



P.O. Box 639
2834 Shelburne Road
Shelburne, VT 05482-0639

Phone: 802-985-8992
Fax: 802-985-9442

www.angolanoandcompany.com

March 9, 2015

Fayston 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 Fayston School District as of and for the year ended June 30, 2014. In addition I will be mailing you 9 bound copies. We have also sent a pdf copy to the AOE on your behalf.

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

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

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

Sincerely,

Angolano & Company

Angolano & Company

Enclosures

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

Fayston School District
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For The Year Ended June 30, 2014

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Fayston School District
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INDEPENDENT AUDITOR'S REPORT

To the School Board
Fayston School District, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Fayston School District, Vermont, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the and the aggregate remaining fund information of the Fayston School District, Vermont, as of June 30, 2014, 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, budgetary comparison information, and pensions and other post-employment benefit information on pages 6, 35-43, and 29-31 and 26 respectively, 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 the Fayston School District, Vermont's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements 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 February 23, 2015, on our consideration of the Fayston 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 Fayston School District, Vermont's internal control over financial reporting and compliance.

Angolano & Company

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

February 23, 2015

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

Introduction

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

Financial Highlights

- Government-wide assets totaled \$990,447 and government-wide liabilities totaled \$121,874.
- The District's general fund actual revenues were \$1,713,055 while the budgeted revenues were \$1,670,232, an increase of \$42,823 or 2.6%. The additional revenue is due to reimbursement associate with higher than anticipated special education expenses.
- The District's general fund actual expenditures were \$1,701,865 while the budgeted expenditures were \$1,708,884, a savings of \$7,019 or .4%.
- Special Revenue Funds with fund balances totaling \$92,919 are held in the District's accounts for the Maintenance Reserve Fund and various Federal, State and Private Grants.
- The Enterprise Fund represents the food program and had an ending retained earnings balance of \$22,483 after receiving a transfer in the amount of \$1,500 from the general fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fayston 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 9-12.

Proprietary Funds – The District maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its Food Service Program (hot lunch and breakfast) operation. The basic proprietary fund financial statements can be found on pages 13-14 of this report.

Fiduciary Funds – Fiduciary Funds are those for which the District serves as a trustee for the benefit of others, such as scholarship and student activity funds. The District is

responsible for ensuring that assets in these funds are used for their intended purposes and cannot use these assets to finance the general operations of the District.

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 15-34.

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

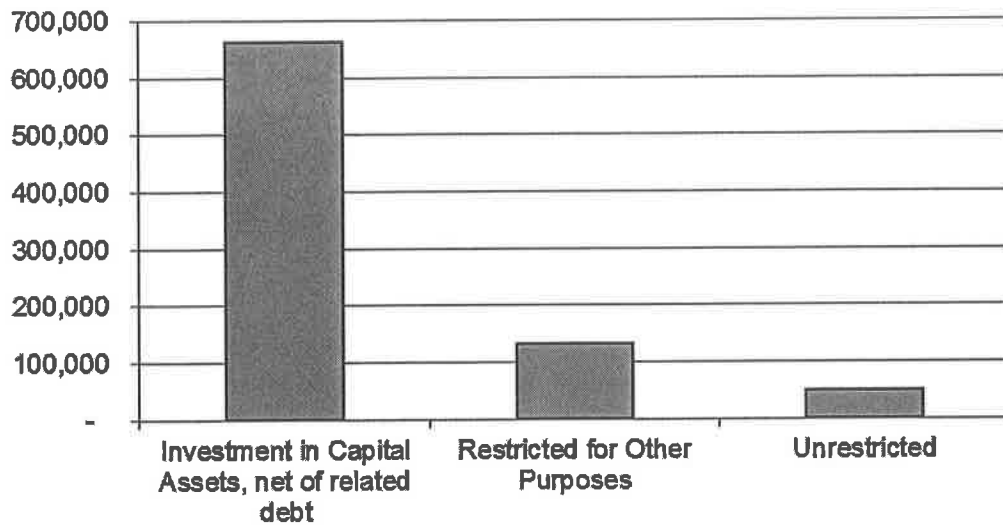
Our analysis of the District's major funds begins on Table 1. The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District's Board of Directors 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.

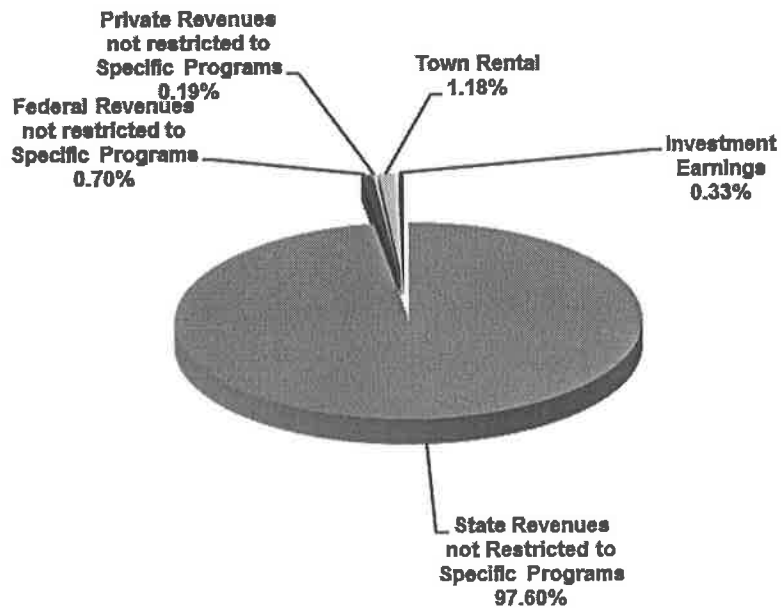
Fayston School District
Statement of Net Assets and Fund Balance Reconciliation
June 30, 2014

	Governmental Balance Sheet Fund Base	Governmental Activities Government-Wide	Difference
ASSETS:			
Current Assets:			
Cash	224,039	224,039	-
Due from Food Services	7,746	7,746	-
Accounts Receivable:			-
State	20,186	20,186	
Supervisory Union	149	149	-
Other LEAs	176	176	-
Other	8,113	8,113	-
Prepaid Expenses	2,624	2,624	-
Total Current Assets	263,033	263,033	-
Non-current Assets:			
Capital Assets:			
Buildings & Equipment, net of Accum. Depr.	-	694,940	(694,940)
Total Non-current Assets	-	694,940	(694,940)
TOTAL ASSETS	263,033	957,973	(694,940)
LIABILITIES:			
Current Liabilities:			
Accounts Payable-Other LEAs	3,568	3,568	-
Accounts Payable - Other	76,127	76,127	-
Accrued Expenses	1,222	1,222	-
Capital Leases Payable	-	30,966	(30,966)
Due to Other Funds	-	-	-
Current Portion of Long-Term Obligations	80,917	111,883	(30,966)
Total Current Liabilities			
Non-current Liabilities	-	-	-
Bonds Payable	-	-	-
Total Non-current Liabilities			
	80,917	111,883	(30,966)
TOTAL LIABILITIES			
NET ASSETS			-
Investment in Capital Assets, net of related Debt	-	663,974	(663,974)
Restricted for Other Purposes	131,936	131,936	-
Unrestricted	50,180	50,180	-
TOTAL NET ASSETS	182,116	846,090	(663,974)
TOTAL LIABILITIES AND NET ASSETS	263,033	957,973	(694,940)

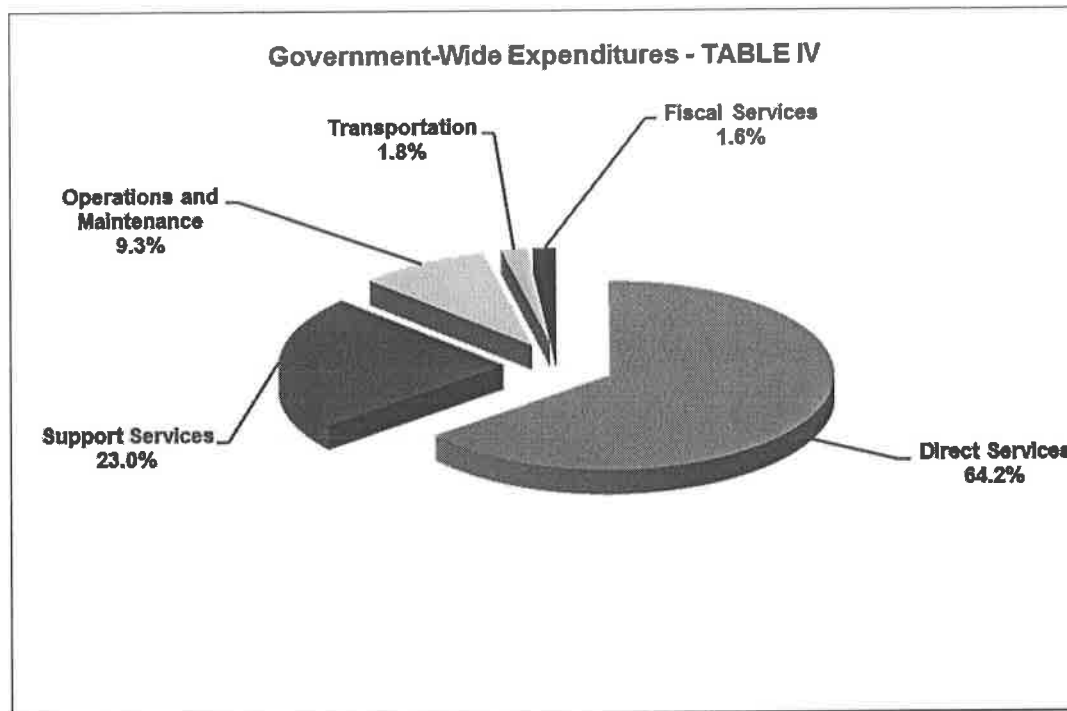
Government-Wide Net Assets - TABLE II



Government-Wide Revenues - TABLE III



Government-wide revenues consisted of \$1,659,185 in state revenue, \$11,846 in federal revenue, \$20,000 in town rental, \$3,275 in private revenues \$5,650 in investment earnings and \$1,548 of other revenues.



Government-wide expenses consist of \$1,121,823 in direct services, \$402,855 in support services, \$162,916 in operations and maintenance, \$32,202 in transportation and \$28,395 in fiscal services for a total of \$1,748,191.

Governmental Activities:

Governmental Activities revenues totaled \$1,701,504 and expenses net of program revenues were \$1,748,191 resulting in a decrease in net assets of \$46,687.

Business Type Activities:

Business Type Activities realized an increase in net assets of \$1,207.

Fund Financial Analysis

	Governmental	Governmental	Governmental	Governmental	Governmental
	Balance Sheet	Balance Sheet	Balance Sheet	Balance Sheet	Balance Sheet
	Fund Base	Fund Base	Fund Base	Fund Base	Fund Base
	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010
ASSETS					
Current Assets:					
Cash	224,039	253,180	243,127	271,060	212,672
Prepaid Expenses	2,624	-	581	-	-
Accounts Receivable:					
State	20,186	-	14,333	-	5,664
Supervisory Union	149	9,956	3,080	651	7,664
Other LEA's	176	126	6,419	3,375	-
Other	8,113	1,280	-	-	722
Due from Other Funds	7,746	7,465	6,600	-	6,255
Total Current Assets	263,033	272,007	274,140	275,086	232,977
LIABILITIES					
Current Liabilities:					
Cash Overdraft	-	-	-	-	15,054
Accrued Expenses	1,222	661	802	811	635
Due to Other Funds	-	-	-	11,225	17,236
Accounts Payable - State	-	29,347	12,951	20,440	11,980
Accounts Payable-Other LEAs	3,568	124			
Accounts Payable - Other	76,127	49,503	39,050	87,926	46,560
Total Current Liabilities	80,917	79,635	52,803	120,402	91,465
NET ASSETS					
Committed	38,026	95,152	80,281	44,520	-
Restricted	93,910	59,454	45,904	29,883	97,013
Unassigned	50,180	37,766	95,152	80,281	44,499
TOTAL NET ASSETS	182,116	192,372	221,337	154,684	141,512
TOTAL LIABILITIES AND NET ASSETS	263,033	272,007	274,140	275,086	232,977

Governmental Fund Types:

Fund balances in the Governmental Fund types decreased from \$192,372 to \$182,116 a decrease of \$10,256. This decrease was reflected in the General Fund by a decrease of \$43,981 and an increase of \$33,725 in the Special Revenue Fund.

Proprietary Fund Type:

Food service programs are offered to the students for hot lunch and breakfast. Beginning in FY05, the program agreed to provide food service to the Waitsfield School District. This program recognized a net income of \$1,207 during the past year and had a retained earnings balance of \$22,483 as of June 30, 2014.

Fiduciary Fund Types:

Agency funds of \$0 were being held at the end of the year for student activities and projects.

Capital Assets

As required under GASB34 the District is reporting its' capital assets as part of the financial statements. The District has researched and documented the historical costs of the various assets owned by the District and applied appropriate charges against the cost to record depreciation. Capital assets with a cost of \$5,000 or more are capitalized and depreciated.

Table VI summarizes the state of the District's capital assets.

			TABLE VI
Fayston School District			
Capital Assets			
June 30, 2014			
	Cost	Accumulated Depreciation	Net Value
Governmental Activities:			
Land Improvements	47,161	26,593	20,568
Buildings	61,989	61,989	-
Buildings and Improvements	\$ 1,233,445	\$ 599,779	633,666
Furniture and Equipment	83,417	42,711	40,706
Total	\$ 1,426,012	\$ 731,072	\$ 694,940
Business Type Activities:			
Buildings and Improvements	21,676	12,892	8,784
Furniture and Equipment	\$ 10,000	\$ -	\$ 10,000
	31,676	12,892	18,784
Total	\$ 1,436,012	\$ 731,072	\$ 704,940

Current Issues

- Fayston is a community experiencing some decreasing student enrollment.
- Fayston may see the loss of revenue from the Small Schools Grant over the next few years.
- The combined Fayston-Waitsfield food service program saw significant losses for two years, FY2012 and FY2013. Lunch prices have been increased, a program plan has been implemented in an effort to boost sales and a new agreement, based on actual meal costs, has been negotiated with Waitsfield for FY2014 and FY2015. The food service program will likely need additional support from the general fund in future years.

Current Issues Continued

- Act 153/156 requires transportation, special education, compensatory and remedial services to be provided by the Supervisory Union. It is anticipated special education teachers will be employed by the Supervisory Union, not the Fayston School District, in FY2017, or upon the conclusion of teacher contract negotiations. The financial effects on the Fayston School District associated with this legislation are unknown at this time.
- The Legislature is evaluating the Act 60/68 education funding formula and school governance. How any future legislation may affect the Fayston School District is unknown at this time; however it appears change is on the horizon.

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, Fayston School District, 340 Mad River Park– Suite 7, Waitsfield, Vermont 05673 or at (802) 496-2272 ext. 117.

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

EXHIBIT I

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 224,039		\$ 224,039
Due From Other Funds	7,746		7,746
Accounts Receivable - State	20,186		20,186
Accounts Receivable - Supervisory Union	149		149
Accounts Receivable - Other LEAs	176	\$ 9,143	9,319
Accounts Receivable - Other	8,113		8,113
Prepaid Expenses	2,624		2,624
Inventory		4,547	4,547
Capital Assets, net	694,940	18,784	713,724
TOTAL ASSETS	\$ 957,973	\$ 32,474	\$ 990,447
LIABILITIES			
Due To Other Funds		\$ 7,746	\$ 7,746
Accounts Payable - Other LEAs	\$ 3,568		3,568
Accounts Payable - Other	76,127	2,245	78,372
Accrued Expenses	1,222		1,222
Capital Leases Payable	30,966	-	30,966
TOTAL LIABILITIES	111,883	9,991	121,874
NET POSITION			
Net Investment in Capital Assets	663,974	18,784	682,758
Restricted For Other Purposes	131,936		131,936
Unrestricted (Deficit)	50,180	3,699	53,879
TOTAL NET POSITION	846,090	22,483	868,573
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 957,973	\$ 32,474	\$ 990,447

The accompanying notes are an integral part of these financial statements

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

EXHIBIT II

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Direct Services	\$ 1,140,143		\$ 18,320		\$ (1,121,823)		\$ (1,121,823)
Support Services:							
Student Services	118,551				(118,551)		(118,551)
Instructional Staff Services	77,339				(77,339)		(77,339)
General Administrative Services	48,138				(48,138)		(48,138)
Area Administrative Services	158,574				(158,574)		(158,574)
Fiscal Services	28,395				(28,395)		(28,395)
Building Operations and Maintenance	162,916				(162,916)		(162,916)
Transportation	47,758		15,556		(32,202)		(32,202)
Other Support Services	253	-	-	-	(253)		(253)
Total Governmental Activities	<u>1,782,067</u>	<u>\$ -</u>	<u>33,876</u>	<u>\$ -</u>	<u>(1,748,191)</u>		<u>(1,748,191)</u>
Business-Type Activities:							
Food Service	131,440	132,647	-	-		\$ 1,207	1,207
Total Business-Type Activities	<u>131,440</u>	<u>132,647</u>	<u>-</u>	<u>-</u>		<u>1,207</u>	<u>1,207</u>
General Revenues:							
State Revenues not Restricted to Specific Programs					1,659,185		1,659,185
Federal Revenues not Restricted to Specific Programs					11,846		11,846
Private Revenues not Restricted to Specific Programs					3,275		3,275
Investment Earnings					5,650		5,650
Rentals					20,000		20,000
Refunds and Reimbursements					1,548	-	1,548
Total General Revenues					<u>1,701,504</u>	<u>-</u>	<u>1,701,504</u>
Change in Net Position					(46,687)	1,207	(45,480)
Net Position - Beginning of Year					<u>892,777</u>	<u>21,276</u>	<u>914,053</u>
Net Position - Ending of Year					<u>\$ 846,090</u>	<u>\$ 22,483</u>	<u>\$ 868,573</u>

The accompanying notes are an integral part of these financial statements

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

EXHIBIT III

	Governmental Fund Types		Proprietary Fund Type	Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Enterprise Fund	
ASSETS:				
Current Assets:				
Cash	\$ 123,854	\$ 100,185		\$ 224,039
Due From Other Funds		15,058		15,058
Accounts Receivable - State	20,186			20,186
Accounts Receivable - Supervisory Union		149	\$ 8,390	8,539
Accounts Receivable - Other LEAs	176		753	929
Accounts Receivable - Other	8,113			8,113
Prepaid Expenses	2,624			2,624
Inventory	-	-	4,547	4,547
Total Current Assets	<u>154,953</u>	<u>115,392</u>	<u>13,690</u>	<u>284,035</u>
Other Assets:				
Fixed Assets - Net	-	-	18,784	18,784
Total Other Assets	<u>-</u>	<u>-</u>	<u>18,784</u>	<u>18,784</u>
TOTAL ASSETS	<u>\$ 154,953</u>	<u>\$ 115,392</u>	<u>\$ 32,474</u>	<u>\$ 302,819</u>
LIABILITIES AND FUND EQUITIES:				
Liabilities:				
Due To Other Funds	\$ 6,321	\$ 991	\$ 7,746	\$ 15,058
Accounts Payable - Other LEAs	3,568			3,568
Accounts Payable - Other	54,645	21,482	2,245	78,372
Accrued Expenses	1,222	-	-	1,222
Total Liabilities	<u>65,756</u>	<u>22,473</u>	<u>9,991</u>	<u>98,220</u>
Fund Equity:				
Fund Balances:				
Unassigned	51,171	(991)		50,180
Committed	38,026			38,026
Restricted		93,910		93,910
Retained Earnings	-	-	22,483	22,483
Total Fund Equities	<u>89,197</u>	<u>92,919</u>	<u>22,483</u>	<u>204,599</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$ 154,953</u>	<u>\$ 115,392</u>	<u>\$ 32,474</u>	<u>\$ 302,819</u>

The accompanying notes are an integral part of these financial statements

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

Fund Balances – total governmental funds	\$ 182,116
Amounts reported for governmental activities in the Statement of Net Position 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	1,426,012
Less accumulated depreciation	(731,072)
Bonds payable and contractual obligations have not been included in the governmental fund financial statements.	
Capital Lease Obligations	<u>(30,966)</u>
Net Position of Governmental Activities	<u>\$ 846,090</u>

Fayston School District
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances
 All Governmental Fund Types - Fund Base
 For The Year Ended June 30, 2014

EXHIBIT IV

	General Fund	Special Revenue Fund	Totals (Memorandum Only)
REVENUES:			
Interest on Investments	\$ 5,524	\$ 126	\$ 5,650
Town Rental	20,000		20,000
Refunds and Reimbursements	1,548		1,548
Private/Local		22,199	22,199
State	1,674,137		1,674,137
Federal	<u>11,846</u>	<u>-</u>	<u>11,846</u>
TOTAL REVENUES	<u>1,713,055</u>	<u>22,325</u>	<u>1,735,380</u>
EXPENDITURES:			
Direct Services	1,091,390	23,093	1,114,483
Support Services:			
Students	118,551		118,551
Instructional Staff	68,075		68,075
General Administration	48,138		48,138
Area Administration	158,574		158,574
Fiscal Services	28,395		28,395
Operation & Maintenance of Building	141,901	19,508	161,409
Transportation	46,841	917	47,758
Food Services	<u>-</u>	<u>253</u>	<u>253</u>
TOTAL EXPENDITURES	<u>1,701,865</u>	<u>43,771</u>	<u>1,745,636</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,190	(21,446)	(10,256)
OTHER FINANCING SOURCES (USES):			
Transfers In		55,171	55,171
Transfers Out	<u>(55,171)</u>	<u>-</u>	<u>(55,171)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(43,981)	33,725	(10,256)
FUND BALANCE, JULY 1, 2013	<u>133,178</u>	<u>59,194</u>	<u>192,372</u>
FUND BALANCE, JUNE 30, 2014	<u>\$ 89,197</u>	<u>\$ 92,919</u>	<u>\$ 182,116</u>

The accompanying notes are an integral part of these financial statements

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

Net Changes in fund Balances – total governmental funds	\$(10,256)
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	30,996
Less current year depreciation	(36,461)
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 Position .	
Proceeds From Capital Lease Obligation	<u>(30,966)</u>
Change in Net Position of Governmental Funds	<u>\$(46,687)</u>

Fayston School District
 Statement of Revenues, Expenditures and
 Changes in Retained Earnings
 Proprietary Fund Type - Enterprise Fund
 Food Program
 For The Year Ended June 30, 2014

EXHIBIT V

Operating Revenues:		
Sales	\$ 80,417	
Refunds	<u>3,281</u>	
Total Operating Revenues		\$ 83,698
Operating Expenses:		
Salaries and Benefits	76,225	
Repairs and Maintenance	1,052	
Travel	1,780	
Food and Supplies	42,966	
Commodities	8,694	
Depreciation	<u>723</u>	
Total Operating Expenses		<u>131,440</u>
Operating Income (Loss)		(47,742)
Non-Operating Revenue:		
State Sources:		
Restricted Grants:		
Lunch Match	1,243	
Child Nutrition Breakfast	278	
Child Nutrition Other	70	
Reduced Lunch Initiative	248	
Federal Sources:		
Restricted Grants:		
National School Lunch Program	29,871	
National School Breakfast Program	9,131	
Commodities	<u>8,108</u>	
Total Non-Operating Revenue		<u>48,949</u>
Net Income (Loss)		1,207
Retained Earnings, July 1, 2013		<u>21,276</u>
Retained Earnings, June 30, 2014		<u>\$ 22,483</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
 Statement of Cash Flows
 Proprietary Fund Type - Enterprise Fund
 Food Program
 For The Year Ended June 30, 2014

EXHIBIT VI

Cash Flows From Operating Activities:		
Received From Customers	\$ 83,459	
Payments To Employees and Fringe Benefits	(76,225)	
Payments To Vendors and Supplies	<u>(54,196)</u>	
Net Cash Used By Operating Activities		\$ (46,962)
Cash Flows From Noncapital Financing Activities:		
State Aid Received	46,680	
Support From General Fund	<u>282</u>	
Net Cash Used By Noncapital Financing Activities		46,962
Cash Flows From Capital and Related Financing Activities:		
None		-
Cash Flows From Investing Activities:		
None		<u>-</u>
Net Increase (Decrease) in Cash		-
Cash, July 1, 2013		<u>-</u>
Cash, June 30, 2014		<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities:		
Cash Provided From Operating Activities:		
Operating Income (Loss)		\$ (47,742)
Adjustments to Reconcile Net Income to Cash Provided (Used) By Operating Activities:		
Depreciation	\$ 723	
(Increase) Decrease in Accounts Receivable - Other LEAs	(753)	
(Increase) Decrease in Accounts Receivable - Other	514	
Increase (Decrease) in Accts Payable - Other	<u>296</u>	
Total Adjustments		<u>780</u>
Net Cash Provided (Used) By Operating Activities		<u>\$ (46,962)</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity:

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

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

Basic Financial Statements - District-wide:

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Basic Financial Statements – Fund Financial Statements:

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

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

Governmental Fund Types:

- General Fund – The general fund is the School District's primary operating fund and is always classified as a major fund which accounts for typical general government revenues and a wide variety of activities that benefit the School District's as a whole. It accounts for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds – The special revenue funds focus on revenues that are restricted or committed to expenditures for specific purposes (other than major capital projects or expendable trusts). The School District accounts for resources restricted to, or committed for, specific purposes by the School District or a grantor in a special revenue fund. Most federal, some State financial assistance and voter committed funds are accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor or the voters at the close of specified project periods.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Types:

Proprietary Fund – The Proprietary Funds consist of Enterprise Funds and Internal Service Funds. Revenues generally come from fees for services. They use the economic resources measurement focus and full accrual basis of accounting.

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

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Both District-wide and business-type activity statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred regardless of when related cash flows take place. Grant revenues are recognized when eligibility requirements are satisfied. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

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

Other Accounting Policies:

Cash and Cash Equivalents:

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

Interfund Receivables and Payables:

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. All other outstanding balances between funds are also reported as “due to/from

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

other funds”. As a general rule, the effect of interfund activity has been eliminated from the government wide financial statements.

Transfers:

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

Deposits and Investments:

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

Accounts Receivable:

All receivables are reported net of estimated uncollectible amounts. The accounts receivable balances at year end are from governmental entities, except in the proprietary funds which may have some receivables from individuals, and no allowance for doubtful accounts is considered necessary.

Inventory:

Inventories consist of expendable items held for consumption. They are valued at cost on a first-in, first-out method.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future periods. In the fund based financial statements, the cost of prepaid items is recorded as expenditures when the payments are made. In the District-wide financial statements and the proprietary funds, these items are recorded as prepaid items.

Deferred Inflows of Resources:

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

Capital Assets:

Capital assets, which include land, construction in progress, buildings, improvements, furniture, equipment, infrastructure, and vehicles, are reported in the applicable governmental activities column in the governmental wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets, except for land and construction in progress are depreciated using the straight line method over the estimated useful lives with a full year of depreciation taken in the year acquired and none taken in the year of disposal. Land and construction in progress are not depreciated.

Long-term Obligations:

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

Budgetary Data:

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

- The School Board with assistance from the Supervisory Union and the School District's Administration drafts a budget. The operating budget includes proposed expenditures by line item and the means of financing them.
- The budget is adopted by the School Board for presentation to the voters as a warning or article in the annual report.
- The voters vote on the total expense amount and not the individual line items at the School District's annual meeting or subsequent special meetings.

Encumbrances:

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates:

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

Net Resources and Fund Balance:

District-wide Financial Statements:

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

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

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

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

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

Fund Based Financial Statements:

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

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

Assigned Fund Balance – Includes amounts intended to be used by the government for specific purposes, as determined by the Board, but do not meet the criteria to be classified as restricted

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

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

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

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

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

Function and Object Codes:

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

Memorandum Only Columns:

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

NOTE 2 – CASH, CASH EQUIVALENTS, AND REPURCHASE AGREEMENTS

Cash and cash equivalent deposits with financial institutions at June 30th amounted to \$224,039. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

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

**NOTE 2 – CASH, CASH EQUIVALENTS, AND REPURCHASE AGREEMENTS
(CONTINUED)**

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of any investments. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The School District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk

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

FDIC insures all accounts held by the same financial institution up to a combined total of \$250,000. There are some special provisions which increase this limit.

Concentration of Credit Risk

The policy of the School District contains no limitations on the amount that can be on deposit in any one financial institution.

The cash deposits held at financial institutions and cash on hand can be categorized according to four levels of risk.

These four levels of risk are as follows:

- Category 1 Repurchase Agreements - Deposits which are invested in government securities held by the School District or by its agent in the School District's name.
- Category 2 Collateralized Accounts - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Bank's name.
- Category 3 Letter of Credit - Private commercial insurance protection or letter of credit issued by the financial institution to cover funds in excess of FDIC limits.
- Category 4 Deposits which are not collateralized or insured. (includes cash on hand)

The School District uses collateralization agreements to protect deposits not otherwise insured by the FDIC and/or SIPC.

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

**NOTE 2 – CASH, CASH EQUIVALENTS, AND REPURCHASE AGREEMENTS
(CONTINUED)**

Balances held in each area are as follows:

	Carrying Amount	Bank Balance
- Insured (FDIC) and/or (SIPC)	\$204,868	\$269,352
- Category 1	0	0
- Category 2	19,171	19,171
- Category 3	0	0
- Category 4	<u>0</u>	<u>0</u>
Total deposits	<u>\$224,039</u>	<u>\$288,523</u>

The difference between the book balance and bank balance is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flows at certain times during the year, the amount of uninsured and not collateralized cash could have been much higher than at year end.

Collateralization agreements of \$19,171 are securities held by the bank’s trust department or agent in the bank’s name. Securities consist of municipal bonds, U.S. Government obligations and U.S. Government Agency Bonds.

The School District holds a letter of credit to cover uninsured deposits. The letter of credit is drawn on the Federal Home Loan Bank of Pittsburgh .

NOTE 3 - INTERFUND RECEIVABLES

In compliance with GASB 1300.109 School District does not maintain separate bank accounts for each fund, unless it is required by law, or grant agreement. The composition of amounts due to and from other funds as of June 30, 2014 is as follows:

Fund Financial Statements:		
Receivable Fund	Payable Fund	Amount
Special Revenue Fund:		
Medicaid	General Fund	\$ 4,567
Community Assistance	General Fund	174
School Garden	General Fund	367
Book Fair	General Fund	2,019

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

NOTE 3 - INTERFUND RECEIVABLES (CONTINUED)

Fund Financial Statements:		
Receivable Fund	Payable Fund	Amount
Special Revenue Fund (continued):		
Winter Sports Program	General Fund	\$ 2,359
PK Reading Loft	General Fund	110
VT Rural Partnership	General Fund	1,182
Class of 2014	General Fund	2,656
Exxon Mobil	General Fund	<u>1,624</u>
	Total Special Revenue Fund	<u>\$15,058</u>
Special Revenue Fund:		
General Fund	Class of 2015	\$ 778
General Fund	Four Winds	205
General Fund	School Field Trips	<u>8</u>
	Total Special Revenue Fund	<u>\$ 991</u>
Enterprise Fund:		
General Fund	Food Program	<u>\$ 7,746</u>
District-wide Financial Statements:		
Receivable Fund	Payable Fund	Amount
Governmental Type	Business Type	<u>\$ 7,746</u>

NOTE 4 – CAPITAL ASSETS

Capital activity for the School District for the year ended June 30, 2014 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital Assets being depreciated:				
Land Improvements	\$ 47,161	\$ 0	\$ 0	\$ 47,161
Buildings	61,989	0	0	61,989
Building Improvements	1,233,445	0	0	1,233,445
Furniture and Equipment	<u>52,421</u>	<u>30,996</u>	<u>0</u>	<u>83,417</u>

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

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Primary Government</u>			
	Beginning Balance	Increases	Decreases	Ending Balance
Total other capital assets at historical costs	<u>\$1,395,016</u>	<u>\$30,996</u>	<u>\$ 0</u>	<u>\$1,426,012</u>
Less accumulated depreciation:				
Land Improvements	25,450	1,143	0	26,593
Buildings	61,989	0	0	61,989
Building Improvements	574,827	24,952	0	599,779
Furniture and Equipment	<u>32,345</u>	<u>10,366</u>	<u>0</u>	<u>42,711</u>
Total accum. Depr.	<u>694,611</u>	<u>36,461</u>	<u>0</u>	<u>731,072</u>
Governmental activities				
Capital Assets, Net	<u>\$ 700,405</u>	<u>\$ (5,465)</u>	<u>\$ 0</u>	<u>\$ 694,940</u>
Business-type activities:				
Building Improvements	\$ 21,676	\$ 0	\$ 0	\$ 21,676
Furniture and Equipment	10,000	0	0	10,000
Less accum. Depr.	<u>12,169</u>	<u>723</u>	<u>0</u>	<u>12,892</u>
Business-type activities				
Capital Assets, Net	<u>\$ 19,507</u>	<u>\$ (723)</u>	<u>\$ 0</u>	<u>\$ 18,784</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Direct Services	\$25,660
Support Services:	
Students	0
Instructional Staff	9,294
General Administration	0
Area Administration	0
Fiscal Services	0
Operation and Maintenance of Plant	1,507
Transportation	0
Other Support Services	<u>0</u>
Total governmental activities depreciation expense	<u>\$36,461</u>

NOTE 5 – SHORT-TERM DEBT

Short-term debt activity consisted of the following for the year ended June 30, 2014:

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

NOTE 5 – SHORT-TERM DEBT (CONTINUED)

	Balance July 1, 2013	Borrowings	Retirements	Balance June 30, 2014
Revenue Anticipation note, issued July 1, 2013. Interest at 1.39%, due June 30, 2014	<u>\$300,000</u>	<u>\$ 0</u>	<u>\$300,000</u>	<u>\$ 0</u>

NOTE 6 - SICK LEAVE

It is the School District's policy to permit employees to earn varying amounts of sick pay benefits. Such sick leave benefits do not vest under the School District's policy, accordingly benefits must be used during employment. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Teaching staff earn 20 sick days per year, and may accumulate a maximum of 90 days.

NOTE 7 – OPEB AND TERMINATION BENEFITS

The Governmental Accounting Standards Board (GASB) issued Statement #45 requiring the entire liability for Other Post Employment Benefits (post-employment health care benefits) to be accrued. The School District does not offer any OPEB plans and has no liability under GASB #45.

Voluntary termination benefits are governed by GASB Statement #47 and are recognized to the extent they become payable in the current year.

NOTE 8 - LONG-TERM OBLIGATIONS

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

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

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

	Balance July 1, 2013	Increases	Retirements	Balance June 30, 2014
OTHER LONG-TERM OBLIGATIONS:				
Obligations Under Capital Lease	\$ <u>0</u>	\$30,966	\$ <u>0</u>	\$30,966

NOTE 9 - CAPITAL LEASES

On June 18, 2014, the Fayston School District entered into a noncancellable lease agreement with Apple, Inc. for the lease of computer hardware. This lease agreement qualifies as a capital lease, for accounting purposes and thus, has been recorded at the present value of the future minimum lease payments at the inception of the lease in the general long-term debt account group. The total amount due is \$33,122, to be paid in yearly installments of \$11,041 over three (3) years with a buyout at the end of \$1.

The future minimum lease obligations and the net present value of these minimum lease payments are as follows:

During the year ended June 30, 2015	\$11,040
2016	11,041
2017	<u>11,041</u>
Total minimum lease payments	33,122
Less amount representing interest	<u>2,156</u>
Present value of minimum lease payments	<u>\$30,966</u>

Interest rate on the capitalized lease is approximately 7.13 percent.

NOTE 10 – RESTRICTED, COMMITTED AND ASSIGNED FUND BALANCES (Fund Financial Statements)

Restricted, committed and assigned fund balances represent amounts that must be used for specific purposes within that fund and cannot be spent otherwise without prior approval of funding source. A more detailed explanation is provided in Note 1. Reservations at year end are for the following:

General Fund:	
Fiscal 14-15 Budget	<u>\$38,026</u>

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

NOTE 10 – RESTRICTED, COMMITTED AND ASSIGNED FUND BALANCES (Fund Financial Statements) (CONTINUED)

Special Revenue Fund:

Medicaid IEP	\$ 4,716
Maintenance Reserve	80,677
Community Assistance	174
Winter Sports Program	2,359
School Garden Fund	114
Book Fair	2,019
Exxon Mobil	1,624
Vt. Rural Partnership	1,182
Class of 2014	935
PK Reading Lost	<u>110</u>
Total	<u>\$93,910</u>

NOTE 11 – NET RESOURCES RESTRICTED (District-wide Financial Statements)

Restricted net resource balances represent amounts that must be used for specific purposes and cannot be spent otherwise without prior approval of the funding source. Restrictions at year end are for the following:

Net Resources Restricted For Other Purposes:

Fiscal 14-15 Budget	\$ 38,026
Medicaid IEP	4,716
Maintenance Reserve	80,677
Community Assistance	174
Winter Sports Program	2,359
School Garden Fund	114
Book Fair	2,019
Exxon Mobil	1,624
Vt. Rural Partnership	1,182
Class of 2014	935
PK Reading Lost	<u>110</u>
Total	<u>\$131,936</u>

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

NOTE 12 – TRANSFERS IN THE FUND BASED FINANCIAL STATEMENTS

The School District transfers funds to cover expenditures made in one fund for which the revenues are in another fund, or at the request of the voters. The following transfers were made during the year.

Funds of \$55,000 were transferred from the General Fund to the Special Revenue Fund – Maintenance Reserve as per article passed by voters.

Funds of \$171 were transferred from the Special Revenue Fund – class of 2013 to the General Fund for the purpose of closing the account.

NOTE 13 - PENSIONS

VERMONT TEACHERS' RETIREMENT SYSTEM

All of the teachers employed by School District participate in the Vermont Teachers' Retirement System ("TRS"), a statewide multiple-employer public employee retirement system covering all teachers in local school districts within the State of Vermont. The Vermont State statutes provide the authority under which benefit provisions and the State's obligation to contribute are established. The State Legislature has sole authority to amend benefit provisions.

Required contributions to the system are made by the State of Vermont based upon a valuation report prepared by the System's actuary. TRS is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. TRS is funded through state and employee contributions and the School District has no legal obligation for paying benefits. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan as required by Government Accounting Standards Board (GASB) Statement 24 to be 8.45% or approximately \$67,041.

Vesting occurs upon reaching five years of creditable service. Normal retirement requires the employee to be either 62 years of age or have 30 years of service. A member may receive a reduced benefit at age 55 with 10 or more years of service. A member that has 10 or more years of service and leaves teaching before age 55 is entitled to a vested retirement benefit payable at age 62 or a reduced amount at age 55.

Contributions by the employees are 5% of gross earnings and are withheld pre income tax by the School District. Such withholdings totaled \$39,647 during the year and were paid by the

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

NOTE 13 – PENSIONS (CONTINUED)

VERMONT TEACHERS’ RETIREMENT SYSTEM (CONTINUED)

School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees during the year was \$1,037,665 , with \$793,381 of such amount related to employees covered by the retirement plan.

Additional information and ten-year historical trend information can be obtained from the separately issued Vermont State Teachers' Retirement System Comprehensive Annual Financial Report.

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (Cost sharing pension plan)

Employees other than Teachers are eligible to participate in the Vermont Municipal Employees' Retirement System ("VMERS") providing they work a minimum of 30 hours per week for the school year employee or a minimum of 24 hours per week for a calendar year employee. There are three levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. The School District participates in Group A. Normal retirement for Group A members is age 65 and the completion of 5 years of creditable service, or age 55 and completion of 35 years of creditable service. Normal retirement for Group B members is age 62 and the completion of 5 years of creditable service, or age 55 and completion of 30 years of creditable service. Normal retirement for Group C and D members is age 55 and the completion of 5 years of creditable service. A member may receive reduced benefits at age 55 if they have 5 years of service and have made contributions for at least 2.5 years.

The System is an actuarial reserve, joint-contributory program. The State Legislature has sole authority to amend benefit provisions. Both the members and the School District make contributions to the fund according to the following schedule:

	Group A	Group B	Group C	Group D
Employees' Contributions (% of gross wages)	2.500%	4.625%	9.500%	11.125%
The School District's contributions (% of gross wages)	4.000%	5.125%	6.750%	9.625%

There is a municipal defined contribution plan option with a 5% withholding and a 5.125% match.

Employee contributions are withheld pre income tax by the School District and are remitted to the State of Vermont. Such withholdings totaled \$5,252 during the year. The School District

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

NOTE 13 – PENSIONS (CONTINUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (Cost sharing pension plan) (CONTINUED)

contributed \$8,404 during the year. The School District's total payroll for all employees during the year was \$1,037,665 , with \$210,096 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System. The plan had 8 members at June 30, 2014.

Additional information and ten-year historical trend information can be obtained from the separately issued Vermont State Municipal Retirement System Comprehensive Annual Financial Report.

NOTE 14 - 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.

In addition, Fayston School District as a member of Vermont School Boards Association (Association), participates in that entity's public entity risk pools. The Association has set up two insurance trusts; Vermont School Board Insurance Trust, Inc. (VSBIT) for Workers Compensation , Multi-Line Intermunicipal School Program, and Unemployment Compensation Program, and the Vermont Education Health Initiative (VEHI) for Medical Benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont school districts and are owned by the participating districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, VEHI has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

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

NOTE 14 - RISK MANAGEMENT (CONTINUED)

To provide unemployment coverage, VSBIT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and to provide excess reinsurance protection. Contributions are based on payroll expense and the previous two year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

To provide worker's compensation coverage, VSBIT has established a separate trust of funds from member contributions to pay administrative costs and workers compensation coverage. Contributions are based upon formulas applied to payroll expense. At the end of the coverage period, the members will be assessed or refunded any difference between estimated contributions and actual expenses.

Multi-Line Intermunicipal School Program provides coverage for Property; Inland Marine and Boiler & Machinery; Crime; Commercial General Liability; Automobile/Garagekeepers; and Educators legal Liability. Annual contributions are based upon appropriate rates applicable to each Member; such rates are set based on recommendations of a qualified actuary, plus a proportionate share of all operational and administrative cost including excess reinsurance premiums incurred by the trust. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

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 15 - SUBSEQUENT EVENTS

On July 1, 2014, the School District borrowed \$450,000 from People's United Bank in a Revenue Anticipation Note at 1.24%. The interest and principal are due at maturity on June 30, 2014

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

NOTE 16 - 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, 2014 may be impaired. It is the opinion of the School District, that 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.

The School District is responsible for the withholding and paying over of certain payroll taxes and related items. At June 30, 2014, School District showed a liability for any taxes due and unpaid. These taxes are subject to audit by the State and federal government. It is the opinion of the School District, that there are no significant contingent liabilities relating to compliance with the rules and regulations governing these or other taxes.

NOTE 17 - RELATED PARTY

As defined by GASB No. 14, paragraph 71, the School District is a participant in and as an ongoing financial responsibility to Washington West Supervisory Union. The School District's board is responsible for appointing one member to the board of Washington West Supervisory Union. Washington West Supervisory Union assesses the School District annually for a share of the net projected expenses in excess of revenues, plus a share of other budgetary provisions. Washington West Supervisory Union also provides the busing for the District, the cost of which is billed by the busing company directly to the School District based on agreement with the Washington West Supervisory Union. Washington West Supervisory Union collects the food program reimbursement from the State and passes it through the School District. Separate financial statements on Washington West Supervisory Union are available from Washington West Supervisory Union.

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

NOTE 18 - CONTINGENCY

Annually, before November 1st, the Commissioner of the Vermont Department of Education notifies each school of its net cost per elementary and/or secondary pupil for the previous

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

NOTE 18 – CONTINGENCY (CONTINUED)

school year. If the School District received tuition students from other Vermont School Districts it must determine whether it overcharged the sending District. If it did, it must provide the overcharged District with a credit against current tuition or refund the overcharged amount.

The School District received State construction aid in the past for various projects. In the event that the school building was to be sold, this construction aid might have to be repaid out of the proceeds. The amount of State construction aid received since July 1970 is not available but can be calculated by the State of Vermont in the event that a repayment is sought.

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

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Interest on Investments		\$ 8,500	\$ 5,524	\$ (2,976)
Town Rental		20,000	20,000	-
E-Rate Reimbursement		1,548	1,548	-
State:				
Education Spending Grant		1,445,080	1,445,080	-
Smalls Schools Grant		58,907	60,742	1,835
Transportation Reimbursement		14,973	14,952	(21)
Mainstream Block Grant		34,460	34,460	-
SPED Expenditure Reimbursement		66,839	96,589	29,750
Extraordinary Reimbursement		-	19,427	19,427
Essential Early Education		1,100	2,887	1,787
Federal:				
IDEA-B		16,825	11,621	(5,204)
IDEA-B Preschool		<u>2,000</u>	<u>225</u>	<u>(1,775)</u>
TOTAL REVENUES		<u>1,670,232</u>	<u>1,713,055</u>	<u>42,823</u>
EXPENDITURES:				
Regular Instruction 1100:				
Salaries	110	410,888	406,124	4,764
Mentoring Salaries	110	2,250	3,000	(750)
Aide Salaries	115	45,936	30,497	15,439
Enrichment Salaries	119	1,200	1,200	-
Temporary Salaries	120	16,000	16,265	(265)
Personal Days	125	1,000	445	555
Health Insurance	210	121,387	114,869	6,518
Section 125	211	360	477	(117)
Social Security	220	36,343	33,505	2,838
Life Insurance	230	2,148	2,034	114
Retirement	240	1,838	1,098	740
Workers Compensation	250	3,973	2,861	1,112
Unemployment Compensation	260	2,142	1,701	441
Tuition Reimbursement	270	18,500	16,421	2,079
Dental Insurance	280	7,945	6,533	1,412
Purchased Services	330	-	175	(175)
Testing Services	332	1,500	848	652
Copier	410	4,500	3,658	842
Equipment Repair	430	-	359	(359)

The accompanying notes are an integral part of these financial statements

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

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Travel	580	\$ 2,500	\$ 984	\$ 1,516
Supplies	610	17,000	14,982	2,018
Books and Periodicals	640	7,500	3,046	4,454
Enrichment Program	650	2,800	3,759	(959)
Equipment	730	3,000	122	2,878
Principals Fund	800	<u>1,250</u>	<u>340</u>	<u>910</u>
Subtotal		<u>711,960</u>	<u>665,303</u>	<u>46,657</u>
Early Education 1100:				
Salaries	110	12,871	11,316	1,555
Per Diem Salaries	110	-	311	(311)
Aide Salaries	115	4,912	7,068	(2,156)
Health Insurance	210	224	-	224
Social Security	220	1,361	585	776
Life Insurance	230	144	-	144
Workers Compensation	250	155	101	54
Unemployment Compensation	260	289	64	225
Dental Insurance	280	391	-	391
Purchased Services	330	21,262	66,922	(45,660)
Supplies	610	500	503	(3)
Equipment	735	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Subtotal		<u>47,109</u>	<u>86,870</u>	<u>(39,761)</u>
English as a Second Language 1101:				
Purchased Services	330	<u>-</u>	<u>585</u>	<u>(585)</u>
Subtotal		<u>-</u>	<u>585</u>	<u>(585)</u>
Art 1102:				
Salaries	110	18,331	18,118	213
Personal Days	125	-	79	(79)
Insurance Compensation	212	280	280	-
Social Security	220	1,402	1,413	(11)
Life Insurance	230	163	106	57
Workers Compensation	250	159	105	54
Unemployment Compensation	260	179	65	114
Supplies	610	<u>1,250</u>	<u>829</u>	<u>421</u>
Subtotal		<u>21,764</u>	<u>20,995</u>	<u>769</u>
Foreign Language 1106:				
Salaries	110	21,279	21,390	(111)
Insurance Compensation	212	280	280	-

The accompanying notes are an integral part of these financial statements

Fayston School District
 Statement of Revenues, Expenditures and Changes
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 General Fund
 For The Year Ended June 30, 2014

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Social Security	220	\$ 1,628	\$ 1,658	\$ (30)
Life Insurance	230	172	159	13
Workers Compensation	250	185	121	64
Unemployment Compensation	260	179	76	103
Supplies	610	<u>300</u>	<u>293</u>	<u>7</u>
Subtotal		<u>24,023</u>	<u>23,977</u>	<u>46</u>
Physical Education 1108:				
Salaries	110	16,088	15,981	107
Wellness Club Facilities	116	1,021	688	333
Insurance Compensation	212	280	455	(175)
Social Security	220	1,231	1,310	(79)
Life Insurance	230	156	140	16
Workers Compensation	250	140	98	42
Unemployment Compensation	260	179	61	118
Travel	580	-	72	(72)
Supplies	610	<u>750</u>	<u>178</u>	<u>572</u>
Subtotal		<u>19,845</u>	<u>18,983</u>	<u>862</u>
Music 1112:				
Salaries	110	22,883	22,617	266
Health Insurance	210	7,116	6,919	197
Social Security	220	1,751	1,570	181
Life Insurance	230	176	117	59
Workers Compensation	250	199	130	69
Unemployment Compensation	260	179	82	97
Dental Insurance	280	489	418	71
Supplies	610	<u>500</u>	<u>282</u>	<u>218</u>
Subtotal		<u>33,293</u>	<u>32,135</u>	<u>1,158</u>
Special Education 1200:				
Salaries	110	47,031	46,486	545
Tutor	112	2,000	1,291	709
Aide Salaries	115	63,330	43,677	19,653
Temporary Salaries	120	-	1,210	(1,210)
Personal Days	125	-	88	(88)
Health Insurance	210	13,485	10,322	3,163
Social Security	220	7,113	6,888	225
Life Insurance	230	256	231	25
Retirement	240	2,534	1,889	645
Workers Compensation	250	960	641	319

The accompanying notes are an integral part of these financial statements

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

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Unemployment Compensation	260	\$ 895	\$ 401	\$ 494
Tuition Reimbursement	270	2,000	125	1,875
Dental Insurance	280	667	639	28
Summer Services	334	1,750	-	1,750
Purchased Services	335	-	71,585	(71,585)
Supplies	610	2,000	380	1,620
Equipment	730	1,000	73	927
Subtotal		145,021	185,926	(40,905)
Essential Early Education Program 1200:				
Supplies	610	500	106	394
Subtotal		500	106	394
Compensatory Education 1250:				
Salaries	110	49,771	50,478	(707)
Insurance Compensation	212	560	560	-
Social Security	220	3,807	3,806	1
Life Insurance	230	262	262	-
Workers Compensation	250	433	284	149
Unemployment Compensation	260	179	178	1
Dental Insurance	280	978	942	36
Subtotal		55,990	56,510	(520)
Guidance Services 2120:				
Salaries	110	18,331	18,667	(336)
Personal Days	125	-	70	(70)
Health Insurance	210	2,702	3,258	(556)
Social Security	220	1,402	1,433	(31)
Life Insurance	230	163	124	39
Workers Compensation	250	159	105	54
Unemployment Compensation	260	179	65	114
Dental Insurance	280	184	221	(37)
Supplies	610	1,250	1,093	157
Subtotal		24,370	25,036	(666)
Health Services 2130:				
Salaries	110	25,663	23,753	1,910
Per Diem Salaries	110	-	1,031	(1,031)
Substitute Salaries	120	-	238	(238)
Insurance Compensation	212	350	-	350
Social Security	220	1,963	1,914	49

The accompanying notes are an integral part of these financial statements

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

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Life Insurance	230	\$ 185	\$ (28)	\$ 213
Workers Compensation	250	223	146	77
Unemployment Compensation	260	179	92	87
Repairs and Maintenance	430	250	578	(328)
Supplies	610	1,000	928	72
Software	650	400	-	400
Subtotal		<u>30,213</u>	<u>28,652</u>	<u>1,561</u>
SPED Services 2140:				
Contracted Services - Evaluations	330	7,500	12,985	(5,485)
Equipment	739	-	2,532	(2,532)
Subtotal		<u>7,500</u>	<u>15,517</u>	<u>(8,017)</u>
SPED Physical Therapy Services 2140:				
Contracted Services	330	2,000	225	1,775
Subtotal		<u>2,000</u>	<u>225</u>	<u>1,775</u>
EEE Physical Therapy Services 2140:				
Contracted Services - Evaluations	330	218	-	218
Subtotal		<u>218</u>	<u>-</u>	<u>218</u>
Special Education Speech 2150:				
Salaries	110	30,827	30,470	357
Summer Salaries	112	1,000	1,020	(20)
Personal Days	125	-	31	(31)
Health Insurance	210	10,675	10,378	297
Social Security	220	2,358	1,457	901
Life Insurance	230	201	191	10
Workers Compensation	250	268	181	87
Unemployment Compensation	260	179	114	65
Dental Insurance	280	733	707	26
Supplies	610	750	722	28
Testing Materials	611	200	257	(57)
Subtotal		<u>47,191</u>	<u>45,528</u>	<u>1,663</u>
SPED Occupational Therapy Services 2160:				
Contracted Services	330	1,600	1,803	(203)
Subtotal		<u>1,600</u>	<u>1,803</u>	<u>(203)</u>
EEE Occupational Therapy Services 2160:				
Contracted Services	330	600	875	(275)
Subtotal		<u>600</u>	<u>875</u>	<u>(275)</u>

The accompanying notes are an integral part of these financial statements

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

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
SPED Physical Therapy Services 2190:				
Contracted Services	330	\$ 500	\$ 765	\$ (265)
Subtotal		<u>500</u>	<u>765</u>	<u>(265)</u>
EEE Physical Therapy Services 2190:				
Contracted Services	330	-	150	(150)
Subtotal		<u>-</u>	<u>150</u>	<u>(150)</u>
Improvement of Instruction 2210:				
Social Security	220	-	31	(31)
Inservice	320	2,250	624	1,626
Subtotal		<u>2,250</u>	<u>655</u>	<u>1,595</u>
Media Center 2220:				
Salaries	110	17,776	17,526	250
Personal Days	125	-	24	(24)
Health Insurance	210	2,702	2,626	76
Social Security	220	1,360	1,202	158
Life Insurance	230	160	110	50
Workers Compensation	250	155	101	54
Unemployment Compensation	260	179	66	113
Dental Insurance	280	184	177	7
Equipment Maintenance	430	400	372	28
Supplies	610	600	642	(42)
Books and Periodicals	640	3,500	3,293	207
Audio Visual Materials	650	900	600	300
Subtotal		<u>27,916</u>	<u>26,739</u>	<u>1,177</u>
Audio Visual/Technology 2223:				
Salaries	116	1,770	1,950	(180)
Social Security	220	383	149	234
Retirement	240	-	30	(30)
Unemployment Compensation	260	5	-	5
Purchased Services	330	4,230	9,354	(5,124)
Equipment Repair	430	2,000	895	1,105
Internet Connection	530	2,200	2,491	(291)
Supplies	610	2,000	3,174	(1,174)
Software	650	1,800	3,112	(1,312)
Equipment	730	3,248	2,754	494
Subtotal		<u>17,636</u>	<u>23,909</u>	<u>(6,273)</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
 Statement of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 General Fund
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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Technology Integration 2229:				
Salaries	110	\$ 13,332	\$ 13,512	\$ (180)
Personal Days	125	-	(17)	17
Health Insurance	210	2,027	1,969	58
Social Security	220	1,020	924	96
Life Insurance	230	147	83	64
Workers Compensation	250	116	105	11
Unemployment Compensation	260	179	63	116
Dental Insurance	280	-	133	(133)
Subtotal		<u>16,821</u>	<u>16,772</u>	<u>49</u>
Board of Education 2310:				
Secretary Salaries	116	-	1,125	(1,125)
Board Stipend	118	3,750	3,750	-
Social Security	220	325	368	(43)
Retirement	240	-	39	(39)
Legal	360	3,000	76	2,924
Insurance	523	1,400	2,226	(826)
Advertising	540	1,500	1,157	343
Miscellaneous	550	1,400	468	932
Dues and Fees	810	<u>1,250</u>	<u>946</u>	<u>304</u>
Subtotal		<u>12,625</u>	<u>10,155</u>	<u>2,470</u>
District Treasurer 2313:				
Salaries	110	500	500	-
Social Security	220	-	38	(38)
Subtotal		<u>500</u>	<u>538</u>	<u>(38)</u>
Assessment 2321:				
Supervisory Union Assessment	331	<u>37,445</u>	<u>37,445</u>	-
Subtotal		<u>37,445</u>	<u>37,445</u>	-
Administration 2400:				
Salaries	110	82,800	82,800	-
Support Staff Salaries	111	32,085	32,835	(750)
Temporary Salaries	120	1,000	70	930
Substitute Coordinator Salaries	123	500	-	500
Health Insurance	210	23,830	23,353	477
Social Security	220	8,789	8,388	401
Life Insurance	230	576	458	118
Retirement	240	1,283	1,313	(30)

The accompanying notes are an integral part of these financial statements

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

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Workers Compensation	250	\$ 999	\$ 606	\$ 393
Unemployment Compensation	260	358	380	(22)
Professional Development	270	2,500	3,265	(765)
Dental Insurance	280	834	830	4
Postage	531	1,500	336	1,164
Travel	580	500	-	500
Supplies	610	300	2,207	(1,907)
Equipment	730	300	1,339	(1,039)
Dues and Fees	810	<u>750</u>	<u>394</u>	<u>356</u>
Subtotal		<u>158,904</u>	<u>158,574</u>	<u>330</u>
Fiscal Services 2520:				
Business Manager Assessment	331	6,567	6,567	-
Accounting Assessment	331	13,622	13,622	-
Audit	370	3,700	3,700	-
Current Interest	830	9,250	4,158	5,092
Bank Analysis Fees	890	<u>-</u>	<u>348</u>	<u>(348)</u>
Subtotal		<u>33,139</u>	<u>28,395</u>	<u>4,744</u>
Building Maintenance & Operation 2600:				
Salaries	110	39,832	39,798	34
Assistant Salaries	111	6,922	7,226	(304)
Temporary Salaries	120	-	378	(378)
Social Security	220	3,577	3,626	(49)
Retirement	240	1,870	1,595	275
Workers Compensation	250	3,170	263	2,907
Unemployment Compensation	260	334	171	163
Contracted Services	330	2,500	4,505	(2,005)
Trash Removal	421	3,500	4,150	(650)
Snow Removal	422	2,900	1,850	1,050
Grounds Maintenance	424	3,000	5,209	(2,209)
Equipment Repair	430	25,350	25,043	307
Capital/Building Repair	435	6,500	9,789	(3,289)
Water Testing	460	800	455	345
Property Insurance	521	5,200	2,099	3,101
Telephone	530	3,400	1,872	1,528
Travel	580	250	91	159
Supplies	610	8,000	6,796	1,204
Electricity	622	20,160	17,173	2,987
Oil	624	33,000	7,970	25,030

The accompanying notes are an integral part of these financial statements

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

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Equipment	730	\$ 1,000	\$ 1,842	\$ (842)
Subtotal		<u>171,265</u>	<u>141,901</u>	<u>29,364</u>
SPED Transportation 2700:				
Social Security	220	-	244	(244)
Retirement	240	-	146	(146)
Contracted Transportation	519	3,600	3,690	(90)
Subtotal		<u>3,600</u>	<u>4,080</u>	<u>(480)</u>
Transportation 2710:				
Contracted Transportation	519	50,586	42,582	8,004
Subtotal		<u>50,586</u>	<u>42,582</u>	<u>8,004</u>
Co-Curricular Transportation 2720:				
Field Trips	519	2,500	179	2,321
Subtotal		<u>2,500</u>	<u>179</u>	<u>2,321</u>
 TOTAL EXPENDITURES		 <u>1,708,884</u>	 <u>1,701,865</u>	 <u>7,019</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		 (38,652)	 11,190	 49,842
 OTHER FINANCING SOURCES (USES):				
Transfer to Special Revenue Fund		(55,000)	(55,171)	(171)
Transfer to Enterprise Fund		<u>(1,500)</u>	<u>-</u>	<u>1,500</u>
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		 (95,152)	 (43,981)	 51,171
 FUND BALANCE, JULY 1, 2013		 <u>95,152</u>	 <u>133,178</u>	 <u>38,026</u>
 FUND BALANCE, JUNE 30, 2014		 <u>\$ -</u>	 <u>\$ 89,197</u>	 <u>\$ 89,197</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Balance Sheet
Special Revenue Funds
June 30, 2014

Schedule 2
(page 1 of 2)

	Medicaid	Student Field Trips	Maintenance Reserve	Community Assistance Grant	Winter Sports Program	School Garden	Book Fair	Subtotals
ASSETS:								
Current Assets:								
Cash			\$ 100,185					\$ 100,185
Due From Other Funds	\$ 4,567			\$ 174	\$ 2,359	\$ 367	\$ 2,019	9,486
Accounts Receivable - Supervisory Union	149	-	-	-	-	-	-	149
Total Current Assets	<u>4,716</u>	<u>\$ -</u>	<u>100,185</u>	<u>174</u>	<u>2,359</u>	<u>367</u>	<u>2,019</u>	<u>109,820</u>
TOTAL ASSETS	<u>\$ 4,716</u>	<u>\$ -</u>	<u>\$ 100,185</u>	<u>\$ 174</u>	<u>\$ 2,359</u>	<u>\$ 367</u>	<u>\$ 2,019</u>	<u>\$ 109,820</u>
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Due To Other Funds		\$ 8						\$ 8
Accounts Payable - Other	-	-	\$ 19,508	-	-	\$ 253	-	19,761
Total Liabilities	<u>\$ -</u>	<u>8</u>	<u>19,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>253</u>	<u>\$ -</u>	<u>19,769</u>
Fund Balances:								
Unassigned		(8)						(8)
Restricted	4,716	-	80,677	174	2,359	114	2,019	90,059
Total Fund Balances	<u>4,716</u>	<u>(8)</u>	<u>80,677</u>	<u>174</u>	<u>2,359</u>	<u>114</u>	<u>2,019</u>	<u>90,051</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 4,716</u>	<u>\$ -</u>	<u>\$ 100,185</u>	<u>\$ 174</u>	<u>\$ 2,359</u>	<u>\$ 367</u>	<u>\$ 2,019</u>	<u>\$ 109,820</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Balance Sheet
Special Revenue Funds
June 30, 2014

Schedule 2
(page 2 of 2)

	Exxon Mobil Grant	Four Winds	Vermont Rural Partnership	Class of 2014	Class of 2015	PK Reading Loft	Subtotals	Totals
ASSETS:								
Current Assets:								
Cash							\$ -	\$ 100,185
Due From Other Funds	\$ 1,624		\$ 1,182	\$ 2,656		\$ 110	5,572	15,058
Accounts Receivable - Supervisory Union	-	-	-	-	-	-	-	149
Total Current Assets	<u>1,624</u>	<u>\$ -</u>	<u>1,182</u>	<u>2,656</u>	<u>\$ -</u>	<u>110</u>	<u>5,572</u>	<u>115,392</u>
TOTAL ASSETS	<u>\$ 1,624</u>	<u>\$ -</u>	<u>\$ 1,182</u>	<u>\$ 2,656</u>	<u>\$ -</u>	<u>\$ 110</u>	<u>\$ 5,572</u>	<u>\$ 115,392</u>
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Due To Other Funds		\$ 205			\$ 778		\$ 983	\$ 991
Accounts Payable - Other	-	-	-	\$ 1,721	-	-	1,721	21,482
Total Liabilities	<u>\$ -</u>	<u>205</u>	<u>\$ -</u>	<u>1,721</u>	<u>778</u>	<u>\$ -</u>	<u>2,704</u>	<u>22,473</u>
Fund Balances:								
Unassigned		(205)			(778)		(983)	(991)
Restricted	<u>1,624</u>	<u>-</u>	<u>1,182</u>	<u>935</u>	<u>-</u>	<u>110</u>	<u>3,851</u>	<u>93,910</u>
Total Fund Balances	<u>1,624</u>	<u>(205)</u>	<u>1,182</u>	<u>935</u>	<u>(778)</u>	<u>110</u>	<u>2,868</u>	<u>92,919</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 1,624</u>	<u>\$ -</u>	<u>\$ 1,182</u>	<u>\$ 2,656</u>	<u>\$ -</u>	<u>\$ 110</u>	<u>\$ 5,572</u>	<u>\$ 115,392</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
Special Revenue Funds
For The Year Ended June 30, 2014

Schedule 3
(page 1 of 2)

	Medicaid	Student Field Trips	Maintenance Reserve	Community Assistance Grant	Winter Sports Program	Urban Art Club	School Garden	Book Fair	Subtotals
REVENUES:									
Investment Income			\$ 126						\$ 126
Private/Local	\$ 2,410	\$ 604	-	-	\$ 2,504	\$ 240	-	\$ 1,789	\$ 7,547
TOTAL REVENUES	<u>2,410</u>	<u>604</u>	<u>126</u>	<u>\$ -</u>	<u>2,504</u>	<u>240</u>	<u>\$ -</u>	<u>1,789</u>	<u>7,673</u>
EXPENDITURES:									
Direct Services	5,024				1,363	319		2,103	8,809
Operation and Maintenance of Building			19,508						19,508
Transportation Services		917							917
Food Services	-	-	-	-	-	-	253	-	253
TOTAL EXPENDITURES	<u>5,024</u>	<u>917</u>	<u>19,508</u>	<u>-</u>	<u>1,363</u>	<u>319</u>	<u>253</u>	<u>2,103</u>	<u>29,487</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,614)	(313)	(19,382)	-	1,141	(79)	(253)	(314)	(21,814)
OTHER FINANCING SOURCES (USES):									
Transfers In	-	-	55,000	-	-	-	-	-	55,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,614)	(313)	35,618	-	1,141	(79)	(253)	(314)	33,186
FUND BALANCES, JULY 1, 2013	<u>7,330</u>	<u>305</u>	<u>45,059</u>	<u>174</u>	<u>1,218</u>	<u>79</u>	<u>367</u>	<u>2,333</u>	<u>56,865</u>
FUND BALANCES, JUNE 30, 2014	<u>\$ 4,716</u>	<u>\$ (8)</u>	<u>\$ 80,677</u>	<u>\$ 174</u>	<u>\$ 2,359</u>	<u>\$ -</u>	<u>\$ 114</u>	<u>\$ 2,019</u>	<u>\$ 90,051</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
Special Revenue Funds
For The Year Ended June 30, 2014

Schedule 3
(page 2 of 2)

	PTO Donations	Exxon Mobil Grant	Four Winds	Vermont Rural Partnership	Class of 2013	Class of 2014	Class of 2015	PK Reading Loft	Subtotals	Totals
REVENUES:										
Investment Income									\$ -	\$ 126
Private/Local	<u>-</u>	<u>\$ 500</u>	<u>-</u>	<u>\$ 1,500</u>	<u>\$ 89</u>	<u>\$ 11,702</u>	<u>\$ 751</u>	<u>\$ 110</u>	<u>14,652</u>	<u>22,199</u>
TOTAL REVENUES	<u>-</u>	<u>500</u>	<u>\$ -</u>	<u>1,500</u>	<u>89</u>	<u>11,702</u>	<u>751</u>	<u>110</u>	<u>14,652</u>	<u>22,325</u>
EXPENDITURES:										
Direct Services		12	988	338		11,417	1,529		14,284	23,093
Operation and Maintenance of Building									-	19,508
Transportation Services									-	917
Food Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253</u>
TOTAL EXPENDITURES	<u>-</u>	<u>12</u>	<u>988</u>	<u>338</u>	<u>-</u>	<u>11,417</u>	<u>1,529</u>	<u>-</u>	<u>14,284</u>	<u>43,771</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>488</u>	<u>(988)</u>	<u>1,162</u>	<u>89</u>	<u>285</u>	<u>(778)</u>	<u>110</u>	<u>368</u>	<u>(21,446)</u>
OTHER FINANCING SOURCES (USES):										
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171</u>	<u>55,171</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>-</u>	<u>488</u>	<u>(988)</u>	<u>1,162</u>	<u>260</u>	<u>285</u>	<u>(778)</u>	<u>110</u>	<u>539</u>	<u>33,725</u>
FUND BALANCES, JULY 1, 2013	<u>-</u>	<u>1,136</u>	<u>783</u>	<u>20</u>	<u>(260)</u>	<u>650</u>	<u>-</u>	<u>-</u>	<u>2,329</u>	<u>59,194</u>
FUND BALANCES, JUNE 30, 2014	<u>\$ -</u>	<u>\$ 1,624</u>	<u>\$ (205)</u>	<u>\$ 1,182</u>	<u>\$ -</u>	<u>\$ 935</u>	<u>\$ (778)</u>	<u>\$ 110</u>	<u>\$ 2,868</u>	<u>\$ 92,919</u>

The accompanying notes are an integral part of these financial statements



P.O. Box 639
2834 Shelburne Road
Shelburne, VT 05482-0639

Phone: 802-985-8992
Fax: 802-985-9442

www.angolanoandcompany.com

**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
Fayston 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, the business-type activities, and the aggregate remaining fund information of Fayston School District, Vermont, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Fayston School District, Vermont's basic financial statements and have issued our report thereon dated February 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fayston 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 Fayston School District, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of Fayston 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 Fayston 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 23, 2015



P.O. Box 639
2834 Shelburne Road
Shelburne, VT 05482-0639

Phone: 802-985-8992
Fax: 802-985-9442

www.angolanoandcompany.com

August 22, 2014

To the School Board
Fayston 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 **Fayston School District** for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 29, 2014. 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 Fayston School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

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

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Fund Balances and Net Resources in Notes 10 and 11 to the financial statements as to how any surplus is to be used in future fiscal years.

The disclosure of Other Post Employment Benefits (OPEB) and Termination Benefits in Note 7 to the financial statements as to how it is being offered and any contingent and real liabilities that exist.

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 Fayston 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