2014

EXHIBIT III

	<u>Governmental Fund Types</u>	Totals (Memorandum Only)
	General Fund	
ASSETS:		
Current Assets:		
Accounts Receivable - Other LEAs	\$ 6,314	\$ 6,314
Total Current Assets	<u>6,314</u>	<u>6,314</u>
 TOTAL ASSETS	 <u>\$ 6,314</u>	 <u>\$ 6,314</u>
 LIABILITIES AND FUND EQUITIES:		
Liabilities:		
None	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
 Fund Equity:		
Fund Balances:		
Unassigned	<u>6,314</u>	<u>6,314</u>
Total Fund Equities	<u>6,314</u>	<u>6,314</u>
 TOTAL LIABILITIES AND FUND EQUITIES	 <u>\$ 6,314</u>	 <u>\$ 6,314</u>

The accompanying notes are an integral part of these financial statements

Duxbury School District
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2014

Fund Balances – total governmental funds	\$ 6,314
--	----------

Amounts reported for governmental activities in the Statement of
Net Positions are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the
governmental funds:

Governmental capital assets	0
Less accumulated depreciation	0

Bonds payable and contractual obligations have not been
included in the governmental fund financial statements.

Bonds Payable	<u>(75,000)</u>
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Net Position of Governmental Activities	<u>\$(68,686)</u>
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Duxbury School District
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types - Fund Base
For The Year Ended June 30, 2014

EXHIBIT IV

	General Fund	Totals (Memorandum Only)
REVENUES:		
State	\$ <u>24,487</u>	\$ <u>24,487</u>
TOTAL REVENUES	<u>24,487</u>	<u>24,487</u>
EXPENDITURES:		
Debt Services	<u>24,486</u>	<u>24,486</u>
TOTAL EXPENDITURES	<u>24,486</u>	<u>24,486</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1	1
FUND BALANCE, JULY 1, 2013	<u>6,313</u>	<u>6,313</u>
FUND BALANCE, JUNE 30, 2014	<u>\$ 6,314</u>	<u>\$ 6,314</u>

The accompanying notes are an integral part of these financial statements

Duxbury School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For The Year Ended June 30, 2014

Net Changes in fund Balances – total governmental funds	\$	1
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Amount reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of those assets is
depreciated over their estimated useful lives:

Expenditures for capital assets		0
Less current year depreciation		0

Bond proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the
statement of Net Position. Repayment of bond principal is an
expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the Statement of Net Position.

Repayment of bonds		<u>20,000</u>
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Change in Net Position of Governmental Funds		<u>\$20,001</u>
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Duxbury School District
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Duxbury School District ("School District") is organized as a public educational district under the applicable laws and regulations of the State of Vermont. It is governed by a Board of School Directors elected by registered voters of the District to provide public education to the residents) of the Town. Except where noted, the accounting policies conform to generally accepted accounting principles, as applicable to governmental units.

The School District financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the School District are discussed below. School District also complies with the requirements of the Vermont Department of Education's Handbook for Financial Accounting of Vermont School Systems (The Handbook).

Reporting Entity:

The reporting entity for the School District is based upon criteria set forth by the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. The financial reporting entity consists of (1) organizations for which the standalone government is financially accountable and (2) the standalone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of the School District comprise the standalone government.

The school board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, School District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14. There are no component units included within the reporting entity.

Basic Financial Statements - District-wide:

The School District's basic financial statements include both District-wide (reporting School District as a whole) and fund financial statements (reporting School Districts major funds). Both the District-wide and fund financial statements categorized primary activities as either governmental or business type.

In the District-wide Statement of Net Position reports all of the non-fiduciary activities of School District. Both the governmental and business-type activities are presented on a

Duxbury School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The District-wide Statement of Activity demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include fees paid by recipients or goods or services provided by a function, and grants that are restricted to a particular function. General State Support and other revenues not identified with a function are presented as general revenues.

This District-wide focus is more on the sustainability of the School District as an entity and the change in the School District's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements:

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The School District reports major governmental funds as follows:

Governmental Fund Types:

- General Fund – The general fund is the School District's primary operating fund and is always classified as a major fund which accounts for typical general government revenues and a wide variety of activities that benefit the School District's as a whole. It accounts for all financial resources except those required to be accounted for in another fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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.

Both District-wide and business-type activity statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when

Duxbury School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

earned and expenses are recorded when liabilities are incurred regardless of when related cash flows take place. Grant revenues are recognized when eligibility requirements are satisfied. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recorded when a liability is incurred except for early retirement, and compensated absences, which are recognized to the extent they have matured. When both restricted and unrestricted resources are available for use, restricted resources are used first.

Other Accounting Policies:

Cash and Cash Equivalents:

For purposes of the statement of cash flows for proprietary and similar fund-types, the School District considers highly liquid investments to be cash equivalents if they have a maturity of twelve months or less when purchased.

Interfund Receivables and Payables:

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". All other outstanding balances between funds are also reported as "due to/from other funds". As a general rule, the effect of interfund activity has been eliminated from the government wide financial statements.

Transfers:

Advances between funds that are not expected to be repaid are accounted for as transfers.

Deposits and Investments:

Resources from each fund are pooled for deposit and investment purposes. A separate accounting is maintained for each fund. Deposits and Investments are stated at fair value and are managed in accordance with any legal constraints.

Accounts Receivable:

All receivables are reported net of estimated uncollectible amounts. The accounts receivable

Duxbury School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

balances at year end are from governmental entities, no allowance for doubtful accounts is considered necessary.

Deferred Inflows of Resources:

The School District recognizes differences between the receipt of funds and the recognition of revenues through the use of deferred revenue accounts. These deferred revenue accounts represent funds that will be recognized as revenues in some future period when the conditions have been met.

Capital Assets:

Capital assets, which include land, construction in progress, buildings, improvements, furniture, equipment, infrastructure, and vehicles, are reported in the applicable governmental activities column in the governmental wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets, except for land and construction in progress are depreciated using the straight line method over the estimated useful lives with a full year of depreciation taken in the year acquired and none taken in the year of disposal. Land and construction in progress are not depreciated.

Long-term Obligations:

In the District-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The face amount of obligations issued is reported as other financing sources.

Budgetary Data:

The School District is required by state law to adopt a budget for the General Fund. The budget is prepared on the modified accrual basis of accounting which is consistent with generally accepted accounting principles ("GAAP"). Annual appropriations lapse at the end of each fiscal year with the exception of restricted programs indicated as a fund balance restricted or committed. The following procedures are used to establish a budget:

- The School Board with assistance from the Supervisory Union and the School District's Administration drafts a budget. The operating budget includes proposed expenditures by line item and the means of financing them.

Duxbury School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The budget is adopted by the School Board for presentation to the voters as a warning or article in the annual report.
- The voters vote on the total expense amount and not the individual line items at the School District's annual meeting or subsequent special meetings.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the General Fund, Special Revenue Funds, and Capital Projects Fund. Encumbrances are not liabilities and should be recorded as a reservation of bond balance at year end. For budgetary purposes, appropriations lapse at fiscal year-end. The School District has elected to treat its encumbrances as liabilities for budgetary control purposes.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Net Resources and Fund Balance:

District-wide Financial Statements:

When the School District incurs an expense for which it may use either restricted or unrestricted net assets, it generally uses restricted net assets first. Net assets on the Statement of Net Assets include the following:

Net Investment in Capital Assets, net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted For Other Purposes – It consist of assets that are restricted by the School District's creditors, by the state enabling legislation, by grantors and by other contributors.

Restricted For Capital Projects – The component of net assets that reports the amount of revenue from bond proceeds, grants, and special assessments in excess of expenditures. These funds are restricted for the construction or acquisition of capital assets.

Duxbury School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted – All other net assets that do not meet the definition of “Restricted For Other Purposes” or “Net Investment in Capital Assets, net of Related Debt”.

Fund Based Financial Statements:

In the fund financial statements, governmental funds report fund balances as unassigned, assigned, restricted, committed, spendable, or non-spendable fund balance.

Unassigned Fund Balance – That portion of the general fund, fund balance that contains all spendable amounts not contained in the other classifications. It is used in other funds only to report a deficit.

Assigned Fund Balance – Includes amounts intended to be used by the government for specific purposes, as determined by the Board, but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Restricted Fund Balance – Includes amounts constrained to specific purposes stipulated by constitution, external resource providers (grantors and contributors), or through enabling legislation.

Committed Fund Balance – Includes amounts constrained for the specific purposes determined by a formal action of the government’s highest level of decision-making authority, generally the voters.

Spendable Fund Balance – The portion of the permanent fund balance that is available to be spent on the designated purpose of the fund.

Non-spendable Fund Balance – The portion of the permanent fund balance that has to be maintained, and cannot be spent, or an asset such as inventory or prepaid that are not expected to be converted to cash.

Function and Object Codes:

Function and object codes refer to the account code structure prescribed by the Vermont Department of Education. The Vermont Department of Education requires School District to use these codes in order to insure accuracy in building and maintaining a statewide database for policy development and funding plans.

Duxbury School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Memorandum Only Columns:

The total columns are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to make financial analysis easier. Data in these columns do not present financial position, results of operations, or cash flows in accordance with GAAP. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - LONG-TERM OBLIGATIONS

The School District issues general obligation bonds and notes to finance the acquisition and construction of major capital facilities, renovations, and equipment purchases. General obligation bonds are direct obligations and pledge the full faith and credit of the issuing entity. These bonds are generally issued as 5 to 20-year serial bonds with equal amounts of principal maturing each year.

The following is a summary of general obligation bonds & notes:

	Balance July 1, 2013	Borrowings	Retirement s	Balance June 30, 2014
BONDS:				
Vermont Municipal Bond Bank, bond payable, interest at 6.013%, interest paid semi-annually, principal of \$5,000 due on December 1 st of each year until 2016, originally borrowed \$135,000 on July 31, 1996.	\$20,000	\$ 0	\$ 5,000	\$15,000
Vermont Municipal Bond Bank, bond payable, interest at 5.057%, interest paid semi-annually, principal of \$15,000 due on December 1 st of each year until 2017, originally borrowed \$325,000 on July 10, 1997.	<u>75,000</u>	<u>0</u>	<u>15,000</u>	<u>60,000</u>
Total Bonds	<u>\$95,000</u>	<u>\$ 0</u>	<u>\$20,000</u>	<u>\$75,000</u>

The annual debt service requirement to maturity for general obligation bonds and notes including interest are as follows:

Duxbury School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2014

NOTE 2 - LONG-TERM OBLIGATIONS (CONTINUED)

	Principal	Interest	Total
During the year ended June 30, 2015	\$20,000	\$ 3,583	\$23,583
2016	20,000	2,478	22,478
2017	20,000	1,367	21,367
2018	15,000	(5,764)	9,236
Thereafter	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$75,000</u>	<u>\$ 1,664</u>	<u>\$76,664</u>

NOTE 3 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, students and guests; as well as natural disasters. School District uses risk sharing pools and carries commercial insurance to cover these risks. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 4 - RELATED PARTY

As defined by GASB No. 14, paragraph 71, the School District is a participant in and as an ongoing financial responsibility to Washington West Supervisory Union. Separate financial statements on Washington West Supervisory Union are available from Washington West Supervisory Union.

The School District is part of the Waterbury-Duxbury Union School District. The Union District is not a component of Duxbury School District. Separate financial statements on the Union School District are available from Washington West Supervisory Union.

The School District is part of the Harwood Union School District. The Union District is not a component of Duxbury School District. Separate financial statements on the Union School District are available from Washington West Supervisory Union.

Duxbury School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended June 30, 2014

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
State:				
Education Spending Grant		\$ 24,487	\$ 24,487	\$ -
TOTAL REVENUES		<u>24,487</u>	<u>24,487</u>	<u>-</u>
EXPENDITURES:				
Debt Services:				
Interest Charges		4,487	4,486	1
Principal Retirement		<u>20,000</u>	<u>20,000</u>	<u>-</u>
Subtotal		<u>24,487</u>	<u>24,486</u>	<u>1</u>
TOTAL EXPENDITURES		<u>24,487</u>	<u>24,486</u>	<u>1</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		-	1	1
FUND BALANCE, JULY 1, 2013		<u>-</u>	<u>6,313</u>	<u>6,313</u>
FUND BALANCE, JUNE 30, 2014		<u>\$ -</u>	<u>\$ 6,314</u>	<u>\$ 6,314</u>

The accompanying notes are an integral part of these financial statements



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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 School Board
Duxbury School District, Vermont

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 the aggregate remaining fund information of Duxbury School District, Vermont, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Duxbury School District, Vermont's basic financial statements and have issued our report thereon dated January 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Duxbury School District, Vermont'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 Duxbury School District, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of Duxbury School District, Vermont'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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Duxbury School District, Vermont'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.

Angolano & Company

Angolano & Company
Shelburne, Vermont
Firm Registration Number 92-0000141

January 30, 2015



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August 22, 2014

To the School Board
Duxbury School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Duxbury School District** for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, 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 May 29, 2013. 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 Duxbury School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2014. 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 estimates affecting the financial statements were:

Management's estimate of the lives of property, plant, and equipment is based on expected usefulness. We evaluated the key factors and assumptions used to develop the lives of property, plant, and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

Management estimates the final receivable or payable with the State of Vermont Department of Education for special education expense reimbursement.

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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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 that 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.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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 to our retention.

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

Very truly yours,

Angolano & Company

Angolano & Company,
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