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March 3, 2014

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, 2013. In addition I will be mailing you 5 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, 2013

Duxbury School District  
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For The Year Ended June 30, 2013

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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, 2013, 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, 2013, 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 February 24, 2014, 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

February 24, 2014

DUXBURY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013

**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, 2013 (FY 13). 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 \$25,753 in the general fund and paid \$25,572 in FY2013 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 8-11.

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
<b>Duxbury School District</b>			
<b>Statement of Net Assets and Fund Balance Reconciliation</b>			
<b>June 30, 2013</b>			
	Summary of Financial Operations and Fund Balance	Governmental Activities Government-Wide	Difference
<b>ASSETS:</b>			
<b>Current Assets:</b>			
<b>Accounts Receivable:</b>			
Other LEA's	6,313	6,313	
<b>Total Current Assets</b>	<b>6,313</b>	<b>6,313</b>	<b>-</b>
<b>Non-current Assets:</b>			
<b>Capital Assets:</b>			
Buildings & Equipment, net of Accum. Depr.	-	-	-
<b>Total Non-current Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>6,313</b>	<b>6,313</b>	<b>-</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Current Portion of Long-Term Obligations	-	20,000	(20,000)
<b>Total Current Liabilities</b>	<b>-</b>	<b>20,000</b>	<b>(20,000)</b>
<b>Non-current Liabilities</b>			
Bonds Payable	-	75,000	(75,000)
<b>Total Non-current Liabilities</b>	<b>-</b>	<b>75,000</b>	<b>(75,000)</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>95,000</b>	<b>(95,000)</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, net of related Debt	-	(95,000)	95,000
Unrestricted	6,313	6,313	-
<b>TOTAL NET ASSETS</b>	<b>6,313</b>	<b>(88,687)</b>	<b>95,000</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>6,313</b>	<b>6,313</b>	<b>-</b>

### *Fund Financial Analysis*

General Fund revenues from the state were \$25,753 from the state and general fund expenses \$25,572 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, 2013, the District had \$95,000 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.

### *Current Issues Continued*

- Act 153/156 requires transportation, special education, compensatory and remedial services to be provided by the Supervisory Union by July 1, 2015 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, 2013

EXHIBIT I

	Governmental Activities	Total
<b>ASSETS:</b>		
Accounts Receivable - Other LEAs	\$ 6,313	\$ 6,313
Total Assets	6,313	6,313
<b>LIABILITIES:</b>		
Long-Term Liabilities (Note 2):		
Due Within One Year	20,000	20,000
Due in More Than One Year	75,000	75,000
Total Liabilities	95,000	95,000
<b>NET ASSETS:</b>		
Investment in Capital Assets, net of related debt	(95,000)	(95,000)
Unrestricted	6,313	6,313
Total Net Assets	\$ (88,687)	\$ (88,687)

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, 2013

EXHIBIT II

	Expenses	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets Governmental Activities	Total
Debt Services	\$ 5,572	-	-	\$ (5,572)	\$ (5,572)
Total	<u>\$ 5,572</u>	<u>\$ -</u>	<u>\$ -</u>	(5,572)	(5,572)
General Revenues:					
State Revenues not Restricted to Specific Programs				<u>25,753</u>	<u>25,753</u>
Total General Revenues				<u>25,753</u>	<u>25,753</u>
Excess (Deficiency) of Revenues Over Expenses				20,181	20,181
Net Assets - Beginning				<u>(108,868)</u>	<u>(108,868)</u>
Net Assets - Ending				<u>\$ (88,687)</u>	<u>\$ (88,687)</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, 2013

EXHIBIT III

	Governmental Fund Types	
	General Fund	Totals (Memorandum Only)
ASSETS:		
Current Assets:		
Accounts Receivable - Other LEAs	\$ 6,313	\$ 6,313
Total Current Assets	6,313	6,313
 TOTAL ASSETS	\$ 6,313	\$ 6,313
 LIABILITIES AND FUND EQUITIES:		
Liabilities:		
None	\$ -	\$ -
Total Liabilities	-	-
 Fund Equity:		
Fund Balances:		
Unassigned	6,313	6,313
Total Fund Equities	6,313	6,313
 TOTAL LIABILITIES AND FUND EQUITIES	\$ 6,313	\$ 6,313

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, 2013

Fund Balances – total governmental funds \$ 6,313

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>(95,000)</u>
---------------	-----------------

Net Assets of Governmental Activities \$(88,687)

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, 2013

EXHIBIT IV

	General Fund	Totals (Memorandum Only)
REVENUES:		
State	\$ <u>25,753</u>	\$ <u>25,753</u>
 TOTAL REVENUES	 <u>25,753</u>	 <u>25,753</u>
EXPENDITURES:		
Debt Services	<u>25,572</u>	<u>25,572</u>
 TOTAL EXPENDITURES	 <u>25,572</u>	 <u>25,572</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 181	 181
 FUND BALANCE, JULY 1, 2012	 <u>6,132</u>	 <u>6,132</u>
 FUND BALANCE, JUNE 30, 2013	 <u>\$ 6,313</u>	 <u>\$ 6,313</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, 2013

Net Changes in fund Balances – total governmental funds \$ 181

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 \$20,181

Duxbury School District  
Notes to Financial Statements  
For The Year Ended June 30, 2013

**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 (GAAP). 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 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.

**Basic Financial Statements - Government -Wide:**

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

In the government-wide Statement of Net Position, both the governmental and business-type activities are presented on a 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 government-wide Statement of Activity reports both the gross and net cost of the School District's functions and business-type activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function, or a business-type activity. Operating grants include operating -specific and discretionary grants.

Duxbury School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The net costs are normally covered by general revenue.

This government-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.

Basis 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. The major funds are:

Governmental Fund Types:

- General Fund – The general fund is the School District's primary operating fund and 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 not accounted for or reported 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 applies.

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Exchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "available" means collectible within the current period or 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 recognized when the related liability is incurred. Exceptions to this general

Duxbury School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

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.

Accounts Receivable:

All receivables are reported net of estimated uncollectible amounts. The accounts receivable balances at year end are from governmental entities no allowance for doubtful accounts is considered necessary.

Capital Assets:

Capital assets, which include land, buildings, furniture, and equipment, 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. Land Improvements, buildings, furniture and equipments of the School District 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.

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 Superintendent and Business Manager of the Washington West Supervisory Union and

Duxbury School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 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 – It consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows or resources related to 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.

Unrestricted – The difference between the assets and liabilities that are 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, 2013

**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, 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 that can be spent only for the specific Purposes stipulated by constitution, external resource providers (grantors and contributors), 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, 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.

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

Duxbury School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

accordance with GAAP. Interfund eliminations have not been made in the aggregation of this data.

**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, 2013	Borrowings	Retirements	Balance June 30, 2014
Vermont Municipal Bond Bank, bond payable, interest at 6.013%, interest paid semi-annually, principal of \$5,000 due on December 1 <sup>st</sup> of each year until 2016, originally borrowed \$135,000 on July 31, 1996.	\$ 25,000	\$ 0	\$ 5,000	\$20,000
Vermont Municipal Bond Bank, bond payable, interest at 5.057%, interest paid semi-annually, principal of \$15,000 due on December 1 <sup>st</sup> of each year until 2017, originally borrowed \$325,000 on July 10, 1997.	<u>90,000</u>	<u>0</u>	<u>15,000</u>	<u>75,000</u>
Total Long-Term Debt	<u>\$115,000</u>	<u>\$ 0</u>	<u>\$20,000</u>	<u>\$95,000</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, 2014	\$20,000	\$ 4,487	\$ 24,487
2015	20,000	3,583	23,583
2016	20,000	2,478	22,478

Duxbury School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2013

**NOTE 2 - LONG-TERM DEBT (CONTINUED)**

	Principal	Interest	Total
During the year ended June 30, 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>\$95,000</u>	<u>\$ 6,151</u>	<u>\$101,151</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 - 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, 2013 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.

Duxbury School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2013

**NOTE 5 - RELATED PARTY**

As defined by GASB No. 14, paragraph 71, the School District is related to 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 #45 and has an ongoing financial responsibility as defined in GASB No. 14, paragraph 71. 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 #19 and has an ongoing financial responsibility as defined in GASB No. 14, paragraph 71. 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, 2013

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
State:				
Education Spending Grant		\$ 25,753	\$ 25,753	\$ -
TOTAL REVENUES		<u>25,753</u>	<u>25,753</u>	<u>-</u>
EXPENDITURES:				
Debt Services:				
Interest Charges		5,753	5,572	181
Principal Retirement		<u>20,000</u>	<u>20,000</u>	<u>-</u>
Subtotal		<u>25,753</u>	<u>25,572</u>	<u>181</u>
TOTAL EXPENDITURES		<u>25,753</u>	<u>25,572</u>	<u>181</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		-	181	181
FUND BALANCE, JULY 1, 2012		<u>-</u>	<u>6,132</u>	<u>6,132</u>
FUND BALANCE, JUNE 30, 2013		<u>\$ -</u>	<u>\$ 6,313</u>	<u>\$ 6,313</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, 2013, 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 February 24, 2014.

**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 of 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

February 24, 2014



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August 23, 2013

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, 2013. 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, 2013. 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,  
Shelburne, Vermont  
Firm Registration Number 92-0000141