

Audited Financial Statements

St. George School District

June 30, 2017



Proven Expertise and Integrity

ST. GEORGE SCHOOL DISTRICT

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JUNE 30, 2017

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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Board of Directors
St. George School District
Shelburne, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of St. George School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the St. George 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.

Auditors' 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of St. George School District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 29 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. George School District's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues and Schedule of Departmental Operations - General Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues and Schedule of Departmental Operations - General Fund are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used

to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues and Schedule of Departmental Operations - General Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017 on our consideration of St. George 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 the 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 St. George School District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
December 14, 2017

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

(UNAUDITED)

The following management's discussion and analysis of the St. George School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

The School District's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the School District's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the School District's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have one column for the type of School District activities. The type of activity presented for the School District is:

- *Governmental activities* – The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). All of the School District's basic services are reported in governmental activities, which include regular instruction, special education, vocational education, early learning partnership, education/enrichment, administrative support services, transportation and other grant programs.

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 School District, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the School District can be classified as governmental funds.

Governmental funds: All of the basic services provided by the School District are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the School District's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the School District.

Because the focus of governmental funds is narrower than that of 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 the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The School District presents one column in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's major fund is the general fund. There are no nonmajor funds.

The general fund is the only fund for which the School District legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

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 the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining schedules provide information in regards to other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the School District's governmental activities. The School District's total net position for governmental activities increased by \$20,847 from \$106,046 to \$126,893.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for governmental activities to a balance of \$126,893 at the end of this year.

Table 1
St. George School District
Net Position
June 30,

	Governmental Activities	
	2017	2016
Assets:		
Current Assets	\$ 199,288	\$ 174,347
Total Assets	\$ 199,288	\$ 174,347
Liabilities:		
Current Liabilities	\$ 1,717	\$ 17,125
Total Liabilities	\$ 1,717	\$ 17,125
Deferred Inflows of Resources:		
Deferred Revenue	\$ 70,678	\$ 51,176
Total Deferred Inflows of Resources	\$ 70,678	\$ 51,176
Net Position:		
Unrestricted	\$ 126,893	\$ 106,046
Total Net Position	\$ 126,893	\$ 106,046

Revenues and Expenses

Revenues for the St. George School District's governmental activities increased by 8.58%, while total expenses increased by 3.28%. Most of the School District's revenues were consistent with the previous year with minor increases or decreases. The largest increase in revenues was in grants and contributions not restricted to specific programs. The biggest increase in expenses was in special education and related services.

Table 2
St. George School District
Changes in Net Position
For the Years Ended June 30,

	Governmental Activities	
	2017	2016
Revenues		
<i>Program Revenues:</i>		
Operating grants and contributions	\$ 224,564	\$ 225,675
<i>General Revenues:</i>		
Grants and contributions not restricted to specific programs	2,073,196	1,904,585
Interest income	4,237	2,879
Miscellaneous	14,154	-
Total Revenues	2,316,151	2,133,139
Expenses		
Regular instruction and related services	1,716,333	1,739,328
Special education and related services	421,900	336,810
Vocational education	25,071	18,783
Early learning partnership	27,511	17,738
Education/enrichment	23,000	23,000
Administrative support services	18,122	18,378
Transportation	37,081	49,080
Interest	2,237	1,432
Other grant programs	24,049	17,939
Total Expenses	2,295,304	2,222,488
 Change in Net Position	 20,847	 (89,349)
 Net Position - July 1	 <u>106,046</u>	 <u>195,395</u>
 Net Position - June 30	 <u><u>\$ 126,893</u></u>	 <u><u>\$ 106,046</u></u>

Financial Analysis of the School District's Fund Statements

Governmental funds: The financial reporting focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the School District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
St. George School District
Fund Balances - Governmental Funds
June 30,

	2017	2016
Major Funds:		
General Fund:		
Assigned	\$ 126,893	\$ 106,046
Total Major Funds	\$ 126,893	\$ 106,046

The general fund total fund balance increased by \$20,847 from the prior fiscal year.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues were below budgeted revenues by \$22,637 primarily due to state aid and transfers from other funds that were budgeted in excess of actual receipts.

The general fund actual expenditures were below budget by \$43,484. All expenditure categories were within or under budget with the exception of vocational education, early learning partnership, transportation, other grant programs and debt service - interest.

Capital Asset and Long-Term Debt Activity

Capital Assets

The School District did not have any capital assets as of June 30, 2017.

Debt

The School District did not have any debt as of June 30, 2017.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The 2017-2018 budget was prepared using information on enrollment, the state of the economy and the overall impact that budget increases would have on local tax rates.

The St. George School District, along with all other districts/unions in the Chittenden South Supervisory Union, voted to consolidate into a single entity by vote of the electorate in June of 2016, with an effective date of consolidation of July 1, 2017.

The State Board of Education approved the consolidation in July of 2016 and awarded transition grant resources in support of the merger. Expenditures covered by the transition grant were primarily HR/Finance business system conversion expense and legal and professional consulting in support of the Consolidation Study Committee. The only remaining activities to be funded are system training expense to be completed in the 2017/2018 fiscal year.

All assets and liabilities of the legacy school districts were transferred to the new Champlain Valley School District on July 1, 2017. All business transactions of legacy districts ceased as of that date. This is therefore the final audit of the St. George School District.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School District at 5420 Shelburne Road, Suite 300, Shelburne, Vermont 05482.

ST. GEORGE SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 188,311
Due from other governments	<u>10,977</u>
Total current assets	<u>199,288</u>
 TOTAL ASSETS	 <u><u>\$ 199,288</u></u>
LIABILITIES	
Current liabilities:	
Due to other governments	\$ 1,717
Total current liabilities	<u>1,717</u>
 TOTAL LIABILITIES	 <u>1,717</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	70,678
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>70,678</u>
NET POSITION	
Unrestricted	126,893
TOTAL NET POSITION	<u>126,893</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	 <u><u>\$ 199,288</u></u>

See accompanying independent auditors' report and notes to financial statements.

ST. GEORGE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental activities:					
Regular instruction and related services	\$ 1,716,333	\$ -	\$ 24,049	\$ -	\$ (1,692,284)
Special education and related services	421,900	-	200,515	-	(221,385)
Vocational education	25,071	-	-	-	(25,071)
Early learning partnership	27,511	-	-	-	(27,511)
Education/enrichment	23,000	-	-	-	(23,000)
Administrative support services	18,122	-	-	-	(18,122)
Transportation	37,081	-	-	-	(37,081)
Interest	2,237	-	-	-	(2,237)
Other grant programs	24,049	-	-	-	(24,049)
Total governmental activities	<u>\$ 2,295,304</u>	<u>\$ -</u>	<u>\$ 224,564</u>	<u>\$ -</u>	<u>(2,070,740)</u>

STATEMENT B (CONTINUED)
ST. GEORGE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(2,070,740)</u>
General revenues:	
Grants and contributions not restricted to specific programs	2,073,196
Interest income	4,237
Miscellaneous	<u>14,154</u>
Total general revenues	<u>2,091,587</u>
Change in net position	20,847
NET POSITION - JULY 1	<u>106,046</u>
NET POSITION - JUNE 30	<u>\$ 126,893</u>

See accompanying independent auditors' report and notes to financial statements.

ST. GEORGE SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 188,311
Due from other governments	10,977
TOTAL ASSETS	<u>\$ 199,288</u>
LIABILITIES	
Due to other governments	\$ 1,717
TOTAL LIABILITIES	<u>1,717</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	70,678
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>70,678</u>
FUND BALANCES	
Assigned	126,893
TOTAL FUND BALANCES	<u>126,893</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 199,288</u>

See accompanying independent auditors' report and notes to financial statements.

ST. GEORGE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>
REVENUES	
Intergovernmental revenues	\$ 2,297,760
Interest income	4,237
Miscellaneous revenues	14,154
TOTAL REVENUES	<u>2,316,151</u>
EXPENDITURES	
Current:	
Regular instruction and related services	1,716,333
Special education and related services	421,900
Vocational education	25,071
Early learning partnership	27,511
Education/enrichment	23,000
Administrative support services	18,122
Transportation	37,081
Other grant programs	24,049
Debt service:	
Interest	2,237
TOTAL EXPENDITURES	<u>2,295,304</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>20,847</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	-
Transfers (out)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>
NET CHANGE IN FUND BALANCES	20,847
FUND BALANCES - JULY 1	<u>106,046</u>
FUND BALANCES - JUNE 30	<u><u>\$ 126,893</u></u>

See accompanying independent auditors' report and notes to financial statements.

ST. GEORGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The School District is organized, according to State law, under the governance of the Board of School Directors to provide public education to the Town of St. George. The School District is governed by a three member elected board.

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The School District's combined financial statements include all accounts and all operations of the School District. We have determined that the School District has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet specified criteria. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 77, "*Tax Abatement Disclosures*". The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users.

ST. GEORGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As such, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. Management has determined that this Statement is not applicable.

Statement No. 80, "*Blending Requirements for Certain Component Units*". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 82, "*Pension Issues*". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy

ST. GEORGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

employee (plan member) contribution requirements. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds).

Both the government-wide and fund financial statements categorize primary activities as governmental. All of the School District's activities are categorized as governmental.

In the government-wide Statement of Net Position, the governmental activities columns is (a) presented on a consolidated basis by column, and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The School District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions (instruction, administration, etc.). The functions are also supported by general government revenues (state aid, certain other intergovernmental revenues, charges for services, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (assessments, certain intergovernmental revenues and interest income, etc.).

The School District does not allocate indirect costs. All costs are charged directly to the corresponding departments.

The 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.

ST. GEORGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the School District are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the School District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the School District:

Major Funds

- a. The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund 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 soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized

ST. GEORGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The School District's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. The School Board approves a preliminary budget by early January for the following fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is approved at the annual district meeting by the School District voters.

Deposits and Investments

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the School District's policy to value investments at fair value. None of the School District's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The School District Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit School Districts.
- Repurchase agreements
- Money market mutual funds

The St. George School District has no formal investment policy but instead follows the State of Vermont Statutes.

ST. GEORGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$10,977 for the year ended June 30, 2017. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2017.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of Governmental Funds.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

ST. GEORGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the School District. The inhabitants of the School District through School Board meetings are the highest level of decision-making authority of the School District. Commitments may be established, modified, or rescinded only through a School District meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the School Board.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School Board meeting vote has provided otherwise in its commitment or assignment actions.

ST. GEORGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School District has adopted a set of financial policies to guide the financial operation of the School District. Included in the policies will be guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently has no deferred outflows of resources.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred revenue qualifies for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided, operating or capital grants and contributions, including special assessments).

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The School District uses encumbrance accounting for its general fund.

ST. GEORGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

During the preparation of the School District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

The School District's investment policies, which follow state statutes, authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all School District funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the School District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The School District does not have a policy covering custodial credit risk.

At June 30, 2017, the School District's cash balance of \$188,311 was comprised of bank deposits of \$188,311. Of these bank deposits, \$80,000 was fully insured by federal depository insurance and consequently not exposed to custodial credit and the remaining deposits of \$108,311 were collateralized with securities held by the financial institution in the School District's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 80,000
Repurchase agreement	108,311
	<u>\$ 188,311</u>

ST. GEORGE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the School District does not have a policy for custodial credit risk for investments.

At June 30, 2017, the School District had no investments.

Credit risk – Statutes for the State of Vermont authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The School District does not have an investment policy on credit risk. Generally, the School District invests excess funds in savings accounts and various insured certificates of deposit.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - SHORT-TERM DEBT

On July 1, 2016, the School District issued a tax anticipation note through People’s United Bank in anticipation of tax revenues to meet its operating obligations during the fiscal year. The note, a line of credit, allowed principal draws up to \$181,000 at an interest rate of 1.25% with a maturity date of June 27, 2017.

Short-term debt activity for the year ended June 30, 2017, was as follows:

	Balance, 7/1/16	Additions	Reductions	Balance, 6/30/17
Tax anticipation note	\$ -	\$ 181,000	\$ (181,000)	\$ -
Total	\$ -	\$ 181,000	\$ (181,000)	\$ -

At June 30, 2017, the note was paid in full. Interest expense for the note during the fiscal year totaled \$2,237.

ST. GEORGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - ASSIGNED FUND BALANCES

At June 30, 2017, the School District had the following assigned fund balances:

General fund:	
Assigned for future budgets	<u>\$ 126,893</u>

NOTE 5 - OVERSPENT APPROPRIATIONS

At June 30, 2017, the School District had the following overspent appropriations:

Vocational education	\$ 5,537
Early learning partnership	12,033
Transportation	1,986
Other grant programs	6,110
Debt service - interest	805
	<u>\$ 26,471</u>

NOTE 6 - RISK MANAGEMENT

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

NOTE 7 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the School District's financial position.

The School District participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the School District's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

ST. GEORGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - RELATED ORGANIZATION

The School District has an ongoing financial responsibility to Chittenden South Supervisory Union as defined in GASB 14, paragraph 71. Through Chittenden South 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 Chittenden South Supervisory Union are available from Chittenden South Supervisory Union.

NOTE 9 - SUBSEQUENT EVENT

The St. George School District, along with all other districts/unions in the Chittenden South Supervisory Union, voted to consolidate into a single entity by vote of the electorate in June of 2016, with an effective date of consolidation of July 1, 2017.

The State Board of Education approved the consolidation in July of 2016 and awarded transition grant resources in support of the merger. Expenditures covered by the transition grant were primarily HR/Finance business system conversion expense and legal and professional consulting in support of the Consolidation Study Committee. The only remaining activities to be funded are system training expense to be completed in the 2017/2018 fiscal year.

All assets and liabilities of the legacy school districts were transferred to the new Champlain Valley School District on July 1, 2017. All business transactions of legacy districts ceased as of that date. This is therefore the final audit of the St. George School District.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund

ST. GEORGE SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 106,046	\$ 106,046	\$ 106,046	\$ -
Resources (Inflows):				
Intergovernmental:				
Education spending grant	2,053,844	2,053,844	2,047,734	(6,110)
Other	245,944	245,944	250,026	4,082
Investment income	4,000	4,000	4,237	237
Miscellaneous	-	-	14,154	14,154
Transfers from other funds	35,000	35,000	-	(35,000)
Amounts Available for Appropriation	<u>2,444,834</u>	<u>2,444,834</u>	<u>2,422,197</u>	<u>(22,637)</u>
Charges to Appropriations (Outflows):				
Current:				
Regular instruction and related services	1,761,390	1,761,390	1,716,333	45,057
Special education and related services	441,900	441,900	421,900	20,000
Vocational education	19,534	19,534	25,071	(5,537)
Early learning partnership	15,478	15,478	27,511	(12,033)
Education/enrichment	23,000	23,000	23,000	-
Administrative support services	23,020	23,020	18,122	4,898
Transportation	35,095	35,095	37,081	(1,986)
Other grant programs	17,939	17,939	24,049	(6,110)
Debt service:				
Interest	1,432	1,432	2,237	(805)
Total Charges to Appropriations	<u>2,338,788</u>	<u>2,338,788</u>	<u>2,295,304</u>	<u>43,484</u>
Budgetary Fund Balance, June 30	<u>\$ 106,046</u>	<u>\$ 106,046</u>	<u>\$ 126,893</u>	<u>\$ 20,847</u>

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund

ST. GEORGE SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
Education spending grant	\$ 2,053,844	\$ 2,053,844	\$ 2,047,734	\$ (6,110)
Mainstream block grant	40,156	40,156	40,156	-
Tech. center state grant	17,939	17,939	24,049	6,110
Extraordinary reimbursement	18,212	18,212	16,444	(1,768)
EEE	9,018	9,018	9,018	-
Intensive reimbursement	160,619	160,619	160,359	(260)
Investment income:				
Earnings on investments	4,000	4,000	4,237	237
Other revenues:				
Refund of prior year's expenditures	-	-	14,154	14,154
Transfers from other funds	35,000	35,000	-	(35,000)
Amounts Available for Appropriation	<u>\$ 2,338,788</u>	<u>\$ 2,338,788</u>	<u>\$ 2,316,151</u>	<u>\$ (22,637)</u>

See accompanying independent auditors' report and notes to financial statements

ST. GEORGE SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Regular instruction and related services:				
Instructional tuition - Williston	\$ 716,931	\$ 716,931	\$ 734,190	\$ (17,259)
Instructional tuition - Williston 7-8	243,486	243,486	198,759	44,727
Instructional tuition - CVU 9-12	725,200	725,200	633,849	91,351
Instructional tuition - all other	44,178	44,178	117,940	(73,762)
Early essential education	31,595	31,595	31,595	-
	<u>1,761,390</u>	<u>1,761,390</u>	<u>1,716,333</u>	<u>45,057</u>
Special education and related services:				
Ineligible special education costs	421,900	421,900	421,900	-
Contingency	20,000	20,000	-	20,000
	<u>441,900</u>	<u>441,900</u>	<u>421,900</u>	<u>20,000</u>
Vocational education	<u>19,534</u>	<u>19,534</u>	<u>25,071</u>	<u>(5,537)</u>
Early learning partership	<u>15,478</u>	<u>15,478</u>	<u>27,511</u>	<u>(12,033)</u>
Education/enrichment	<u>23,000</u>	<u>23,000</u>	<u>23,000</u>	<u>-</u>
Administrative support services:				
Board of Education	7,720	7,720	2,822	4,898
Executive administrative services	3,300	3,300	3,300	-
CSSU assessment	10,000	10,000	10,000	-
Fiscal services	2,000	2,000	2,000	-
	<u>23,020</u>	<u>23,020</u>	<u>18,122</u>	<u>4,898</u>
Transportation	<u>35,095</u>	<u>35,095</u>	<u>37,081</u>	<u>(1,986)</u>
Other grant programs:				
Vocational education block grant	17,939	17,939	24,049	(6,110)
	<u>17,939</u>	<u>17,939</u>	<u>24,049</u>	<u>(6,110)</u>
Debt service:				
Tax note interest	1,432	1,432	2,237	(805)
	<u>1,432</u>	<u>1,432</u>	<u>2,237</u>	<u>(805)</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 2,338,788</u>	<u>\$ 2,338,788</u>	<u>\$ 2,295,304</u>	<u>\$ 43,484</u>

See accompanying independent auditors' report and notes to financial statements.



Proven Expertise and Integrity

INDEPENDENT AUDITORS' 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

Board of Directors
St. George School District
Shelburne, Vermont

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. George School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise St. George School District's basic financial statements, and have issued our report thereon dated December 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. George School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. George School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the St. George School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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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 St. George 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*.

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 organization's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R.H.R. Smith & Company

Buxton, Maine

Vermont Registration No. 092.0000697

December 14, 2017