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January 12, 2010

Fayston School District
Att: Michelle Baker, Bus. Mgr.
1673 Main Street, Ste. A
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, 2010. In addition I will be mailing you 12 bound copies.

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

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

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

Sincerely,

Angolano & Company

Angolano & Company

Enclosures

Fayston School District
Financial Statements
For The Year Ended June 30, 2010

Fayston School District
Table of Contents
For The Year Ended June 30, 2010

| | | <u>Page Number</u> |
|-------------|---|--------------------|
| -- | Independent Auditors' Report | 3-4 |
| -- | Management Discussion and Analysis | 5 |
| EXHIBIT I | Statement of Net Assets – Government -Wide | 6 |
| EXHIBIT II | Statement of Activities – Government -Wide | 7 |
| EXHIBIT III | Combined Balance Sheet – All Fund Types – Fund Base | 8 |
| -- | Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds | 9 |
| EXHIBIT IV | Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types – Fund Base | 10 |
| -- | Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 11 |
| EXHIBIT V | Statement of Revenues, Expenses and Changes in Retained Earnings – Proprietary Fund Type – Enterprise Fund – Food Program | 12 |
| EXHIBIT VI | Statement of Cash Flows – Proprietary Fund Type – Enterprise Fund – Food Program | 13 |
| -- | Notes to the Financial Statements | 14-30 |
| Schedule 1 | Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund | 31-39 |
| Schedule 2 | Combining Balance Sheet – Special Revenue Funds | 40-41 |
| Schedule 3 | Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Funds | 42-43 |

Fayston School District
Table of Contents (continued)
For The Year Ended June 30, 2010

| | | <u>Page Number</u> |
|------------|---|--------------------|
| Schedule 4 | Statement of Changes in Assets and Liabilities – Fiduciary Fund Type – Agency Funds | 44 |
| -- | Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 45-46 |



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Independent Auditors' Report

To The School Board
Fayston School District

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, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the School District's nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of Fayston School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of Fayston School District, Vermont, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary fund of Fayston School District, as of June 30, 2010, and the respective changes in

financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010 on our consideration of Fayston School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 and 31 through 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Fayston School District'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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Angolano & Company

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

December 22, 2010

FAYSTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

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, 2010 (FY 10). The District is organized under the guidance of the Board of Directors to provide public education for Fayston.

Financial Highlights

- Government-wide assets totaled \$973,109 and government-wide liabilities totaled \$178,114.
- The District's general fund actual revenues were \$1,637,016 while the budgeted revenues were \$1,645,964, a decrease of \$8,948, which resulted primarily from \$8,837 less special education expenditure reimbursement. See Schedule 1.
- The District's general fund actual expenditures were \$1,548,905, while the budgeted expenditures were \$1,597,464, a decrease of \$48,559.
- Special Revenue Funds with fund balances totaling \$61,496 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 \$11,374.

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 8-11.

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 12-13 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 14-39.

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, ADM Audit Report, and a Report on Compliance and Internal Control.

Government-Wide Financial Analysis

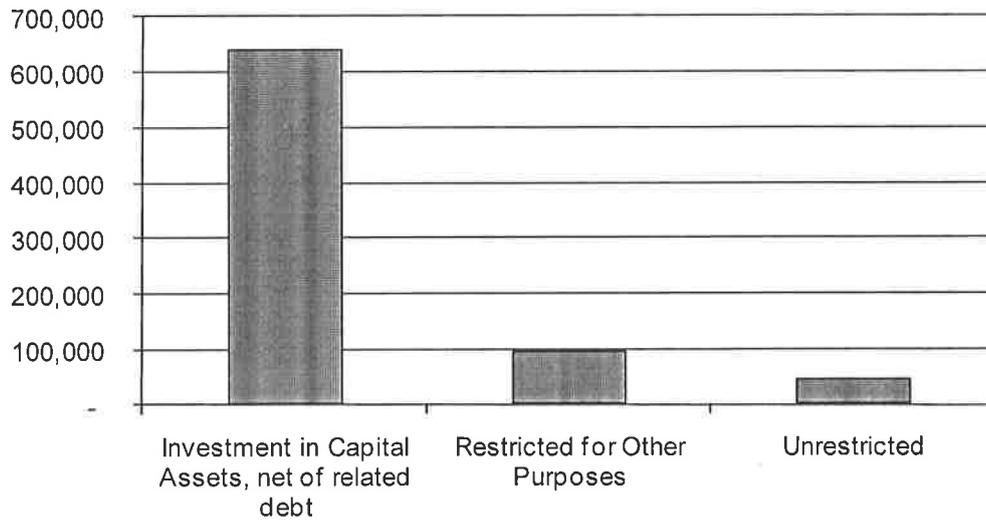
Our analysis of the District's major funds begins on Table 1. The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District's Board of Directors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

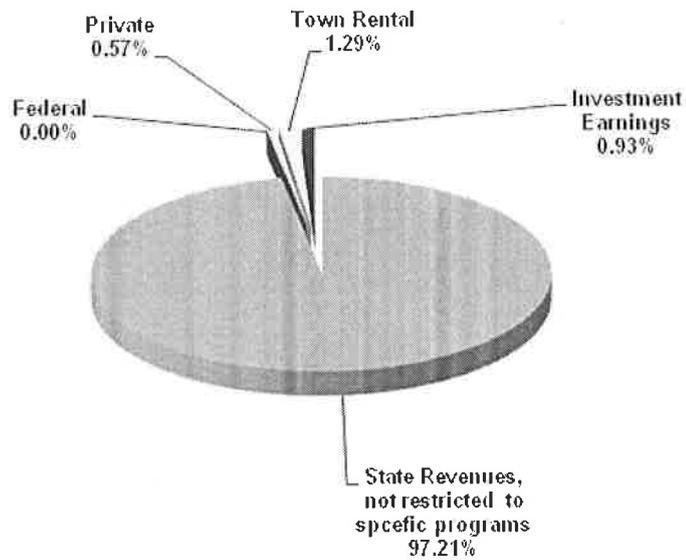
Washington West Supervisory Union
Statement of Net Assets and Fund Balance Reconciliation
June 30, 2010

| | Summary of Financial Operations and Fund Balance | Governmental Activities Government-Wide | Difference |
|---|---|---|-------------------------|
| ASSETS: | | | |
| <u>Current Assets:</u> | | | |
| Cash | 212,672 | 212,672 | - |
| Accounts Receivable: | | | |
| Supervisory Union | 7,664 | 7,664 | - |
| State | 5,664 | 5,664 | - |
| Other | 722 | 722 | - |
| Due to Other Funds | 6,255 | - | 6,255 |
| Total Current Assets | <u>232,977</u> | <u>226,722</u> | <u>6,255</u> |
| <u>Non-current Assets:</u> | | | |
| Capital Assets: | | | |
| Buildings & Equipment, net of Accum. Depr. | - | 732,109 | (732,109) |
| Total Non-current Assets | - | 732,109 | (732,109) |
| TOTAL ASSETS | <u>232,977</u> | <u>958,831</u> | <u>(725,854)</u> |
| LIABILITIES: | | | |
| <u>Current Liabilities:</u> | | | |
| Cash Overdraft | 15,054 | 15,054 | - |
| Accounts Payable - State | 11,980 | 11,980 | - |
| Accounts Payable - Other | 46,560 | 46,560 | - |
| Accrued Expenses | 635 | 635 | - |
| Due to Other Funds | 17,236 | 10,981 | 6,255 |
| Current Portion of Long-Term Obligations | - | 30,000 | (30,000) |
| Total Current Liabilities | <u>91,465</u> | <u>115,210</u> | <u>(23,745)</u> |
| <u>Non-current Liabilities</u> | | | |
| Bonds Payable | - | 60,000 | (60,000) |
| Total Non-current Liabilities | - | 60,000 | (60,000) |
| TOTAL LIABILITIES | <u>91,465</u> | <u>175,210</u> | <u>(83,745)</u> |
| NET ASSETS | | | |
| Investment in Capital Assets, net of related Debt | - | 642,109 | (642,109) |
| Restricted for Capital Projects | - | - | - |
| Restricted for Other Purposes | 97,013 | 97,013 | - |
| Unrestricted | 44,499 | 44,499 | - |
| TOTAL NET ASSETS | <u>141,512</u> | <u>783,621</u> | <u>(642,109)</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>232,977</u> | <u>958,831</u> | <u>(725,854)</u> |

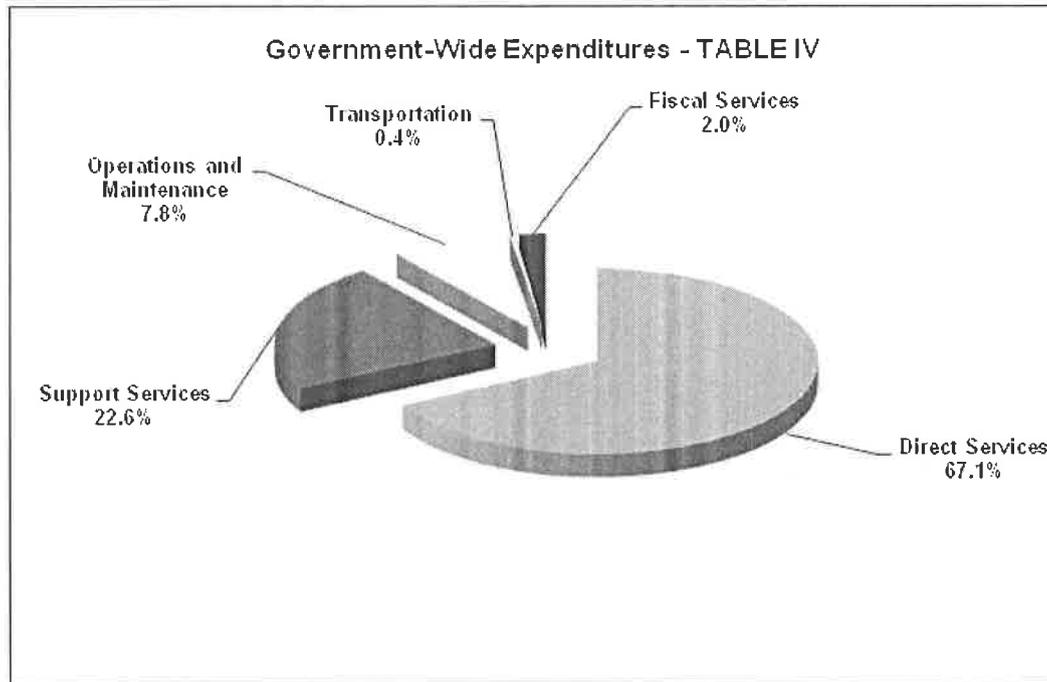
Government-Wide Net Assets - TABLE II



Government-Wide Revenues - TABLE III



Government-wide revenues consisted of \$1,503,920 in state revenue, \$0 in federal revenue, \$20,000 in town rental, \$8,854 in private revenues \$14,328 in investment earnings and \$100 of miscellaneous income.



Government-wide expenses consist of \$1,008,245 in direct services, \$340,005 in support services, \$117,493 in operations and maintenance, \$ 5,969 in transportation \$30,105 in fiscal services for a total of \$1,501,807.

Governmental Activities:

Governmental Activities revenues totaled \$1,547,202 and expenses net of program revenues were \$1,499,806 resulting in an increase in net assets of \$47,396.

Business Type Activities:

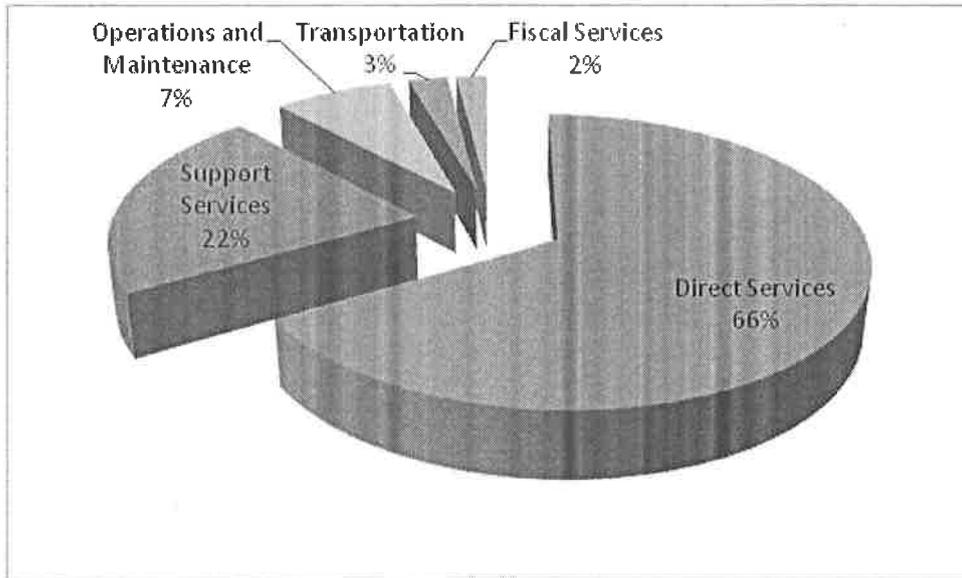
Business Type Activities realized an increase in net assets of \$2,001.

Fund Financial Analysis

Governmental Fund Types:

Fund balances in the Governmental Fund types increased from \$102,221 to \$141,512, an increase of \$39,291. This increase was reflected in the General Fund by an increase of \$30,890 and an increase of \$8,401 in the Special Revenue Fund.

General Fund Revenues were projected to be \$1,645,964 and expenditures to be \$1,597,464. Revenues were \$8,948 lower than budgeted, primarily resulting from less than expected Special Education Reimbursement. Expenses were \$48,559 under budget due to savings in regular instruction and operations and maintenance.



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 profit of \$2,001 during the past year and had a retained earnings balance of \$11,374 as of June 30, 2010.

Fiduciary Fund Types:

Agency funds of \$1,618 were being held at the end of the year for student activities and projects. The prior year balance was \$3,075.

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, 2010 | | | |
| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Value</u> |
| Governmental Activities: | | | |
| Buildings and Improvements | \$ 1,300,750 | \$ 583,812 | \$ 716,938 |
| Furniture and Equipment | 36,948 | 21,777 | 15,171 |
| Total | \$ 1,337,698 | \$ 605,589 | \$ 732,109 |
| Business Type Activities: | | | |
| Furniture and Equipment | \$ 10,000 | \$ 8,669 | \$ 1,331 |
| Total | \$ 1,347,698 | \$ 614,258 | \$ 733,440 |

Long-Term Debt

The District has one category of long-term debt, defined as debt due and payable beyond one year. At June 30, 2010, the District had \$90,000 in outstanding principal and interest. Bond principal and interest are being paid from the General Fund. The final payment of the bond will be made in FY13.

Current Issues

- Fayston is a community that has seen increased student enrollment over the past several years which now appears may be decreasing.
- Fayston will likely see the loss of revenue from the Small Schools Grant over the next few years.
- Fayston Elementary School has a new Principal, Cathryn Hayes, as of July 2010.
- Act 153 also requires special education, compensatory and remedial services to be provided by the Supervisory Union by July 1, 2012. The effects of this Legislation are unknown at this time as no implementation guidance has been received regarding the new legislation.

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, 1673 Main Street – Suite A, Waitsfield, Vermont 05673 or at (802) 496-2272 ext. 117.

Fayston School District
Statement of Net Assets
Government-Wide
June 30, 2010

EXHIBIT I

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 212,672 | | \$ 212,672 |
| Accounts Receivable - State | 5,664 | | 5,664 |
| Accounts Receivable - Supervisory Union | 7,664 | | 7,664 |
| Accounts Receivable - Other LEAs | 22 | | 22 |
| Accounts Receivable - Other | 700 | \$ 124 | 824 |
| Due From Other Funds | | 10,981 | 10,981 |
| Inventory | | 1,842 | 1,842 |
| Capital Assets, net (Note 4) | <u>732,109</u> | <u>1,331</u> | <u>733,440</u> |
| Total Assets | <u>958,831</u> | <u>14,278</u> | <u>973,109</u> |
| LIABILITIES: | | | |
| Cash Overdraft | 15,054 | | 15,054 |
| Accounts Payable - State | 11,980 | | 11,980 |
| Accounts Payable - Other | 46,560 | 763 | 47,323 |
| Accrued Expenses | 635 | | 635 |
| Due To Other Funds | 10,981 | | 10,981 |
| Deferred Revenue | | 2,141 | 2,141 |
| Long-Term Liabilities (Note 7): | | | |
| Due Within One Year | 30,000 | | 30,000 |
| Due in More Than One Year | <u>60,000</u> | <u>-</u> | <u>60,000</u> |
| Total Liabilities | <u>175,210</u> | <u>2,904</u> | <u>178,114</u> |
| NET ASSETS: | | | |
| Investment in Capital Assets, net of related debt | 642,109 | 1,331 | 643,440 |
| Restricted for Other Purposes | 97,013 | | 97,013 |
| Unrestricted | <u>44,499</u> | <u>10,043</u> | <u>54,542</u> |
| Total Net Assets | <u>\$ 783,621</u> | <u>\$ 11,374</u> | <u>\$ 794,995</u> |

The accompanying notes are an integral part of these financial statements

Fayston School District
Statement of Activities
Government-Wide
For The Year Ended June 30, 2010

EXHIBIT II

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|---------------------|-------------------------|---------------------|--|-----------------------------|-------------------|
| | Expenses | Charges for Services | Operating Grants | Governmental Activities | Business-Type Activities | Total |
| Instructional: | | | | | | |
| Direct Services | \$ 1,083,181 | | \$ 74,936 | \$ (1,008,245) | | \$ (1,008,245) |
| Support Services: | | | | | | |
| Student Services | 97,715 | | | (97,715) | | (97,715) |
| Instructional Services | 61,189 | | | (61,189) | | (61,189) |
| General Administrative Services | 50,154 | | | (50,154) | | (50,154) |
| Area Administrative Services | 130,947 | | | (130,947) | | (130,947) |
| Fiscal Services | 30,105 | | | (30,105) | | (30,105) |
| Building Operations and Maintenance | 117,493 | | | (117,493) | | (117,493) |
| Transportation | 38,160 | | 32,201 | (5,959) | | (5,959) |
| Operation of Noninstructional Services: | | | | | | |
| Food Services | 119,917 | \$ 121,918 | - | - | \$ 2,001 | 2,001 |
| Total | <u>\$ 1,728,861</u> | <u>\$ 121,918</u> | <u>\$ 107,137</u> | (1,501,807) | 2,001 | (1,499,806) |
| General Revenues: | | | | | | |
| State Revenues not Restricted to Specific Programs | | | | 1,503,920 | | 1,503,920 |
| Private Revenues not Restricted to Specific Programs | | | | 8,854 | | 8,854 |
| Investment Earnings | | | | 14,328 | | 14,328 |
| Rentals | | | | 20,000 | | 20,000 |
| Miscellaneous | | | | 100 | - | 100 |
| Total General Revenues | | | | <u>1,547,202</u> | <u>-</u> | <u>1,547,202</u> |
| Excess (Deficiency) of Revenues Over Expenses | | | | 45,395 | 2,001 | 47,396 |
| Net Assets - Beginning | | | | <u>738,226</u> | <u>9,373</u> | <u>747,599</u> |
| Net Assets - Ending | | | | <u>\$ 783,621</u> | <u>\$ 11,374</u> | <u>\$ 794,995</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, 2010

EXHIBIT III

| | Governmental Fund Types | | Proprietary Fund Type | Fiduciary Fund Type | Totals (Memorandum Only) |
|--|--------------------------|-------------------------|-------------------------|------------------------|-----------------------------|
| | General Fund | Special Revenue Fund | Enterprise Fund | Agency Fund | |
| ASSETS: | | | | | |
| Current Assets: | | | | | |
| Cash | \$ 146,052 | \$ 66,620 | | \$ 1,618 | \$ 214,290 |
| Accounts Receivable - State | 5,664 | | | | 5,664 |
| Accounts Receivable - Supervisory Union | | 7,664 | | | 7,664 |
| Accounts Receivable - Other LEAs | 22 | | | | 22 |
| Accounts Receivable - Other | 700 | | \$ 124 | | 824 |
| Due From Other Funds | 1,466 | 4,789 | 10,981 | | 17,236 |
| Inventory | - | - | 1,842 | - | 1,842 |
| Total Current Assets | <u>153,904</u> | <u>79,073</u> | <u>12,947</u> | <u>1,618</u> | <u>247,542</u> |
| Other Assets: | | | | | |
| Fixed Assets - Net | - | - | 1,331 | - | 1,331 |
| Total Other Assets | <u>-</u> | <u>-</u> | <u>1,331</u> | <u>-</u> | <u>1,331</u> |
| TOTAL ASSETS | <u>\$ 153,904</u> | <u>\$ 79,073</u> | <u>\$ 14,278</u> | <u>\$ 1,618</u> | <u>\$ 248,873</u> |
| LIABILITIES AND FUND EQUITIES: | | | | | |
| Liabilities: | | | | | |
| Cash Overdraft | \$ 15,054 | | | | \$ 15,054 |
| Accounts Payable - State | 11,980 | | | | 11,980 |
| Accounts Payable - Other | 46,219 | \$ 341 | \$ 763 | | 47,323 |
| Accrued Expenses | 635 | | | | 635 |
| Due To Other Funds | | 17,236 | | | 17,236 |
| Deferred Revenue | | | 2,141 | | 2,141 |
| Amount Held for Agency Funds | - | - | - | \$ 1,618 | 1,618 |
| Total Liabilities | <u>73,888</u> | <u>17,577</u> | <u>2,904</u> | <u>1,618</u> | <u>95,987</u> |
| Fund Equity: | | | | | |
| Fund Balances: | | | | | |
| Unreserved | 44,521 | (22) | | | 44,499 |
| Reserved | 35,495 | 61,518 | | | 97,013 |
| Retained Earnings | - | - | 11,374 | - | 11,374 |
| Total Fund Equities | <u>80,016</u> | <u>61,496</u> | <u>11,374</u> | <u>-</u> | <u>152,886</u> |
| TOTAL LIABILITIES AND FUND EQUITIES | <u>\$ 153,904</u> | <u>\$ 79,073</u> | <u>\$ 14,278</u> | <u>\$ 1,618</u> | <u>\$ 248,873</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 Assets
Governmental Funds
June 30, 2010

| | |
|--|-------------------|
| Fund Balances – total governmental funds | \$ 141,512 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds: | |
| Governmental capital assets | 1,337,698 |
| Less accumulated depreciation | (605,589) |
| Bonds payable and contractual obligations have not been included in the governmental fund financial statements. | |
| Bonds Payable | <u>(90,000)</u> |
| Net Assets of Governmental Activities | <u>\$ 783,621</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, 2010

EXHIBIT IV

| | Governmental Fund Types | | | Totals (Memorandum Only) |
|---|-------------------------|----------------------------|-------------------------|--------------------------------|
| | General Fund | Special Revenue Fund | Debt Service Fund | |
| REVENUES: | | | | |
| Interest on Investments | \$ 14,223 | \$ 105 | | \$ 14,328 |
| Town Rental | 20,000 | | | 20,000 |
| Miscellaneous | 100 | | | 100 |
| Private/Local | | 8,854 | | 8,854 |
| State | 1,536,121 | | | 1,536,121 |
| Federal | <u>66,572</u> | <u>8,364</u> | <u>-</u> | <u>74,936</u> |
| TOTAL REVENUES | <u>1,637,016</u> | <u>17,323</u> | <u>\$ -</u> | <u>1,654,339</u> |
| EXPENDITURES: | | | | |
| Direct Services | 1,028,878 | 21,018 | | 1,049,896 |
| Support Services: | | | | |
| Students | 97,519 | | | 97,519 |
| Instructional Staff | 58,772 | 1,535 | | 60,307 |
| General Administration | 50,154 | | | 50,154 |
| Area Administration | 130,751 | | | 130,751 |
| Fiscal Services | 30,105 | | | 30,105 |
| Operation & Maintenance of Building | 114,566 | | | 114,566 |
| Transportation | 38,160 | | | 38,160 |
| Debt Service: | | | | |
| Interest Charges | | | 8,590 | 8,590 |
| Principal Retirement | <u>-</u> | <u>-</u> | <u>35,000</u> | <u>35,000</u> |
| TOTAL EXPENDITURES | <u>1,548,905</u> | <u>22,553</u> | <u>43,590</u> | <u>1,615,048</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 88,111 | (5,230) | (43,590) | 39,291 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers In | | 13,631 | 43,590 | 57,221 |
| Transfers Out | <u>(57,221)</u> | <u>-</u> | <u>-</u> | <u>(57,221)</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | 30,890 | 8,401 | - | 39,291 |
| FUND BALANCE, JULY 1, 2009 | <u>49,126</u> | <u>53,095</u> | <u>-</u> | <u>102,221</u> |
| FUND BALANCE, JUNE 30, 2010 | <u>\$ 80,016</u> | <u>\$ 61,496</u> | <u>\$ -</u> | <u>\$ 141,512</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, 2010

| | |
|---|------------------|
| Net Changes in fund Balances – total governmental funds | \$ 39,291 |
| <p>Amount reported for governmental activities in the Statement of Activities are different because:</p> | |
| <p style="padding-left: 40px;">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:</p> | |
| Expenditures for capital assets | 0 |
| Less current year depreciation | (28,896) |
| <p style="padding-left: 40px;">Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p> | |
| Repayment of bonds | <u>35,000</u> |
| Change in Net Assets of Governmental Funds | <u>\$ 45,395</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, 2010

EXHIBIT V

| | | |
|-----------------------------------|------------------|------------------|
| Operating Revenues: | | |
| Sales | <u>\$ 80,565</u> | |
| Total Operating Revenues | | \$ 80,565 |
| Operating Expenses: | | |
| Salaries and Benefits | 67,341 | |
| Repairs and Maintenance | 919 | |
| Travel | 1,184 | |
| Food and Supplies | 42,622 | |
| Commodities | 6,983 | |
| Equipment | 201 | |
| Depreciation | <u>667</u> | |
| Total Operating Expenses | | <u>119,917</u> |
| Operating Income (Loss) | | (39,352) |
| Non-Operating Revenue: | | |
| State Sources: | | |
| Restricted Grants: | | |
| Lunch Match | 1,415 | |
| Child Nutrition Breakfast | 332 | |
| Child Nutrition Other | 137 | |
| Federal Sources: | | |
| Restricted Grants: | | |
| National School Lunch Program | 23,630 | |
| National School Breakfast Program | 8,856 | |
| Commodities | <u>6,983</u> | |
| Total Non-Operating Revenue | | <u>41,353</u> |
| Net Income (Loss) | | 2,001 |
| Retained Earnings, July 1, 2009 | | <u>9,373</u> |
| Retained Earnings, June 30, 2010 | | <u>\$ 11,374</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, 2010

EXHIBIT VI

| | | |
|---|-----------------|--------------------|
| Cash Flows From Operating Activities: | | |
| Received From Customers | \$ 80,565 | |
| Payments To Employees and Fringe Benefits | (67,341) | |
| Payments To Vendors and Supplies | <u>(51,254)</u> | |
| Net Cash Used By Operating Activities | | \$ (38,030) |
| Cash Flows From Noncapital Financing Activities: | | |
| State Aid Received | 41,353 | |
| Support From General Fund | <u>(3,323)</u> | |
| Net Cash Used By Noncapital Financing Activities | | 38,030 |
| 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, 2009 | | <u>-</u> |
| Cash, June 30, 2010 | | <u>\$ -</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities: | | |
| Cash Provided From Operating Activities: | | |
| Operating Income (Loss) | | \$ (39,352) |
| Adjustments to Reconcile Net Income to Cash Provided (Used) By Operating Activities: | | |
| Depreciation | \$ 667 | |
| Increase (Decrease) in Accts Payable - Other | <u>655</u> | |
| Total Adjustments | | <u>1,322</u> |
| Net Cash Provided (Used) By Operating Activities | | <u>\$ (38,030)</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, 2010

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. Except where noted, the accounting policies conform to generally accepted accounting principles, as applicable to governmental units.

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

Reporting Entity:

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

Government -Wide and Fund Financial Statements:

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

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Governmental Fund Types:

- General Fund – The general fund is the School District’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds – The School District accounts for resources restricted to, or designated for, specific purposes by the School District or a grantor in a special revenue fund. Most federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.
- Debt Service Fund – The School District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Proprietary Fund Types:

Proprietary Fund – The Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund’s principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

Fiduciary Funds (Agency Funds):

Agency Funds – The Agency Funds are used to account for assets held by the

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

School District as an agent for individuals, private organizations, other funds and/or governmental units.

- Agency funds are custodial in nature and do not involve measurements of results of operations.

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

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

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

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

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting . This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The School District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Other Accounting Policies:

Cash and Cash Equivalents:

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

Interfund Receivables and Payables:

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. All other outstanding balances between funds are also reported as “due to/from other funds”.

Accounts Receivable:

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 basis. In the governmental funds, the cost of inventories is recorded as an expenditure when individual items are purchased. Reported inventories are equally offset by a fund balance reserve to indicate that they do not constitute “available spendable resources” even though they are a component of net current assets.

Capital Assets:

Capital assets, which include land, buildings, furniture , and equipment , are reported in the applicable governmental activities column in the governmental wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

\$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Land Improvements, buildings, furniture and equipments of the School District are depreciated using the straight line method over the estimated useful lives with a full year of depreciation taken in the year acquired and none taken in the year of disposal.

Long-term Debt:

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

Budgets:

The School District is required by state law to adopt a budget for the General Fund. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles ("GAAP"). The operating budget is prepared by the School District's administration with direction from the School Board and assistance from the Superintendent and Business Manager of the Washington West Supervisory Union and approved by the Fayston School District School Board at a properly warned meeting for presentation to the voters. The operating budget includes proposed expenditures by line item and the means of financing them. The budget is approved by School District Voters at a properly warned annual meeting. The voters vote on the total expense amount and not on the individual line items presented in these financial statements.

Encumbrances:

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

Net Assets and Fund Balance:

Government-Wide Financial Statements:

When the School District incurs an expense for which it may use either restricted or unrestricted

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used. Net assets on the Statement of Net Assets include the following:

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

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

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

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

Fund Based Financial Statements:

In the fund financial statements, governmental funds report fund balances as either a reserved fund balance or an unreserved fund balance.

Reserved Fund Balance – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Unreserved Fund Balance – Composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods.

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.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Memorandum Only Columns:

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

NOTE 2 - CASH AND REPURCHASE AGREEMENTS

Cash deposits with financial institutions at June 30th amounted to \$214,290. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

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 Deposits which are insured or collateralized with securities held by the School District or by its agent in the School District's name. (repurchase agreements)
- Category 2 Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Bank's name.
- Category 3 Private commercial insurance protection or letter of credit for funds in excess of FDIC limits.
- Category 4 Deposits which are not collateralized or insured. (includes cash on hand)

Balances held in each area are as follows:

| | Carrying Amount | Bank Balance |
|--------------------------------|--------------------|------------------|
| - Insured (FDIC) and/or (SIPC) | \$214,290 | \$261,113 |
| - Category 1 | 0 | 0 |
| - Category 2 | 0 | 0 |
| - Category 3 | 146,052 | 146,052 |
| - Category 4 | <u>0</u> | <u>0</u> |
| Total deposits | <u>\$360,342</u> | <u>\$407,165</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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 2 - CASH AND REPURCHASE AGREEMENTS (CONTINUED)

year, the amount of uninsured and not collateralized cash could have been much higher than at year end.

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 Boston.

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, 2010 is as follows:

| Fund Financial Statements: | | |
|--|-----------------------|-----------------|
| Receivable Fund | Payable Fund | Amount |
| Special Revenue Fund: | | |
| Medicaid | General Fund | \$ 1,369 |
| Community Assistance | General Fund | 174 |
| Garden Fund | General Fund | 249 |
| Book Fair | General Fund | 598 |
| Winter Sports Program | General Fund | 2,399 |
| Enterprise Fund: | | |
| Food Program | General Fund | 10,981 |
| | Special Revenue Fund; | |
| General Fund | Title II-A | 1,974 |
| General Fund | Maintenance Reserve | 9,550 |
| General Fund | Title II-D | 5,690 |
| General Fund | Library Donation | <u>22</u> |
| | Total | <u>\$33,006</u> |
| Government -Wide Financial Statements: | | |
| Receivable Fund | Payable Fund | Amount |
| Business Type | Governmental Type | <u>\$10,981</u> |

NOTE 4 – CAPITAL ASSETS

Capital activity for the School District for the year ended June 30, 2010 was as follows:

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 4 – CAPITAL ASSETS (CONTINUED)

| | <u>Primary Government</u> | | | |
|---|---------------------------|-------------------|-------------|-------------------|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Governmental activities: | | | | |
| Capital assets: | | | | |
| Land Improvements | \$ 24,307 | \$ 0 | \$ 0 | \$ 24,307 |
| Buildings | 61,989 | 0 | 0 | 61,989 |
| Building Improvements | 1,214,454 | 0 | 0 | 1,214,454 |
| Furniture and Equipment | <u>36,948</u> | <u>0</u> | <u>0</u> | <u>36,948</u> |
| Total other capital assets at historical costs | <u>1,337,698</u> | <u>0</u> | <u>0</u> | <u>1,337,698</u> |
| Less accumulated depreciation: | | | | |
| Land Improvements | 21,874 | 1,218 | 0 | 23,092 |
| Buildings | 59,511 | 1,238 | 0 | 60,749 |
| Building Improvements | 475,494 | 24,477 | 0 | 499,971 |
| Furniture and Equipment | <u>19,814</u> | <u>1,963</u> | <u>0</u> | <u>21,777</u> |
| Total accum. depr. | <u>576,693</u> | <u>28,896</u> | <u>0</u> | <u>605,589</u> |
| Governmental activities Capital Assets, Net | <u>\$ 761,005</u> | <u>\$(28,896)</u> | <u>\$ 0</u> | <u>\$ 732,109</u> |
| Business -type activities: | | | | |
| Furniture and Equipment | \$ 10,000 | \$ 0 | \$ 0 | \$ 10,000 |
| Less accum. Depr. | <u>8,002</u> | <u>667</u> | <u>0</u> | <u>8,669</u> |
| Business -type activities Capital Assets, Net | <u>\$ 1,998</u> | <u>\$ (667)</u> | <u>\$ 0</u> | <u>\$ 1,331</u> |

Depreciation expense was charged to functions as follows:

| | |
|------------------------------------|----------|
| Governmental activities: | |
| Direct Services | \$26,413 |
| Support Services: | |
| Students | 24 |
| Instructional Staff | 109 |
| General Administration | 0 |
| Area Administration | 24 |
| Fiscal Services | 0 |
| Operation and Maintenance of Plant | 2,326 |
| Transportation | 0 |

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 4 – CAPITAL ASSETS (CONTINUED)

| | |
|--|-----------------|
| Other Support Services | <u>\$ 0</u> |
| Total governmental activities depreciation expense | <u>\$28,896</u> |

NOTE 5 - ACCRUED VACATION & LEAVE TIME

Accrued vacation and leave time represent vested time earned by employees but not used. If the employee were to leave, this accrued time must be paid. Therefore, it is a liability to the School District at June 30, 2010. Teachers do not receive paid vacations, and are paid only for the number of days they are required to work each year. Administrative and maintenance personnel are granted vacation leave in varying amounts. The School District has a liability for unused vacation that was allowed to be carried forward. No liability is shown in the fund based financial statement. The liability is reported in the Statement of Financial Position as an accrued liability. The amount accrued at year end was \$ 0. Vacation pay is charged to operations when taken by the employee of the School District.

NOTE 6 - SICK LEAVE

It is the School District's policy to permit employees to accumulate earned but unused sick pay benefits. Such 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 - LONG-TERM DEBT

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 7 - LONG-TERM DEBT (CONTINUED)

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

| | Balance July 1, 2009 | Borrowings | Retirements | Balance June 30, 2010 |
|---|-------------------------|-------------|-----------------|--------------------------|
| Vermont Municipal Bond Bank, bond payable, interest at 5.809% interest paid semi-annually, principal of \$35,000 due on December 1 st of each year until 2009, then \$30,000 due on December 1 st of each year until 2012, originally borrowed \$410,000 on September 8, 1998 for an addition | <u>\$125,000</u> | <u>\$ 0</u> | <u>\$35,000</u> | <u>\$90,000</u> |
| Total Long-Term Debt | <u>\$125,000</u> | <u>\$ 0</u> | <u>\$35,000</u> | <u>\$90,000</u> |

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

| | Principal | Interest | Total |
|-------------------------------------|-----------------|----------------|-----------------|
| During the year ended June 30, 2011 | \$30,000 | \$4,919 | \$34,919 |
| 2012 | 30,000 | 2,952 | 32,952 |
| 2013 | <u>30,000</u> | <u>271</u> | <u>30,271</u> |
| Totals | <u>\$90,000</u> | <u>\$8,146</u> | <u>\$98,142</u> |

NOTE 8 - RESERVED FUND BALANCES (Fund Financial Statements)

Reserved 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. Reservations at year end are for the following:

General Fund:

| | |
|---------------------|-----------------|
| Fiscal 10-11 Budget | <u>\$35,495</u> |
|---------------------|-----------------|

Special Revenue Funds:

| | |
|----------------------|----------|
| Medicaid | \$ 1,369 |
| Community Assistdnce | 174 |
| Maintenance Reserve | 57,070 |
| School Garden | 249 |

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 8 - RESERVED FUND BALANCES (Fund Financial Statements) (CONTINUED)

Special Revenue Funds (continued):

| | |
|-----------------------|-----------------|
| Book Fair | \$ 257 |
| Winter Sports Program | <u>2,399</u> |
| Total | <u>\$61,518</u> |

NOTE 9 – NET ASSETS RESTRICTED (Government -Wide Financial Statements)

Restricted net asset 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 Assets Restricted For Other Purposes:

| | |
|-----------------------|-----------------|
| Fiscal 10-11 Budget | \$35,495 |
| Medicaid | 1,369 |
| Community Assistdnce | 174 |
| Maintenance Reserve | 57,070 |
| School Garden | 249 |
| Book Fair | 257 |
| Winter Sports Program | <u>2,399</u> |
| Total | <u>\$97,013</u> |

NOTE 10 – TRANSFERS IN THE FUND BASED FINANCIAL STATEMENTS

The School District occasionally transfers funds to cover expenditures made in one fund for which the revenues are in another fund. The following transfers were made during the year.

Funds of \$13,631 were transferred from the General Fund to the Special Revenue Fund – Maintenance Reserve for the purpose of building the fund.

NOTE 11 - 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.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 11 – PENSIONS (CONTINUED)

VERMONT TEACHERS' RETIREMENT SYSTEM (CONTINUED)

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 7.41% or approximately \$54,795.

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 3.54% of gross earnings and are withheld pre income tax by the School District. Such withholdings totaled \$26,177 during the year and were paid by the 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 \$945,771, with \$739,472 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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 11 – PENSIONS (CONTINUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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. 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) | 2.5% | 4.5% | 9.0% | 11.0% |
| The School District's contributions (% of gross wages) | 4.0% | 5.0% | 6.0% | 9.0% |

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

Employee contributions are withheld pre income tax by the School District and are remitted to the State of Vermont. Such withholdings totaled \$5,033 during the year. The School District contributed \$8,053 during the year. The School District's total payroll for all employees during the year was \$945,771, with \$201,320 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System.

NOTE 12 - RISK MANAGEMENT

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

In addition, Fayston School District is a member of Vermont School Boards Association (Association). The Association has set up two insurance Trust; 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 is owned by the participating districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 12 - RISK MANAGEMENT (CONTINUED)

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.

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.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 13 - OPERATING LEASES

On July 21, 2010 Fayston School District entered into a lease agreement with US Bank for the lease of a copier. The total amount due is \$5814, to be paid in 3 installments of \$1938 over 3 years. The following is a schedule of future minimum lease payments under this lease.

| | |
|-------------------------------------|----------------|
| During the year ended June 30, 2011 | \$1,938 |
| 2012 | 1,938 |
| 2013 | <u>1,938</u> |
| Total | <u>\$5,814</u> |

Total lease payments made this year were \$0.

NOTE 14 - SUBSEQUENT EVENTS

On July 1, 2010 the school district borrowed \$195,000 from TD Banknorth in a Revenue Anticipation Note at 1.95%. The interest and principal are due at maturity on June 30, 2011.

NOTE 15 - COMMITMENTS

The School District entered into an agreement with Washington West Supervisory Union for contracted bus transportation services provided by Transportation Rentals, Inc. through June 30, 2010. The contract calls for various costs for different routes, field trips, and activities. The minimum cost to the School District for the year ended June 30, 2010 is \$33,648.

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 collectability of any related receivable at June 30, 2010 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 16 - RELATED PARTY

The School District has an ongoing financial responsibility to Washington West Supervisory Union as defined in GASB 14, paragraph 71. Through Washington West Supervisory Union's assessment process, the School District's assessment can be increased to cover a share of any

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 16 - RELATED PARTY (CONTINUED)

prior year deficits and decreased to share in any prior year surpluses. Separate financial statements on Washington West Supervisory Union are available from Washington West Supervisory Union.

The School District is part of the Harwood Union School District and has an ongoing financial responsibility as defined in GASB 14, paragraph 71. As a member of the Union School District, the School District is responsible for a share of any debt carried by the Union School District. Separate financial statements on the Union School District are available from Washington West Supervisory Union.

NOTE 17 - 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 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 would have to be repaid out of the proceeds. The amount of State construction aid received since July 1970 is available only from the State of Vermont who at this time is unwilling to provide the amount to the School District. The amount of State construction aid is thought to be material.

Fayston School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended June 30, 2010

Schedule 1

| | Object | Budget | Actual | Variance Favorable (Unfavorable) |
|-------------------------------------|--------|--------------------|---------------------|--|
| REVENUES: | | | | |
| Interest on Investments | | \$ 12,500 | \$ 14,223 | \$ 1,723 |
| Town Rental | | 20,000 | 20,000 | - |
| Miscellaneous | | - | 100 | 100 |
| State: | | | | |
| Education Spending Grant | | 1,422,426 | 1,373,618 | (48,808) |
| Smalls Schools Grant | | 24,436 | 24,436 | - |
| Transportation Reimbursement | | 33,290 | 32,201 | (1,089) |
| Mainstream Block Grant | | 35,356 | 35,356 | - |
| Intensive Reimbursement | | 66,937 | 58,100 | (8,837) |
| Essential Early Education | | 12,503 | 12,410 | (93) |
| Federal: | | | | |
| ARRA Education Spending Grant | | - | 48,468 | 48,468 |
| IDEIA B | | 18,516 | 18,016 | (500) |
| IDEIA-B Preschool | | - | 88 | 88 |
| | | <u> -</u> | <u> 88</u> | <u> 88</u> |
| TOTAL REVENUES | | <u>1,645,964</u> | <u>1,637,016</u> | <u>(8,948)</u> |
| EXPENDITURES: | | | | |
| ARRA Education Spending Grant 1000: | | | | |
| Salaries | 101 | - | 29,288 | (29,288) |
| Energy Propane | 623 | - | 19,180 | (19,180) |
| Subtotal | | <u> -</u> | <u>48,468</u> | <u>(48,468)</u> |
| Regular Instruction 1100: | | | | |
| Salaries | 110 | 393,861 | 359,192 | 34,669 |
| Aide Salaries | 115 | 49,988 | 49,685 | 303 |
| Temporary Salaries | 120 | 15,000 | 15,661 | (661) |
| Personal Days | 125 | - | 1,318 | (1,318) |
| Health Insurance | 210 | 104,026 | 96,603 | 7,423 |
| Section 125 | 211 | - | 249 | (249) |
| Insurance Compensation | 212 | - | 1,120 | (1,120) |
| Social Security | 220 | 35,102 | 32,720 | 2,382 |
| Life Insurance | 230 | 2,180 | 1,916 | 264 |
| Retirement | 240 | 1,971 | 1,430 | 541 |
| Workers Compensation | 250 | 2,293 | 2,776 | (483) |
| Unemployment Compensation | 260 | 225 | 221 | 4 |
| Tuition Reimbursement | 270 | 17,000 | 19,528 | (2,528) |
| Dental Insurance | 280 | 6,705 | 6,041 | 664 |

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, 2010

Schedule 1

| | Object | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|--------|----------------|----------------|--|
| Purchased Services | 330 | \$ - | \$ 228 | \$ (228) |
| Occupational Therapy | 330 | - | 1,085 | (1,085) |
| Testing Services | 332 | 1,000 | 1,318 | (318) |
| Copier | 410 | 5,000 | 4,084 | 916 |
| Equipment Repair | 430 | 500 | (80) | 580 |
| Travel | 580 | 2,500 | 1,390 | 1,110 |
| Supplies | 610 | 13,000 | 12,772 | 228 |
| Books and Periodicals | 640 | 11,500 | 8,930 | 2,570 |
| Enrichment Program | 650 | 3,500 | 5,066 | (1,566) |
| Equipment | 730 | 3,000 | 438 | 2,562 |
| Classroom Furniture | 735 | 4,000 | 5,636 | (1,636) |
| Principals Fund | 800 | 1,500 | 1,500 | - |
| Subtotal | | <u>673,851</u> | <u>630,827</u> | <u>43,024</u> |
| Early Education 1100: | | | | |
| Salaries | 110 | 13,395 | 13,395 | - |
| Aide Salaries | 115 | 5,767 | 5,211 | 556 |
| Health Insurance | 210 | 5,885 | 4,285 | 1,600 |
| Social Security | 220 | 1,466 | 1,368 | 98 |
| Life Insurance | 230 | 135 | 68 | 67 |
| Workers Compensation | 250 | 99 | 116 | (17) |
| Unemployment Compensation | 260 | 34 | 9 | 25 |
| Dental Insurance | 280 | 308 | 321 | (13) |
| Purchased Services | 330 | 32,000 | 32,040 | (40) |
| Subtotal | | <u>59,089</u> | <u>56,813</u> | <u>2,276</u> |
| ESL 1101: | | | | |
| Purchased Services | 330 | - | 2,405 | (2,405) |
| Subtotal | | <u>-</u> | <u>2,405</u> | <u>(2,405)</u> |
| Art 1102: | | | | |
| Salaries | 110 | 16,859 | 16,348 | 511 |
| Personal Days | 125 | - | 6 | (6) |
| Insurance Compensation | 212 | 280 | 280 | - |
| Social Security | 220 | 1,290 | 1,272 | 18 |
| Life Insurance | 230 | 144 | 94 | 50 |
| Workers Compensation | 250 | 87 | 102 | (15) |
| Unemployment Compensation | 260 | 20 | 6 | 14 |
| Supplies | 610 | 1,250 | 1,921 | (671) |
| Subtotal | | <u>19,930</u> | <u>20,029</u> | <u>(99)</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, 2010

Schedule 1

| | Object | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|--------|---------------|---------------|--|
| Foreign Language 1106: | | | | |
| Salaries | 110 | \$ 19,392 | \$ 19,392 | \$ - |
| Personal Days | 125 | - | 5 | (5) |
| Insurance Compensation | 212 | 280 | 280 | - |
| Social Security | 220 | 1,483 | 1,505 | (22) |
| Life Insurance | 230 | 154 | 146 | 8 |
| Workers Compensation | 250 | 100 | 117 | (17) |
| Unemployment Compensation | 260 | 20 | 9 | 11 |
| Supplies | 610 | 300 | 251 | 49 |
| Subtotal | | <u>21,729</u> | <u>21,705</u> | <u>24</u> |
| Physical Education 1108: | | | | |
| Salaries | 110 | 15,307 | 15,307 | - |
| Wellness Club Facilities | 116 | 2,050 | 824 | 1,226 |
| Personal Days | 125 | - | 6 | (6) |
| Health Insurance | 210 | 5,688 | 6,428 | (740) |
| Social Security | 220 | 1,171 | 396 | 775 |
| Life Insurance | 230 | 141 | 139 | 2 |
| Workers Compensation | 250 | 79 | 93 | (14) |
| Unemployment Compensation | 260 | 20 | 7 | 13 |
| Dental Insurance | 280 | 411 | 487 | (76) |
| Supplies | 610 | 500 | 488 | 12 |
| Subtotal | | <u>25,367</u> | <u>24,175</u> | <u>1,192</u> |
| Music 1112: | | | | |
| Salaries | 110 | 21,045 | 21,045 | - |
| Instructional Salaries | 111 | 1,000 | - | 1,000 |
| Health Insurance | 210 | 5,688 | 5,714 | (26) |
| Social Security | 220 | 1,686 | 1,436 | 250 |
| Life Insurance | 230 | 160 | 108 | 52 |
| Workers Compensation | 250 | 109 | 127 | (18) |
| Unemployment Compensation | 260 | 20 | 10 | 10 |
| Dental Insurance | 280 | 411 | 414 | (3) |
| Supplies | 610 | 1,000 | 292 | 708 |
| Subtotal | | <u>31,119</u> | <u>29,146</u> | <u>1,973</u> |
| Special Education 1200: | | | | |
| Salaries | 110 | 41,207 | 41,471 | (264) |
| Tutor | 112 | 2,000 | 2,406 | (406) |
| Aide Salaries | 115 | 32,416 | 37,609 | (5,193) |
| Temporary Salaries | 120 | - | 1,029 | (1,029) |

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, 2010

Schedule 1

| | Object | Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------|---------|---------|--|
| Personal Days | 125 | \$ - | \$ 245 | \$ (245) |
| Health Insurance | 210 | 18,088 | 6,480 | 11,608 |
| Insurance Compensation | 212 | - | 700 | (700) |
| Social Security | 220 | 5,785 | 6,359 | (574) |
| Life Insurance | 230 | 224 | 200 | 24 |
| Retirement | 240 | 1,297 | 1,504 | (207) |
| Workers Compensation | 250 | 453 | 542 | (89) |
| Unemployment Compensation | 260 | 76 | 44 | 32 |
| Tuition Reimbursement | 270 | 3,000 | - | 3,000 |
| Dental Insurance | 280 | 310 | 324 | (14) |
| Purchased Services | 330 | 2,000 | - | 2,000 |
| Testing Services | 332 | 8,000 | 6,260 | 1,740 |
| Related Services | 333 | - | (199) | 199 |
| Summer Services | 334 | 1,750 | 525 | 1,225 |
| Supplies | 610 | 1,500 | 2,180 | (680) |
| Equipment | 730 | 1,000 | - | 1,000 |
| Subtotal | | 119,106 | 107,679 | 11,427 |
| Essential Early Education Program 1200: | | | | |
| Salaries | 110 | 8,334 | 8,334 | - |
| Aide Salaries | 115 | - | 2,137 | (2,137) |
| Health Insurance | 210 | 2,133 | 2,143 | (10) |
| Social Security | 220 | 638 | 772 | (134) |
| Life Insurance | 230 | 119 | 39 | 80 |
| Workers Compensation | 250 | 43 | 50 | (7) |
| Unemployment Compensation | 260 | 3 | 4 | (1) |
| Dental Insurance | 280 | 154 | 161 | (7) |
| Contracted Services | 330 | - | 938 | (938) |
| Testing Services | 332 | - | 150 | (150) |
| Purchased Services | 333 | - | 3,099 | (3,099) |
| Assessments | 335 | 1,000 | - | 1,000 |
| Supplies | 610 | 500 | - | 500 |
| Subtotal | | 12,924 | 17,827 | (4,903) |
| IDEIA-B Special Education 1230: | | | | |
| Aide Salaries | 115 | 13,951 | 13,815 | 136 |
| Health Insurance | 210 | 2,665 | 2,679 | (14) |
| Social Security | 220 | 1,067 | 969 | 98 |

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, 2010

Schedule 1

| | Object | Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|--------|---------------|---------------|--|
| Retirement | 240 | \$ 558 | \$ 553 | \$ 5 |
| Subtotal | | <u>18,241</u> | <u>18,016</u> | <u>225</u> |
| IDEIA-B EEE 1230: | | | | |
| Evaluations | 300 | <u>1,000</u> | <u>88</u> | <u>912</u> |
| Subtotal | | <u>1,000</u> | <u>88</u> | <u>912</u> |
| Compensatory Education 1250: | | | | |
| Salaries | 110 | 45,775 | 46,330 | (555) |
| Insurance Compensation | 212 | 560 | 560 | - |
| Social Security | 220 | 3,502 | 3,419 | 83 |
| Life Insurance | 230 | 237 | 231 | 6 |
| Workers Compensation | 250 | 237 | 277 | (40) |
| Unemployment Compensation | 260 | 20 | 22 | (2) |
| Dental Insurance | 280 | <u>822</u> | <u>861</u> | <u>(39)</u> |
| Subtotal | | <u>51,153</u> | <u>51,700</u> | <u>(547)</u> |
| Guidance Services 2120: | | | | |
| Salaries | 110 | 9,494 | - | 9,494 |
| Substitute Salaries | 120 | - | 17,616 | (17,616) |
| Insurance Compensation | 212 | 140 | - | 140 |
| Social Security | 220 | 726 | 1,348 | (622) |
| Life Insurance | 230 | 122 | - | 122 |
| Workers Compensation | 250 | 49 | 57 | (8) |
| Unemployment Compensation | 260 | 20 | 5 | 15 |
| Supplies | 610 | <u>500</u> | <u>543</u> | <u>(43)</u> |
| Subtotal | | <u>11,051</u> | <u>19,569</u> | <u>(8,518)</u> |
| Health Services 2130: | | | | |
| Salaries | 110 | 13,410 | 14,852 | (1,442) |
| Personal Days | 125 | - | 57 | (57) |
| Insurance Compensation | 212 | 210 | 210 | - |
| Social Security | 220 | 1,026 | 1,115 | (89) |
| Life Insurance | 230 | 135 | 127 | 8 |
| Workers Compensation | 250 | 69 | 81 | (12) |
| Unemployment Compensation | 260 | 20 | 9 | 11 |
| Dental Insurance | 280 | 207 | 219 | (12) |
| Supplies | 610 | <u>700</u> | <u>969</u> | <u>(269)</u> |
| Subtotal | | <u>15,777</u> | <u>17,639</u> | <u>(1,862)</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, 2010

Schedule 1

| | Object | Budget | Actual | Variance Favorable (Unfavorable) |
|-------------------------------------|--------|---------------|---------------|--|
| Occupational Therapy Services 2145: | | | | |
| Contracted Services | 330 | \$ 6,550 | \$ 3,465 | \$ 3,085 |
| Subtotal | | <u>6,550</u> | <u>3,465</u> | <u>3,085</u> |
| Special Education Speech 2150: | | | | |
| Salaries | 110 | 41,671 | 41,671 | - |
| Health Insurance | 210 | 10,664 | 10,714 | (50) |
| Social Security | 220 | 3,188 | 3,041 | 147 |
| Life Insurance | 230 | 224 | 196 | 28 |
| Workers Compensation | 250 | 215 | 252 | (37) |
| Unemployment Compensation | 260 | 20 | 20 | - |
| Dental Insurance | 280 | 771 | 807 | (36) |
| Supplies | 610 | <u>750</u> | <u>145</u> | <u>605</u> |
| Subtotal | | <u>57,503</u> | <u>56,846</u> | <u>657</u> |
| Improvement of Instruction 2210: | | | | |
| Inservice | 320 | <u>6,000</u> | <u>1,378</u> | <u>4,622</u> |
| Subtotal | | <u>6,000</u> | <u>1,378</u> | <u>4,622</u> |
| Media Center 2220: | | | | |
| Salaries | 110 | 17,860 | 17,860 | - |
| Personal Days | 125 | - | 76 | (76) |
| Health Insurance | 210 | 5,688 | 5,714 | (26) |
| Social Security | 220 | 1,366 | 675 | 691 |
| Life Insurance | 230 | 148 | 141 | 7 |
| Workers Compensation | 250 | 92 | 108 | (16) |
| Unemployment Compensation | 260 | 20 | 7 | 13 |
| Dental Insurance | 280 | 411 | 431 | (20) |
| Equipment Maintenance | 430 | 400 | - | 400 |
| Supplies | 610 | 600 | 412 | 188 |
| Books and Periodicals | 640 | 3,500 | 3,855 | (355) |
| Audio Visual Materials | 650 | <u>900</u> | <u>892</u> | <u>8</u> |
| Subtotal | | <u>30,985</u> | <u>30,171</u> | <u>814</u> |
| Audio Visual/Technology 2223: | | | | |
| Salaries | 116 | 6,000 | 5,250 | 750 |
| Social Security | 220 | 459 | 402 | 57 |
| Unemployment Compensation | 260 | 4 | 3 | 1 |
| Purchased Services | 330 | 2,000 | 1,282 | 718 |
| Equipment Repair | 430 | 2,000 | 1,001 | 999 |
| Internet Connection | 530 | 2,200 | 1,982 | 218 |

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, 2010

Schedule 1

| | Object | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|--------|---------------|---------------|--|
| Supplies | 610 | \$ 1,500 | \$ 3,800 | \$ (2,300) |
| Software | 650 | 2,000 | 1,719 | 281 |
| Equipment | 730 | <u>7,000</u> | <u>11,784</u> | <u>(4,784)</u> |
| Subtotal | | <u>23,163</u> | <u>27,223</u> | <u>(4,060)</u> |
| Board of Education 2310: | | | | |
| Salaries | 110 | - | 3,750 | (3,750) |
| Social Security | 220 | - | 291 | (291) |
| Board Reimbursement | 310 | 3,750 | - | 3,750 |
| Legal | 360 | 2,500 | 5,765 | (3,265) |
| Insurance | 523 | - | 1,295 | (1,295) |
| Advertising | 540 | 2,750 | 3,862 | (1,112) |
| Miscellaneous | 550 | 1,400 | 1,691 | (291) |
| Dues and Fees | 810 | <u>1,100</u> | <u>1,225</u> | <u>(125)</u> |
| Subtotal | | <u>11,500</u> | <u>17,879</u> | <u>(6,379)</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>31,740</u> | <u>31,737</u> | <u>3</u> |
| Subtotal | | <u>31,740</u> | <u>31,737</u> | <u>3</u> |
| Administration 2400: | | | | |
| Salaries | 110 | 70,980 | 70,980 | - |
| Support Staff Salaries | 111 | 30,302 | 30,519 | (217) |
| Stipends | 114 | - | 500 | (500) |
| Temporary Salaries | 120 | 1,000 | 1,020 | (20) |
| Substitute Coordinator Salaries | 123 | - | 500 | (500) |
| Health Insurance | 210 | 16,004 | 12,671 | 3,333 |
| Social Security | 220 | 8,131 | 7,517 | 614 |
| Life Insurance | 230 | 419 | 395 | 24 |
| Retirement | 240 | 1,212 | 1,291 | (79) |
| Workers Compensation | 250 | 524 | 619 | (95) |
| Unemployment Compensation | 260 | 40 | 50 | (10) |
| Professional Development | 270 | 2,500 | 1,706 | 794 |
| Dental Insurance | 280 | 387 | 420 | (33) |
| Postage | 531 | 1,250 | 1,215 | 35 |
| Travel | 580 | 1,500 | 532 | 968 |

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, 2010

Schedule 1

| | Object | Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------|----------------|----------------|--|
| Supplies | 610 | \$ 300 | \$ 37 | \$ 263 |
| Dues and Fees | 810 | <u>750</u> | <u>779</u> | <u>(29)</u> |
| Subtotal | | <u>135,299</u> | <u>130,751</u> | <u>4,548</u> |
| Fiscal Services 2520: | | | | |
| Business Manager Assessment | 331 | 6,612 | 6,596 | 16 |
| Accounting Assessment | 331 | 13,602 | 13,558 | 44 |
| Audit | 370 | 2,833 | 2,900 | (67) |
| Current Interest | 830 | <u>7,051</u> | <u>7,051</u> | <u>-</u> |
| Subtotal | | <u>30,098</u> | <u>30,105</u> | <u>(7)</u> |
| Building Maintenance & Operation 2600: | | | | |
| Salaries | 110 | 36,421 | 34,957 | 1,464 |
| Temporary Salaries | 120 | 1,517 | 5,603 | (4,086) |
| Insurance Compensation | 212 | 700 | 700 | - |
| Social Security | 220 | 2,840 | 3,156 | (316) |
| Retirement | 240 | 1,457 | 1,408 | 49 |
| Workers Compensation | 250 | 1,490 | 293 | 1,197 |
| Unemployment Compensation | 260 | 20 | 18 | 2 |
| Trash Removal | 421 | 3,150 | 2,983 | 167 |
| Snow Removal | 422 | 2,900 | 1,985 | 915 |
| Grounds Maintenance | 424 | 3,000 | 1,442 | 1,558 |
| Equipment Repair | 430 | 20,000 | 11,744 | 8,256 |
| Capital/Building Repair | 435 | 10,000 | 15,233 | (5,233) |
| Heating System | 450 | - | 726 | (726) |
| Water Testing | 460 | 1,000 | 543 | 457 |
| Property Insurance | 521 | 5,192 | 3,839 | 1,353 |
| Telephone | 530 | 4,000 | 2,485 | 1,515 |
| Travel | 580 | 250 | - | 250 |
| Supplies | 610 | 8,000 | 8,678 | (678) |
| Electricity | 622 | 20,160 | 17,859 | 2,301 |
| Oil | 624 | 35,388 | - | 35,388 |
| Equipment | 730 | <u>1,000</u> | <u>914</u> | <u>86</u> |
| Subtotal | | <u>158,485</u> | <u>114,566</u> | <u>43,919</u> |
| Transportation 2710: | | | | |
| Contracted Transportation | 519 | <u>42,804</u> | <u>35,410</u> | <u>7,394</u> |
| Subtotal | | <u>42,804</u> | <u>35,410</u> | <u>7,394</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, 2010

Schedule 1

| | Object | Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------|----------------------|----------------------|--|
| Co-Curricular Transportation 2720: | | | | |
| Field Trips | 519 | \$ 2,500 | \$ 2,750 | \$ (250) |
| Subtotal | | <u>2,500</u> | <u>2,750</u> | <u>(250)</u> |
| TOTAL EXPENDITURES | | <u>1,597,464</u> | <u>1,548,905</u> | <u>48,559</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | | 48,500 | 88,111 | 39,611 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfer to Special Revenue Fund | | (13,631) | (13,631) | - |
| Transfer to Enterprise Fund | | (3,000) | - | 3,000 |
| Transfer to Debt Service Fund | | <u>(45,500)</u> | <u>(43,590)</u> | <u>1,910</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | | (13,631) | 30,890 | 44,521 |
| FUND BALANCE, JULY 1, 2009 | | <u>13,631</u> | <u>49,126</u> | <u>35,495</u> |
| FUND BALANCE, JUNE 30, 2010 | | <u>\$ -</u> | <u>\$ 80,016</u> | <u>\$ 80,016</u> |

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Balance Sheet
Special Revenue Funds
June 30, 2010

Schedule 2
(page 1 of 2)

| | Medicaid | Community Assistance Grant | Title II-A | Maintenance Reserve | Title II-D | Subtotals |
|--|------------------------|----------------------------|------------------------|-------------------------|------------------------|-------------------------|
| ASSETS: | | | | | | |
| Current Assets: | | | | | | |
| Cash | | | | \$ 66,620 | | \$ 66,620 |
| Accounts Receivable - Supervisory Union | | | \$ 1,974 | | \$ 5,690 | 7,664 |
| Due From Other Funds | \$ 1,369 | \$ 174 | - | - | - | 1,543 |
| Total Current Assets | <u>1,369</u> | <u>174</u> | <u>1,974</u> | <u>66,620</u> | <u>5,690</u> | <u>75,827</u> |
| TOTAL ASSETS | <u>\$ 1,369</u> | <u>\$ 174</u> | <u>\$ 1,974</u> | <u>\$ 66,620</u> | <u>\$ 5,690</u> | <u>\$ 75,827</u> |
| LIABILITIES AND FUND BALANCES: | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable - Other | | | | | | \$ - |
| Due To Other Funds | - | - | \$ 1,974 | \$ 9,550 | \$ 5,690 | 17,214 |
| Total Liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>1,974</u> | <u>9,550</u> | <u>5,690</u> | <u>17,214</u> |
| Fund Balances: | | | | | | |
| Unreserved | | | | | | - |
| Reserved | 1,369 | 174 | - | 57,070 | - | 58,613 |
| Total Fund Balances | <u>1,369</u> | <u>174</u> | <u>-</u> | <u>57,070</u> | <u>-</u> | <u>58,613</u> |
| TOTAL LIABILITIES & FUND BALANCES | <u>\$ 1,369</u> | <u>\$ 174</u> | <u>\$ 1,974</u> | <u>\$ 66,620</u> | <u>\$ 5,690</u> | <u>\$ 75,827</u> |

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Balance Sheet
Special Revenue Funds
June 30, 2010

Schedule 2
(page 2 of 2)

| | School Garden | Book Fair | Library Donations | Winter Sports Program | Subtotals | Totals |
|--|------------------|---------------|----------------------|--------------------------|-----------------|------------------|
| ASSETS: | | | | | | |
| Current Assets: | | | | | | |
| Cash | | | | | \$ - | \$ 66,620 |
| Accounts Receivable - Supervisory Union | | | | | - | 7,664 |
| Due From Other Funds | \$ 249 | \$ 598 | - | \$ 2,399 | 3,246 | 4,789 |
| Total Current Assets | <u>249</u> | <u>598</u> | <u>\$ -</u> | <u>2,399</u> | <u>3,246</u> | <u>79,073</u> |
| TOTAL ASSETS | \$ 249 | \$ 598 | \$ - | \$ 2,399 | \$ 3,246 | \$ 79,073 |
| LIABILITIES AND FUND BALANCES: | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable - Other | | \$ 341 | | | \$ 341 | \$ 341 |
| Due To Other Funds | - | - | \$ 22 | - | 22 | 17,236 |
| Total Liabilities | <u>\$ -</u> | <u>341</u> | <u>22</u> | <u>\$ -</u> | <u>363</u> | <u>17,577</u> |
| Fund Balances: | | | | | | |
| Unreserved | | | (22) | | (22) | (22) |
| Reserved | 249 | 257 | - | 2,399 | 2,905 | 61,518 |
| Total Fund Balances | <u>249</u> | <u>257</u> | <u>(22)</u> | <u>2,399</u> | <u>2,883</u> | <u>61,496</u> |
| TOTAL LIABILITIES & FUND BALANCES | \$ 249 | \$ 598 | \$ - | \$ 2,399 | \$ 3,246 | \$ 79,073 |

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, 2010

Schedule 3
 (page 1 of 2)

| | Medicaid | Community Assistance Grant | Title II-A | Maintenance Reserve | Title II-D | School Garden | Subtotals |
|---|-----------------|----------------------------------|-----------------|------------------------|-----------------|------------------|------------------|
| REVENUES: | | | | | | | |
| Investment Income | | | | \$ 105 | | | \$ 105 |
| Private/Local | \$ 1,332 | | | | | \$ 249 | 1,581 |
| Federal | <u>-</u> | <u>-</u> | <u>\$ 2,674</u> | <u>-</u> | <u>\$ 5,690</u> | <u>-</u> | <u>8,364</u> |
| TOTAL REVENUES | <u>1,332</u> | <u>\$ -</u> | <u>2,674</u> | <u>105</u> | <u>5,690</u> | <u>249</u> | <u>10,050</u> |
| EXPENDITURES: | | | | | | | |
| Direct Services | | | 2,674 | 9,550 | 5,690 | | 17,914 |
| Support Services: | | | | | | | - |
| Instructional Staff | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>-</u> | <u>-</u> | <u>2,674</u> | <u>9,550</u> | <u>5,690</u> | <u>-</u> | <u>17,914</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1,332 | - | - | (9,445) | - | 249 | (7,864) |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Transfers In | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,631</u> | <u>-</u> | <u>-</u> | <u>13,631</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | 1,332 | - | - | 4,186 | - | 249 | 5,767 |
| FUND BALANCES, JULY 1, 2009 | <u>37</u> | <u>174</u> | <u>-</u> | <u>52,884</u> | <u>-</u> | <u>-</u> | <u>53,095</u> |
| FUND BALANCES, JUNE 30, 2010 | <u>\$ 1,369</u> | <u>\$ 174</u> | <u>\$ -</u> | <u>\$ 57,070</u> | <u>\$ -</u> | <u>\$ 249</u> | <u>\$ 58,862</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, 2010

Schedule 3
(page 2 of 2)

| | Book Fair | Library Donations | Winter Sports Program | Subtotals | Totals |
|---|---------------|----------------------|--------------------------|-----------------|------------------|
| REVENUES: | | | | | |
| Investment Income | | | | \$ - | \$ 105 |
| Private/Local | \$ 2,676 | \$ 1,513 | \$ 3,084 | 7,273 | 8,854 |
| Federal | - | - | - | - | 8,364 |
| | 2,676 | 1,513 | 3,084 | 7,273 | 17,323 |
| TOTAL REVENUES | | | | | |
| EXPENDITURES: | | | | | |
| Direct Services | 2,419 | | 685 | 3,104 | 21,018 |
| Support Services: | | | | | |
| Instructional Staff | - | 1,535 | - | 1,535 | 1,535 |
| | 2,419 | 1,535 | 685 | 4,639 | 22,553 |
| TOTAL EXPENDITURES | | | | | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 257 | (22) | 2,399 | 2,634 | (5,230) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers In | - | - | - | - | 13,631 |
| | 257 | (22) | 2,399 | 2,634 | 8,401 |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | | | | | |
| FUND BALANCES, JULY 1, 2009 | - | - | - | - | 53,095 |
| FUND BALANCES, JUNE 30, 2010 | <u>\$ 257</u> | <u>\$ (22)</u> | <u>\$ 2,399</u> | <u>\$ 2,634</u> | <u>\$ 61,496</u> |

The accompanying notes are an integral part of these financial statements

Fayston School District
Statement of Changes in Assets and Liabilities
Fiduciary Fund Type - Agency Fund
Principal's Discretionary Fund
For The Year Ended June 30, 2010

Schedule 4

| | Balance July 1, 2009 | Receipts | Disbursements | Balance June 30, 2010 |
|-----------------------------|-------------------------|------------------|------------------|--------------------------|
| Assets: | | | | |
| Cash | <u>\$ 3,075</u> | <u>\$ 23,418</u> | <u>\$ 24,875</u> | <u>\$ 1,618</u> |
| Total Assets | <u>\$ 3,075</u> | <u>\$ 23,418</u> | <u>\$ 24,875</u> | <u>\$ 1,618</u> |
| Liabilities: | | | | |
| Amount Held for Agency Fund | <u>\$ 3,075</u> | <u>\$ 23,418</u> | <u>\$ 24,875</u> | <u>\$ 1,618</u> |
| Total Liabilities | <u>\$ 3,075</u> | <u>\$ 23,418</u> | <u>\$ 24,875</u> | <u>\$ 1,618</u> |

The accompanying notes are an integral part of these financial statements



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the School Board
Fayston School District

We have audited 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, 2010, which collectively comprise the entity's basic financial statements and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Angolano & Company

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

December 22, 2010