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www.angolanoandcompany.com

March 9, 2013

Duxbury School District
Att: Michelle Baker
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, 2012. In addition I will be mailing you 6 bound copies.

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, 2012

Duxbury School District
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For The Year Ended June 30, 2012

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Independent Auditors' Report

To The School Board
Duxbury School District

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, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Duxbury School District's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Duxbury School District, Vermont, as of June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2013 on our consideration of Duxbury School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 and 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Angolano & Company

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

February 18, 2013

DUXBURY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

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, 2012 (FY 12). 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.
- The District collected \$26,847 in the general fund and transferred it to the debt service fund to pay \$26,648 in FY2012 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 7-9.

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 11-19.

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, 2012			
	Summary of Financial Operations and Fund Balance	Governmental Activities Government-Wide	Difference
ASSETS:			
Current Assets:			
Accounts Receivable:			
Other LEA's	6,132	6,132	
Total Current Assets	6,132	6,132	-
Non-current Assets:			
Capital Assets:			
Buildings & Equipment, net of Accum. Depr.	-	-	-
Total Non-current Assets	-	-	-
TOTAL ASSETS	6,132	6,132	-
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	-	95,000	(95,000)
Total Non-current Liabilities	-	95,000	(95,000)
TOTAL LIABILITIES	-	115,000	(115,000)
NET ASSETS			
Investment in Capital Assets, net of related Debt	-	(115,000)	115,000
Unrestricted	6,132	6,132	-
TOTAL NET ASSETS	6,132	(108,868)	115,000
TOTAL LIABILITIES AND NET ASSETS	6,132	6,132	-

Fund Financial Analysis

General Fund revenues from the state were \$26,847 and general fund expenses \$0. Debt Service Fund revenues were \$0 and expenses \$26,648.

Long-Term Debt

The District has one category of long-term debt, defined as debt due and payable beyond one year. At June 30, 2012, the District had \$115,000 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.

Current Issues Continued

- Act 153/156 requires transportation, special education, compensatory and remedial services to be provided by the Supervisory Union by July 1, 2014 or for a waiver to be obtained for the SU. It is anticipated this Act will have no effect on the Duxbury School District.

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
Statement of Net Assets
Government-Wide
June 30, 2012

EXHIBIT I

	Governmental Activities	Total
ASSETS:		
Accounts Receivable - Other LEAs	\$ 6,132	\$ 6,132
Total Assets	6,132	6,132
LIABILITIES:		
Long-Term Liabilities (Note 2):		
Due Within One Year	20,000	20,000
Due in More Than One Year	95,000	95,000
Total Liabilities	115,000	115,000
NET ASSETS:		
Investment in Capital Assets, net of related debt	(115,000)	(115,000)
Unrestricted	6,132	6,132
Total Net Assets	\$ (108,868)	\$ (108,868)

The accompanying notes are an integral part of these financial statements

Duxbury School District
Statement of Activities
Government-Wide
For The Year Ended June 30, 2012

EXHIBIT II

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants	Governmental Activities	Total
Debt Services	\$ 6,648	-	-	\$ (6,648)	\$ (6,648)
Total	<u>\$ 6,648</u>	<u>\$ -</u>	<u>\$ -</u>	(6,648)	(6,648)
General Revenues:					
State Revenues not Restricted to Specific Programs				<u>26,847</u>	<u>26,847</u>
Total General Revenues				<u>26,847</u>	<u>26,847</u>
Excess (Deficiency) of Revenues Over Expenses				20,199	20,199
Net Assets - Beginning				<u>(129,067)</u>	<u>(129,067)</u>
Net Assets - Ending				<u>\$ (108,868)</u>	<u>\$ (108,868)</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, 2012

EXHIBIT III

	Governmental Fund Types	
	General Fund	Totals (Memorandum Only)
ASSETS:		
Current Assets:		
Accounts Receivable - Other LEAs	\$ 6,132	\$ 6,132
Total Current Assets	6,132	6,132
 TOTAL ASSETS	\$ 6,132	\$ 6,132
 LIABILITIES AND FUND EQUITIES:		
Liabilities:		
None	\$ -	\$ -
Total Liabilities	-	-
 Fund Equity:		
Fund Balances:		
Unassigned	6,132	6,132
Total Fund Equities	6,132	6,132
 TOTAL LIABILITIES AND FUND EQUITIES	\$ 6,132	\$ 6,132

The accompanying notes are an integral part of these financial statements

Duxbury School District
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2012

Fund Balances – total governmental funds	\$ 6,132
Amounts reported for governmental activities in the Statement of Net Assets 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>(115,000)</u>
Net Assets of Governmental Activities	<u>\$(108,868)</u>

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, 2012

EXHIBIT IV

	Governmental Fund Types		Totals (Memorandum Only)
	General Fund	Debt Service Fund	
REVENUES:			
State	\$ 26,847	-	\$ 26,847
TOTAL REVENUES	26,847	-	26,847
EXPENDITURES:			
Debt Service:			
Interest Charges		6,648	6,648
Principal Retirement	-	20,000	20,000
TOTAL EXPENDITURES	-	26,648	26,648
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	26,847	(26,648)	199
OTHER FINANCING SOURCES (USES):			
Transfers In		26,648	26,648
Transfers Out	(26,648)	-	(26,648)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	199	-	199
FUND BALANCE, JULY 1, 2011	5,933	-	5,933
FUND BALANCE, JUNE 30, 2012	\$ 6,132	\$ -	\$ 6,132

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, 2012

Net Changes in fund Balances – total governmental funds \$ 199

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 Assets. Repayment of bond principal is an
 expenditure in the governmental funds, but the repayment
 reduces long-term liabilities in the Statement of Net Assets.

Repayment of bonds	<u>20,000</u>
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Change in Net Assets of Governmental Funds \$20,199

Duxbury School District
Notes to Financial Statements
For The Year Ended June 30, 2012

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 prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in the Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriated version of the Vermont Department of Education's Handbook for Financial Accounting of Vermont School Systems (The Handbook).

Reporting Entity:

The schoolboard 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.

Government-Wide and Fund Financial Statements:

The statement of net assets and the statement of activities are government-wide financial statements. They report information on all of the Duxbury School District's non-fiduciary activities with most of the Interfund activities removed. *Governmental Activities* include programs supported primarily by Taxes (collected by the Town on behalf of the State), State funds, grants and other intergovernmental revenues.

The statement of activities demonstrates how other people or entities that participate in programs the School District operates have shared in the payment of the direct costs. The "charges for Services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the School District. The "grants and contributions" column includes amounts paid by organizations outside the School District to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the School District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due from on the governmental fund balance sheet and proprietary fund statement of net assets and as

Duxbury School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance and on the proprietary fund statement of revenues, expenses and changes in fund net assets. All Interfund transactions between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide statement of activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for School District operations, they are not included in the government-wide statements. The School District considers some governmental funds major and reports their financial condition and results of operations in a separate column. The major funds are:

Governmental Fund Types:

- General Fund – The general fund is the School District’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- Debt Service Fund – The School District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases (revenues and other financing sources) and decreases (expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become available and measurable and it recognizes expenditures in the accounting period

Duxbury School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The School District considers all revenues available if they are collectible within 60 days after year end

Revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the School District to refund all or part of the unused amount.

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 six months or less when purchased.

Accounts Receivable:

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

Long-term Debt:

In the government-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 debt issued is reported as other financing sources.

Budgets:

The School District is required by state law to adopt a budget for the General Fund. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles ("GAAP"). The operating budget is prepared by the School District's administration with direction from the School Board and assistance from the

Duxbury School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Superintendent and Business Manager of the Washington West Supervisory Union and approved by the Duxbury School District School Board at a properly warned meeting for presentation to the voters. The operating budget includes proposed expenditures by line item and the means of financing them. The budget is approved by School District Voters at a properly warned annual meeting. The voters vote on the total expense amount and not on the individual line items presented in these financial statements.

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 in the General Fund, Special Revenue Funds, and Capital Projects Fund. Encumbrances are not liabilities and, therefore, should not be recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The School District has elected to treat its encumbrances as liabilities for budgetary control purposes.

Net Assets and Fund Balance:

Government -Wide Financial Statements:

When the School District incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used. Net assets on the Statement of Net Assets include the following:

Investment in Capital Assets, net of Related Debt – The component of net assets reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Other Purposes – The component of net assets that reports the amount of revenue from a federal, state, or other program in excess of expenditures including the permanent fund. These funds are restricted for use of the related federal, state or other program.

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.

Unrestricted – The difference between the assets and liabilities that is not reported in net Assets Invested in Capital Assets, net of Related Debt, Net Assets Restricted for Other Purposes, or Net Assets Restricted for Capital Projects.

Duxbury School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Based Financial Statements:

In the fund financial statements, governmental funds report fund balances as unassigned, assigned, restricted, or committed 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 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 that can be spent only for the specific Purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance – Includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

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

Unspendable Fund Balance – The portion of the permanent fund balance that has to be maintained, and cannot be spent by the Town.

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.

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.

Duxbury School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 2 - LONG-TERM DEBT

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, 2011	Borrowings	Retirements	Balance June 30, 2012
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.	\$ 30,000	\$ 0	\$ 5,000	\$ 25,000
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>105,000</u>	<u>0</u>	<u>15,000</u>	<u>90,000</u>
Total Long-Term Debt	<u>\$135,000</u>	<u>\$ 0</u>	<u>\$20,000</u>	<u>\$115,000</u>

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

	Principal	Interest	Total
During the year ended June 30, 2013	\$ 20,000	\$ 5,572	\$ 25,572
2014	20,000	4,487	24,487
2015	20,000	3,583	23,583
2016	20,000	2,478	22,478
2017	20,000	1,367	21,367
Thereafter	<u>15,000</u>	<u>(5,764)</u>	<u>9,236</u>
Totals	<u>\$115,000</u>	<u>\$11,723</u>	<u>\$126,723</u>

Duxbury School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

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; and natural disasters for which the School District carries commercial insurance. 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 - COMMITMENTS

The School District participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any money recovered may be required and the collectibility of any related receivable at June 30, 2012 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 5 - RELATED PARTY

The School District has an ongoing financial responsibility to Washington West Supervisory Union as defined in GASB 14, paragraph 71. Through Washington West Supervisory Union's assessment process, the School District's assessment can be increased to cover a share of any prior year deficits and decreased to share in any prior year surpluses. Separate financial statements on Washington West Supervisory Union are available from Washington West Supervisory Union.

The School District is part of the Harwood Union School District and has an ongoing financial responsibility as defined in GASB 14, paragraph 71. As a member of the Union School District, the School District is responsible for a share of any debt carried by the Union School District.

Duxbury School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 5 - RELATED PARTY (CONTINUED)

Separate financial statements on the Union School District are available from Washington West Supervisory Union.

The School District is part of the Waterbury-Duxbury Union School District and has an ongoing financial responsibility as defined in GASB 14, paragraph 71. As a member of the Union School District, the School District is responsible for a share of any debt carried by the Union 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, 2012

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
State:				
Education Spending Grant		\$ -	\$ 26,847	\$ 26,847
TOTAL REVENUES		<u>-</u>	<u>26,847</u>	<u>26,847</u>
EXPENDITURES:				
None				
		<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES		<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		-	26,847	26,847
OTHER FINANCING SOURCES (USES):				
Transfer To Debt Service Fund		<u>-</u>	<u>(26,648)</u>	<u>(26,648)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		-	199	199
FUND BALANCE, JULY 1, 2011		<u>-</u>	<u>5,933</u>	<u>5,933</u>
FUND BALANCE, JUNE 30, 2012		<u>\$ -</u>	<u>\$ 6,132</u>	<u>\$ 6,132</u>

The accompanying notes are an integral part of these financial statements



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**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

We have audited 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, 2012, which collectively comprise the entity's basic financial statements and have issued our report thereon dated February 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Duxbury School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Duxbury School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Duxbury School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Duxbury School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Angolano & Company

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February 18, 2013



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To the School Board
Duxbury School District

In planning and performing our audit of the financial statements of Duxbury School District as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Duxbury School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Duxbury School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Duxbury School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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.

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

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February 18, 2013



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August 24, 2012

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, 2012. 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, 2012. 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, 2012. 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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