



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

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

www.angolanoandcompany.com

March 5, 2016

Fayston School District
Att: Michelle Baker, Bus. Mgr.
340 Mad River Park, Ste. 7
Waitsfield, VT 05673

Dear Michelle :

I have electronically forwarded the final financial statements for Fayston School District as of and for the year ended June 30, 2015. In addition I will be mailing you 8 bound copies. We have also sent a pdf copy to the AOE on your behalf.

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

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

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

Sincerely,

Angolano & Company

Angolano & Company

Enclosures

Fayston School District
Financial Statements
For The Year Ended June 30, 2015

Fayston School District
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For The Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Fayston School District, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Fayston School District, Vermont, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the and the aggregate remaining fund information of the Fayston School District, Vermont, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pensions and other post-employment benefit information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fayston School District, Vermont's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other

records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2016, on our consideration of the Fayston School District, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fayston School District, Vermont's internal control over financial reporting and compliance.

Angolano & Company

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

February 19, 2016

FAYSTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

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, 2015 (FY 15). The District is organized under the guidance of the Board of Directors to provide public education for Fayston.

Financial Highlights

- District-wide assets totaled \$921,852 and government-wide liabilities totaled \$71,529.
- The District's general fund actual revenues were \$1,692,559 while the budgeted revenues were \$1,696,818, a decrease of \$4,259 or 0.2%.
- The District's general fund actual expenditures were \$1,644,006 while the budgeted expenditures were \$1,705,844, a savings of \$61,838 or 3.6%.
- Special Revenue Funds with fund balances totaling \$109,981 are held in the District's accounts for the Maintenance Reserve Fund and various Federal, State and Private Grants.
- The Enterprise Fund represents the food program and had an ending retained earnings balance of \$22,132 after receiving a transfer in the amount of \$10,015 from the general fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fayston School District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund based financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-Wide Financial Statements – Exhibit I and II are district-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 Position presents information on the entire district assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the two reported as net position. 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 district-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 Combined Balance Sheet and in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Special Revenue, Capital Project and Debt Service funds. The basic governmental funds financial statements can be found on pages 9-12.

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

Fiduciary Funds – Fiduciary Funds are those for which the District serves as a trustee for the benefit of others, such as scholarship and student activity funds. The District is responsible for ensuring that assets in these funds are used for their intended purposes and cannot use these assets to finance the general operations of the District.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-41.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information including Budget to Actual Reports for the General Fund, Fiduciary, Agency and Trust Fund statements, and a Report on Compliance and Internal Control.

Government-Wide Financial Analysis

Our analysis of the District's major funds begins on Table 1. The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District's Board of Directors establish many other funds to help them control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain grants, and other money.

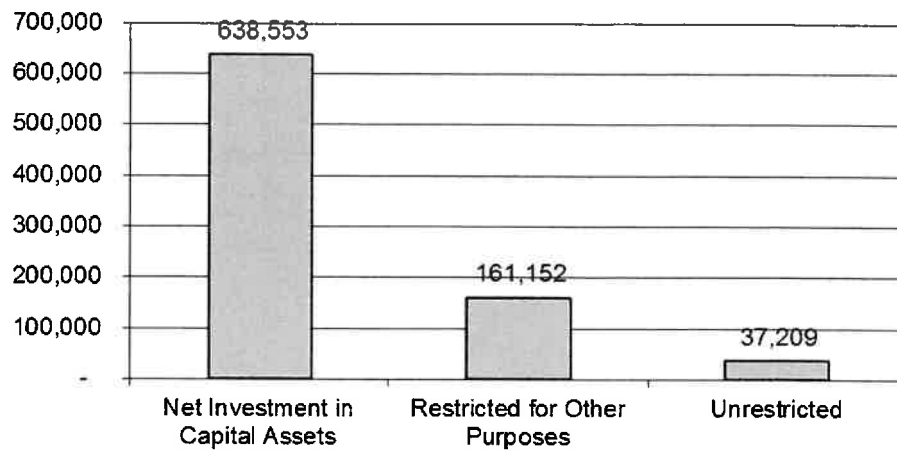
Amounts reported for governmental activities in this statement of net assets differ from the summary of financial operations because: capital (non-current) assets used in governmental activities are not financial resources and therefore, are deferred in the funds; non-current liabilities – consisting of bonds payable (early retirees) – are not due and payable in the current period and therefore are not reported in the funds. Inter-fund receivables and payables are reported in the fund statements, but not included in the amounts reported for governmental activities.

TABLE I

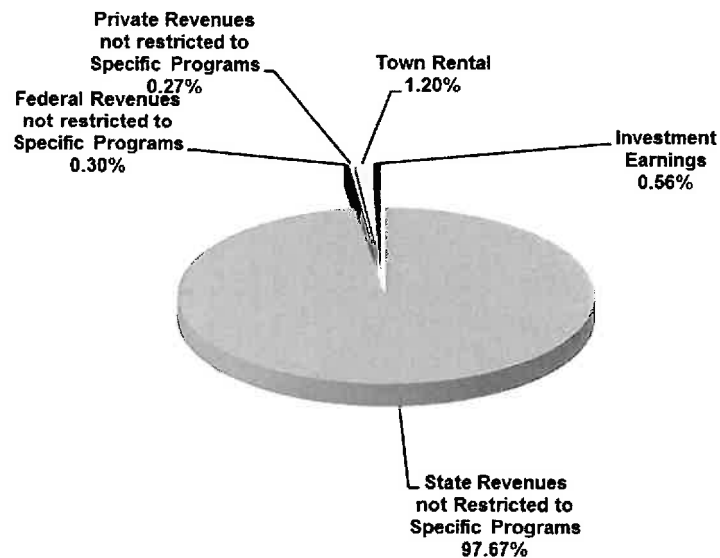
Fayston School District
Statement of Net Assets and Fund Balance Reconciliation
June 30, 2015

	Governmental Balance Sheet Fund Base	Governmental Activities Government-Wide	Difference
ASSETS:			
<u>Current Assets:</u>			
Cash	230,281	230,281	
Due from Food Services	12,570	12,570	
Accounts Receivable:			
Supervisory Union	9,482	9,482	
Prepaid Expenses	11,040	11,040	
Total Current Assets	<u>263,373</u>	<u>263,373</u>	
<u>Non-current Assets:</u>			
<u>Capital Assets:</u>			
Buildings & Equipment, net of Accum. Depr.	-	658,479	(658,479)
Total Non-current Assets	<u>-</u>	<u>658,479</u>	<u>(658,479)</u>
TOTAL ASSETS	263,373	921,852	(658,479)
Deferred Outflows of Resources			
VT Municipal Pension-Payments after measurement date	-	7,940	(7,940)
LIABILITIES:			
<u>Current Liabilities:</u>			
Accounts Payable-Supervisory Union	79	79	
Accounts Payable-State	12,584	12,584	
Accounts Payable - Other	27,829	27,829	
Accrued Expenses	5,165	5,165	
Net Pension Liability	-	5,946	(5,946)
Capital Leases Payable	-	19,926	(19,926)
Current Portion of Long-Term Obligations	<u>45,657</u>	<u>71,529</u>	<u>(25,872)</u>
Total Current Liabilities			
Total Non-current Liabilities	-	-	
	<u>45,657</u>	<u>71,529</u>	<u>(25,872)</u>
TOTAL LIABILITIES			
<u>Deferred Inflows of Resources</u>			
VT Municipal Pension-Change in proportional share	-	21,349	(21,349)
NET ASSETS			
Investment in Capital Assets, net of related Debt	-	638,553	(638,553)
Restricted for Other Purposes	161,152	161,152	-
Unrestricted	56,564	37,209	19,355
TOTAL NET POSITION	217,716	836,914	(619,198)

District Wide Statement of Net Postion - TABLE II



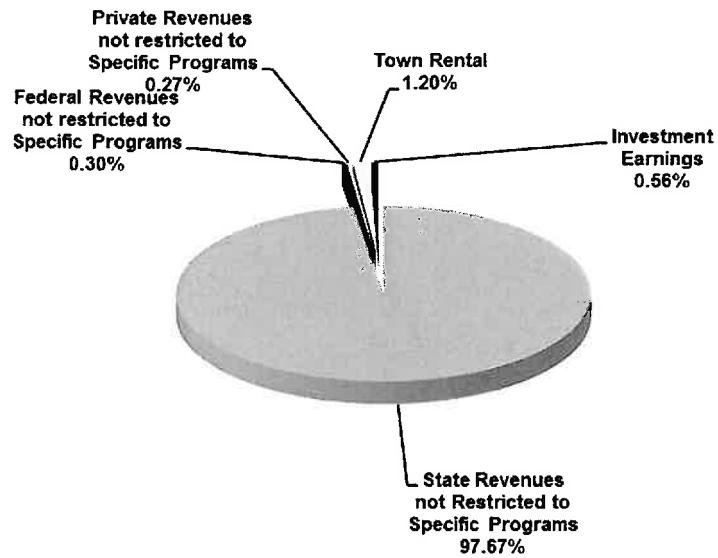
District Wide Statement of Activities - TABLE III



District Wide Statement of Activities-General Revenues

State Revenues not Restricted to Specific Programs	\$ 1,633,405
Federal Revenues not restricted to Specific Programs	\$ 5,080
Private Revenues not restricted to Specific Programs	\$ 4,498
Town Rental	\$ 20,000
Investment Earnings	\$ 9,330
Miscellaneous & Refunds/Reimbursements	\$ 5,005
Transfers to Food Service	\$ (10,015)
	<u>1,667,303</u>

District Wide Statement of Activities - TABLE III



Governmental Activities

Direct Services	1,042,740
Support Services	397,008
Operations and Maintenance	159,249
Transportation	27,058
Fiscal Services	31,340
	1,657,395

Governmental Activities:

Governmental Activities revenues totaled \$1,667,303 and expenses net of program revenues were \$1,657,395 resulting in a change in net position of \$9,908.

Business Type Activities:

Business Type Activities realized a decrease in net assets of \$351.

Fund Financial Analysis

	Combined Balance Sheet Fund Base 6/30/2015	Combined Balance Sheet Fund Base 6/30/2014	Combined Balance Sheet Fund Base 6/30/2013	Combined Balance Sheet Fund Base 6/30/2012	Combined Balance Sheet Fund Base 6/30/2011
ASSETS					
Current Assets:					
Cash	230,281	224,039	253,180	243,127	271,060
Prepaid Expenses	11,040	2,624	-	581	-
Accounts Receivable:					
State	-	20,186	-	14,333	-
Supervisory Union	9,482	149	9,956	3,080	651
Other LEA's	-	176	126	6,419	3,375
Other	-	8,113	1,280	-	-
Due from Other Funds	12,570	7,746	7,465	6,600	-
Total Current Assets	263,373	263,033	272,007	274,140	275,086
LIABILITIES					
Current Liabilities:					
Cash Overdraft	-	-	-	-	-
Accrued Expenses	5,165	1,222	661	802	811
Due to Other Funds	-	-	-	-	11,225
Accounts Payable - Supervisory Union	79	-	-	-	-
Accounts Payable - State	12,584	-	29,347	12,951	20,440
Accounts Payable - Other LEAs	-	3,568	124	-	-
Accounts Payable - Other	27,829	76,127	49,503	39,050	87,926
Total Current Liabilities	45,657	80,917	79,635	52,803	120,402
Fund Equity					
Committed	51,171	38,026	95,152	80,281	44,520
Restricted	109,981	93,910	59,454	45,904	29,883
Unassigned	56,564	50,180	37,766	95,152	80,281
TOTAL FUND EQUITIES	217,716	182,116	192,372	221,337	154,684
TOTAL LIABILITIES AND FUND EQUITIES	263,373	263,033	272,007	274,140	275,086

Governmental Fund Types:

Fund Equities in the Governmental Fund types increased from \$181,116 to \$217,716 an increase of \$35,600. This decrease was reflected in the General Fund with an increase of \$18,538 and an increase of \$17,062 in the Special Revenue Fund.

Proprietary Fund Type:

Food service programs are offered to the students for hot lunch and breakfast. Beginning in FY05, the program agreed to provide food service to the Waitsfield School District. This program recognized a decrease in net position of \$351 during the past year and had a net position of \$22, 123 as of June 30, 2015.

Fiduciary Fund Types:

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

Capital Assets

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

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

Fayston School District Capital Assets June 30, 2015			TABLE VI
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
Governmental Activities:			
Land Improvements	47,161	27,736	19,425
Buildings	61,989	61,989	-
Buildings and Improvements	\$ 1,233,445	\$ 624,731	608,714
Furniture and Equipment	83,417	53,077	30,340
Total	<u>\$ 1,426,012</u>	<u>\$ 767,533</u>	<u>\$ 658,479</u>
Business Type Activities:			
Buildings and Improvements	21,676	13,615	8,061
Furniture and Equipment	\$ 10,000	\$ -	\$ 10,000
	31,676	13,615	18,061
Total	<u>\$ 1,436,012</u>	<u>\$ 767,533</u>	<u>\$ 668,479</u>

Current Issues

- Fayston is a community experiencing some decreasing student enrollment.
- Fayston may see the loss of revenue from the Small Schools Grant over the next few years.
- The combined Fayston-Waitsfield food service program will likely need additional support from the general fund in future years.
- Act 153/156 requires transportation, special education, compensatory and remedial services to be provided by the Supervisory Union. Special education teachers will be employed by the Supervisory Union, not the Fayston School District, in FY2017.
- WWSU has a merger study committee and the question of an Act 46 WWSU accelerated merger, including all WWSU school districts, is anticipated to be placed before the voters in May 2016.
- The Legislature is evaluating the current education funding formula and school governance. How any future legislation may affect the Fayston School District is unknown at this time; however it appears change is on the horizon.

Contact for Further Information

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Michelle J. Baker, Business Manager, Fayston School District, 340 Mad River Park— Suite 7, Waitsfield, Vermont 05673 or at (802) 496-2272 ext. 117.

Fayston School District
District-Wide Statement of Net Position
June 30, 2015

EXHIBIT I

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 230,281		\$ 230,281
Due From Other Funds	12,570	\$ (12,570)	-
Accounts Receivable - Supervisory Union	9,482		9,482
Accounts Receivable - Other LEAs		12,094	12,094
Prepaid Expenses	11,040		11,040
Inventory		4,547	4,547
Capital Assets, net	<u>658,479</u>	<u>18,061</u>	<u>676,540</u>
TOTAL ASSETS	<u>921,852</u>	<u>22,132</u>	<u>943,984</u>
DEFERRED OUTFLOWS OF RESOURCES			
Vermont Municipal Pension - Payments after measurement date	<u>7,940</u>	<u>-</u>	<u>7,940</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>7,940</u>	<u>-</u>	<u>7,940</u>
LIABILITIES			
Accounts Payable - State	12,584		12,584
Accounts Payable - Supervisory Union	79		79
Accounts Payable - Other	27,829		27,829
Accrued Expenses	5,165		5,165
Net Pension Liability	5,946		5,946
Capital Leases Payable	<u>19,926</u>	<u>-</u>	<u>19,926</u>
TOTAL LIABILITIES	<u>71,529</u>	<u>-</u>	<u>71,529</u>
DEFERRED INFLOWS OF RESOURCES			
Vermont Municipal Pension - Change in proportional share	<u>21,349</u>	<u>-</u>	<u>21,349</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>21,349</u>	<u>-</u>	<u>21,349</u>
NET POSITION			
Net Investment in Capital Assets	638,553	18,061	656,614
Restricted For Other Purposes	161,152		161,152
Unrestricted (Deficit)	<u>37,209</u>	<u>4,071</u>	<u>41,280</u>
TOTAL NET POSITION	<u>836,914</u>	<u>22,132</u>	<u>859,046</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
District-Wide Statement of Activities
For The Year Ended June 30, 2015

EXHIBIT II

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities:							
Direct Services	\$ 1,194,895		\$ 152,155		\$ (1,042,740)		\$ (1,042,740)
Support Services:							
Student Services	115,594				(115,594)		(115,594)
Instructional Staff Services	77,264				(77,264)		(77,264)
General Administrative Services	51,342				(51,342)		(51,342)
Area Administrative Services	152,808				(152,808)		(152,808)
Fiscal Services	31,340				(31,340)		(31,340)
Building Operations and Maintenance	159,249				(159,249)		(159,249)
Transportation	48,730	-	21,672	-	(27,058)		(27,058)
Total Governmental Activities	1,831,222	\$ -	173,827	\$ -	(1,657,395)		(1,657,395)
Business-Type Activities:							
Food Service	146,270	135,904	-	-		\$ (10,366)	(10,366)
Total Business-Type Activities	146,270	135,904	-	-		(10,366)	(10,366)
General Revenues:							
State Revenues not Restricted to Specific Programs					1,633,405		1,633,405
Federal Revenues not Restricted to Specific Programs					5,080		5,080
Private Revenues not Restricted to Specific Programs					4,498		4,498
Investment Earnings					9,330		9,330
Rentals					20,000		20,000
Miscellaneous					4,040		4,040
Refunds and Reimbursements					965	-	965
Transfers					(10,015)	10,015	-
Total General Revenues					1,667,303	10,015	1,677,318
Change in Net Position					9,908	(351)	9,557
Net Position - Beginning of Year					846,090	22,483	868,573
Prior Period Adjustment					(19,084)	-	(19,084)
Net Position - Ending of Year					\$ 836,914	\$ 22,132	\$ 859,046

The accompanying notes are an integral part of these financial statements

Fayston School District
Combined Balance Sheet
All Fund Types - Fund Base
June 30, 2015

EXHIBIT III

	Governmental Fund Types		Proprietary Fund Type	
	General Fund	Special Revenue Fund	Enterprise Fund	Totals
ASSETS:				
Current Assets:				
Cash	\$ 109,936	\$ 120,345		\$ 230,281
Due From Other Funds	24,753	13,196		37,949
Accounts Receivable - Town			\$ 5,912	5,912
Accounts Receivable - Supervisory Union	7,457	2,024	6,182	15,663
Prepaid Expenses	11,040			11,040
Inventory	-	-	4,547	4,547
Total Current Assets	<u>153,186</u>	<u>135,565</u>	<u>16,641</u>	<u>305,392</u>
Other Assets:				
Fixed Assets - Net	-	-	18,061	18,061
Total Other Assets	<u>-</u>	<u>-</u>	<u>18,061</u>	<u>18,061</u>
TOTAL ASSETS	<u>\$ 153,186</u>	<u>\$ 135,565</u>	<u>\$ 34,702</u>	<u>\$ 323,453</u>
LIABILITIES AND FUND EQUITIES:				
Liabilities:				
Due To Other Funds		\$ 25,378	\$ 12,570	\$ 37,948
Accounts Payable - State	\$ 12,584			12,584
Accounts Payable - Supervisory Union	79			79
Accounts Payable - Other	27,623	206		27,829
Accrued Expenses	<u>5,165</u>	<u>-</u>	<u>-</u>	<u>5,165</u>
Total Liabilities	<u>45,451</u>	<u>25,584</u>	<u>12,570</u>	<u>83,605</u>
Fund Equity:				
Fund Balances:				
Unassigned	56,564			56,564
Committed	51,171			51,171
Restricted		109,981		109,981
Net Position	<u>-</u>	<u>-</u>	<u>22,132</u>	<u>22,132</u>
Total Fund Equities	<u>107,735</u>	<u>109,981</u>	<u>22,132</u>	<u>239,848</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$ 153,186</u>	<u>\$ 135,565</u>	<u>\$ 34,702</u>	<u>\$ 323,453</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2015

Fund Balances – total governmental funds	\$ 217,716
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Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the
governmental funds:

Governmental capital assets	1,426,012
Less accumulated depreciation	(767,533)

Other assets used in governmental activities are not financial
resources and therefore are not reported in the
governmental funds:

Deferred Outflows – VMERS	7,940
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Bonds payable and contractual obligations have not been
included in the governmental fund financial statements.

Capital Lease Obligations	(19,926)
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Accrued liabilities have not been reflected in the governmental
Fund financial statements:

Net Pension Liability	(5,946)
Deferred Inflows – VMERS	<u>(21,349)</u>

Net Position of Governmental Activities	<u>\$ 836,914</u>
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The accompanying notes are an integral part of these financial statements

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, 2015

EXHIBIT IV

	General Fund	Special Revenue Fund	Totals
REVENUES:			
Interest on Investments	\$ 9,170	\$ 160	\$ 9,330
Town Rental	20,000		20,000
Refunds and Reimbursements	965		965
Miscellaneous	4,040		4,040
Private/Local		30,884	30,884
State	1,653,304		1,653,304
Federal	<u>5,080</u>	<u>-</u>	<u>5,080</u>
TOTAL REVENUES	<u>1,692,559</u>	<u>31,044</u>	<u>1,723,603</u>
EXPENDITURES:			
Direct Services	1,009,484	32,209	1,041,693
Support Services:			
Students	115,594		115,594
Instructional Staff	79,010		79,010
General Administration	51,342		51,342
Area Administration	152,537		152,537
Fiscal Services	31,340		31,340
Operation & Maintenance of Building	157,742		157,742
Transportation	<u>46,957</u>	<u>1,773</u>	<u>48,730</u>
TOTAL EXPENDITURES	<u>1,644,006</u>	<u>33,982</u>	<u>1,677,988</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	48,553	(2,938)	45,615
OTHER FINANCING SOURCES (USES):			
Transfers In		20,000	20,000
Transfers Out	<u>(30,015)</u>	<u>-</u>	<u>(30,015)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	18,538	17,062	35,600
FUND BALANCE, JULY 1, 2014	<u>89,197</u>	<u>92,919</u>	<u>182,116</u>
FUND BALANCE, JUNE 30, 2015	<u>\$ 107,735</u>	<u>\$ 109,981</u>	<u>\$ 217,716</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, 2015

Net Changes in fund Balances – total governmental funds	\$ 35,600
Amount reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:	
Expenditures for capital assets	0
Less current year depreciation	(36,461)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Repayment on Capital Lease Obligation	11,040
Expenses reported in the Statement of Activities does not require the use of current financial resources and is therefore not reported as expenditures in governmental funds:	
Deferred Outflows – VMERS Change	7,940
Net Pension Liability Change	(5,946)
Deferred Inflows – VMERS Change	<u>(21,349)</u>
Change in Net Position of Governmental Funds	<u>\$ (9,176)</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Statement of Revenues, Expenditures and
Changes in Net Position
Proprietary Fund Type - Enterprise Fund
Food Program
For The Year Ended June 30, 2015

EXHIBIT V

Operating Revenues:		
Sales	\$ 88,449	
Refunds	2,527	
Other	<u>1,368</u>	
Total Operating Revenues		\$ 92,344
Operating Expenses:		
Salaries and Benefits	84,974	
Repairs and Maintenance	1,322	
Travel	1,881	
Utilities	762	
Food and Supplies	50,486	
Commodities	5,962	
Equipment	160	
Depreciation	<u>723</u>	
Total Operating Expenses		<u>146,270</u>
Operating Income (Loss)		(53,926)
Non-Operating Revenue:		
State Sources:		
Restricted Grants:		
Lunch Match	1,134	
Child Nutrition Breakfast	316	
Child Nutrition Other	378	
Federal Sources:		
Restricted Grants:		
National School Lunch Program	25,344	
National School Breakfast Program	10,426	
Commodities	<u>5,962</u>	
Total Non-Operating Revenue		<u>43,560</u>
Increase (Decrease) in Net Position Before Transfers		(10,366)
Operating Transfers In (Out)		<u>10,015</u>
Increase (Decrease) in Net Position		(351)
Net Position, July 1, 2014		<u>22,483</u>
Net Position, June 30, 2015		<u>\$ 22,132</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, 2015

EXHIBIT VI

Cash Flows From Operating Activities:

Received From Customers	\$ 87,185	
Payments To Employees and Fringe Benefits	(84,974)	
Payments To Vendors and Supplies	<u>(62,818)</u>	
Net Cash Used By Operating Activities		\$ (60,607)

Cash Flows From Noncapital Financing Activities:

State Aid Received	45,768	
Support From General Fund	<u>14,839</u>	
Net Cash Used By Noncapital Financing Activities		60,607

Cash Flows From Capital and Related Financing Activities:

None		-
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Cash Flows From Investing Activities:

None		<u>-</u>
------	--	----------

Net Increase (Decrease) in Cash

-

Cash, July 1, 2014

-

Cash, June 30, 2015

\$ -

Reconciliation of Operating Income (Loss) to Net Cash
Used By Operating Activities:

Cash Provided From Operating Activities:

Operating Income (Loss)		\$ (53,926)
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Adjustments to Reconcile Net Income to Cash

Provided (Used) By Operating Activities:

Depreciation	\$ 723	
(Increase) Decrease in Accounts Receivable - Town	(5,912)	
(Increase) Decrease in Accounts Receivable - Other LEAs	753	
Increase (Decrease) in Accts Payable - Other	<u>(2,245)</u>	
Total Adjustments		<u>(6,681)</u>

Net Cash Provided (Used) By Operating Activities		<u>\$ (60,607)</u>
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The accompanying notes are an integral part of these financial statements

Fayston School District
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity:

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

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

Basic Financial Statements - District-wide:

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Basic Financial Statements – Fund Financial Statements:

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

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

Governmental Fund Types:

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Types:

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

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

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

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

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

Other Accounting Policies:

Cash and Cash Equivalents:

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

Interfund Receivables and Payables:

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Transfers:

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

Deposits and Investments:

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

Accounts Receivable:

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

Inventory:

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

Prepaid Items:

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

Deferred Inflows of Resources:

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

Capital Assets:

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

in excess of one year (categories of assets are depreciated over the following lives; land improvements 10-40 years, buildings 25-50 years, building improvements 10-50 years, infrastructure 10-50 years, furniture & equipment 3-20 years, and vehicles 3-15 years). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets, except for land and construction in progress are depreciated using the straight line method over the estimated useful lives with a full year of depreciation taken in the year acquired and none taken in the year of disposal. Land and construction in progress are not depreciated.

Long-term Obligations:

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

Pensions:

VSTR. For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the Vermont Teachers Retirement System (VTRS), information about VTRS's fiduciary net position and additions to/deductions from VSTR's fiduciary net position have been determined on the same basis as they are reported by VSTR. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

VMERS. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (VMERS) and additions to/deductions from VMERS's fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Budgetary Data:

The School District is required by state law to adopt a budget for the General Fund. The budget is prepared on the modified accrual basis of accounting which is consistent with generally accepted accounting principles ("GAAP"). Annual appropriations lapse at the end of each

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

fiscal year with the exception of restricted programs indicated as a fund balance restricted or committed. The following procedures are used to establish a budget:

The School Board with assistance from the Supervisory Union and the School District's Administration drafts a budget. The operating budget includes proposed expenditures by line item and the means of financing them.

The budget is adopted by the School Board for presentation to the voters as a warning or article in the annual report.

The voters vote on the total expense amount and not the individual line items at the School District's annual meeting or subsequent special meetings.

Encumbrances:

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

Use of Estimates:

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

Net Resources and Fund Balance:

District-wide Financial Statements:

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Fund Based Financial Statements:

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

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

Assigned Fund Balance – Includes amounts intended to be used by the government for specific purposes, as determined by the Board, but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

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

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

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Function and Object Codes:

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

Memorandum Only Columns:

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

NOTE 2 – CASH, CASH EQUIVALENTS, AND REPURCHASE AGREEMENTS

Cash and cash equivalent deposits with financial institutions at June 30th amounted to \$230,281. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

Interest Rate Risk:

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

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

Custodial Credit Risk:

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

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

Concentration of Credit Risk:

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

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

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

These four levels of risk are as follows:

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

Balances held in each area are as follows:

	Carrying Amount	Bank Balance
- Insured (FDIC) and/or (SIPC)	\$230,281	\$305,258
- Category 1	0	0
- Category 2	0	0
- Category 3	0	0
- Category 4	0	0
Total deposits	<u>\$230,281</u>	<u>\$305,258</u>

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

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, 2015, is as follows:

Fund Financial Statements:		
Receivable Fund	Payable Fund	Amount
	Enterprise Fund:	
General Fund	Food Program	<u>\$12,570</u>
	Special Revenue Fund:	
General Fund	Maintenance Reserve	<u>\$25,378</u>
Special Revenue Fund:		
Medicaid IEP	General Fund	\$ 2,316
Community Assistance Grant	General Fund	174
Winter Sports Program	General Fund	2,182
School Garden	General Fund	166
Book Fair	General Fund	1,877
Class of 2015	General Fund	865
Exxon Mobil Grant	General Fund	2,124
VT Rural Partnership	General Fund	2,698
PK Reading Loft	General Fund	110
Girls on the Run	General Fund	647
Vase Small Equipment Grant	General Fund	31
Spirit Fund	General Fund	<u>6</u>
	Total Special Revenue Fund	<u>\$13,196</u>
District-wide Financial Statements:		
Receivable Fund	Payable Fund	Amount
Governmental Type	Business Type	<u>\$12,570</u>

NOTE 4 – CAPITAL ASSETS

Capital activity for the School District for the year ended June 30, 2015, was as follows:

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Primary Government</u>			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets being depreciated:				
Land Improvements	\$ 47,161	\$ 0	\$ 0	\$ 47,161
Buildings	61,989	0	0	61,989
Building Improvements	1,233,445	0	0	1,233,445
Furniture and Equipment	<u>83,417</u>	<u>0</u>	<u>0</u>	<u>83,417</u>
Total other capital assets at historical costs	<u>1,426,012</u>	<u>0</u>	<u>0</u>	<u>1,426,012</u>
Less accumulated depreciation:				
Land Improvements	26,593	1,143	0	27,736
Buildings	61,989	0	0	61,989
Building Improvements	599,779	24,952	0	624,731
Furniture and Equipment	<u>42,711</u>	<u>10,366</u>	<u>0</u>	<u>53,077</u>
Total accum. Depr.	<u>731,072</u>	<u>36,461</u>	<u>0</u>	<u>767,533</u>
Governmental activities Capital Assets, Net	<u>\$ 694,940</u>	<u>\$(36,461)</u>	<u>\$ 0</u>	<u>\$ 658,479</u>
Business-type activities:				
Building Improvements	\$ 21,676	\$ 0	\$ 0	\$ 21,676
Furniture and Equipment	10,000	0	0	10,000
Less accum. Depr.	<u>12,892</u>	<u>723</u>	<u>0</u>	<u>13,615</u>
Business-type activities Capital Assets, Net	<u>\$ 18,784</u>	<u>\$ (723)</u>	<u>\$ 0</u>	<u>\$ 18,061</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Direct Services	\$25,660
Support Services:	
Students	0
Instructional Staff	9,294
General Administration	0
Area Administration	0
Fiscal Services	0
Operation and Maintenance of Plant	1,507
Transportation	0

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Other Support Services	<u>\$ 0</u>
Total governmental activities depreciation expense	<u>\$36,461</u>

NOTE 5 – SHORT-TERM DEBT

Short-term debt activity consisted of the following for the year ended June 30, 2015:

	Balance July 1, 2014	Borrowings	Retirements	Balance June 30, 2015
Revenue/Tax Anticipation Note, Issued July 1, 2014, Interest at 1.24%, due June 30, 2015	<u>\$ 0</u>	<u>\$450,000</u>	<u>\$450,000</u>	<u>\$ 0</u>

NOTE 6 - SICK LEAVE

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

Teaching staff shall earn 20 sick days per year, and may accumulate a maximum of 90 days per the Master Teacher's Agreement. Non-teaching staff shall earn sick days in varying amounts, determined by individual contracts.

There is currently no vesting of sick days and no sick day buy outs at year-end.

NOTE 7 – OPEB AND TERMINATION BENEFITS

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 7 – OPEB AND TERMINATION BENEFITS (CONTINUED)

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

From time to time the Board may, at its own discretion, decide to offer a retirement incentive to teachers. No incentive was offered in fiscal year 2014-2015; therefore, there is currently no liability for futures years.

NOTE 8 - LONG-TERM OBLIGATIONS

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

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

	Balance July 1, 2014	Borrowings	Retirements	Balance June 30, 2015
BONDS:				
Vermont Municipal Bond Bank, Bond Payable, interest at 5.809%, interest paid semi-annually, principal of \$35,000 due on December 1 st of 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. Principle payments are complete; however, due to a refinance in 2009, interest savings allocations (revenues) will continue until FY 2018-2019	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL BONDS	\$ 0	\$ 0	\$ 0	\$ 0
Total Bonds and Notes	\$ 0	\$ 0	\$ 0	\$ 0

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

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, 2016	\$ 0	\$(1,128)	\$(1,128)
2017	0	(1,663)	(1,663)
2018	0	(1,547)	(1,547)
2019	<u>0</u>	<u>(403)</u>	<u>(403)</u>
Totals	<u>\$ 0</u>	<u>\$(4,338)</u>	<u>\$(4,338)</u>

The following is a summary of other long term obligation:

	Balance July 1, 2014	Increases	Retirements	Balance June 30, 2015
OTHER LONG-TERM OBLIGATIONS:				
Obligations Under Capital Lease	<u>\$30,966</u>	<u>\$ 0</u>	<u>\$11,040</u>	<u>\$19,926</u>

NOTE 9 - CAPITAL LEASES

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

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

During the year ended June 30, 2016	\$11,041
2017	<u>11,041</u>
Total minimum lease payments	22,082
Less amount representing interest	<u>2,156</u>
Present value of minimum lease payments	<u>\$19,926</u>

Interest rate on the capitalized lease is approximately 7.13 percent.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

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

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

General Fund:

Fiscal Year 2015-2016 Budget	<u>\$ 51,171</u>
------------------------------	------------------

Special Revenue Fund:

Medicaid IEP	\$ 4,340
Maintenance Reserve	94,967
Community Assistance	174
Winter Sports Program	2,086
School Garden Fund	166
Book Fair	1,877
Exxon Mobil	2,124
VT Rural Partnership	2,588
Class of 2015	865
Spirit Fund	6
Vase Small Equipment Grant	31
Girls on the Run	647
PK Reading Lost	<u>110</u>
Total	<u>\$109,981</u>

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

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

Net Resources Restricted For Other Purposes:

Fiscal Year 2015-2016 Budget	\$ 51,171
Medicaid IEP	4,340
Maintenance Reserve	94,967
Community Assistance	174
Winter Sports Program	2,086

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

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

Net Resources Restricted For Other Purposes (continued):

School Garden Fund	\$ 166
Book Fair	1,877
Exxon Mobil	2,124
Vt. Rural Partnership	2,588
Class of 2015	865
Spirit Fund	6
Vase Small Equipment Grant	31
Girls on the Run	647
PK Reading Lost	<u>110</u>
Total	<u>\$161,152</u>

NOTE 12 – TRANSFERS IN THE FUND BASED FINANCIAL STATEMENTS

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

Funds of \$20,000 were transferred from the General Fund to the Special Revenue Fund – Maintenance Reserve as per article passed by voters.

Funds of \$10,015 were transferred from the General Fund to the Enterprise Fund – Food Program for the purpose of subsidizing operations

NOTE 13 - PENSIONS

VERMONT TEACHERS' RETIREMENT SYSTEM

Plan Description. VSTR is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the Vermont State Teachers Retirement System (VSTR) that provides benefits for teaching-certified employees of participating school districts. Title 16 of the Vermont State Statutes grants the authority to establish and amend the benefit terms to the VSTR Board of Trustee. VSTR issues a publicly available financial report that can be obtained at www.vermonttreasurer.gov/retirement/vstr-financial-reports.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 13 – PENSIONS (CONTINUED)

VERMONT TEACHERS' RETIREMENT SYSTEM (CONTINUED)

Benefits provided. VSTR provides retirement, disability, and death benefits. Retirement benefits vary based on group classification (Group A or Group C), years of service, and age at retirement. Details of benefits are explained in Vermont Statutes Annotated Title 16 Section 1937. Five years of service is required for disability eligibility. Details of disability benefits are explained in Vermont Statutes Annotated Title 16 section 1938. Details of death benefits are explained in Vermont Statutes Annotated Title 16 section 1940.

Public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A are eligible for group A benefits. Public school teachers employed within the State of Vermont on or after July 1, 1990 are automatically a Group C member. All employees hired before July 1, 1990 who were a Group B member are now a Group C member.

Contributions. Per Vermont Statutes Annotated Title 16 Section 1944, contribution requirements of the active employees and the participating school districts are established and may be amended by the VSTR Board. Title 16 also requires the State to contribute 100 percent of school districts' contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees are required to contribute 5.5% for Group A, 6% for Group C with less than 5 years of employment and 5% for Group C with more than 5 years of employment of their annual pay. The school districts' contractually required contribution rate for the year ended June 30, 2015, was 12.75 percent of annual school district payroll of which 0 percent of payroll was required from the school districts and 12.75 percent of payroll was required from the State. State contributions to the pension plan were \$104,238 for the year ended June 30, 2015.

Pension Liability, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2014, the State reported a liability of \$1,312,844 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the date. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to the total projected contributions of the state and all participating school districts, actuarially determined. At June 30, 2014, the State's proportion was 100 percent.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 13 – PENSIONS (CONTINUED)

VERMONT TEACHERS' RETIREMENT SYSTEM (CONTINUED)

As a result of its requirement to contribute to VSTR, the State recognized expense of \$127,542 for the year ended June 30, 2014. At June 30, 2014, the State reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to VSTR.

	Deferred Outflows <u>Of Resources</u>	Deferred Inflows <u>Of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	(128,297)
Change in proportional share	2,364	0
State contributions subsequent to the measurement date	<u>0</u>	<u>0</u>
Total	<u>\$2,364</u>	<u>\$(128,297)</u>

\$(94,427) reported as deferred outflows/inflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources as a result of the State's requirement to contribute to VSTR will be recognized in expenses as follows:

Year ended June 30:	
2016	\$(31,213)
2017	(31,213)
2018	(32,001)
2019	0
2020	0
Thereafter	0

Actuarial assumptions. The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3-3.25 percent
Salary increases	4.25 – 8.4 percent, average, including inflation
Investment rate of return	13.83 percent, net of pension plan investment expense, Including inflation

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 13 – PENSIONS (CONTINUED)

VERMONT TEACHERS' RETIREMENT SYSTEM (CONTINUED)

Mortality rates were based on the 12995 Buck Mortality Tables for Males or Females, as appropriate.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2010. Expectation of life after disability was based on RP 2000 Disabled Life Tables.

The long-term expected rate of return on System investments was determined using best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. These best estimate ranges were combined to produce forecast of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.6.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.94%
Equity	31.5	6.70
Alternative	15.5	6.26
Multi-Strategy	20.0	5.98

Discount rate. The discount rate used to measure the total pension liability was 8.15 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined, and that contributions from

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 13 – PENSIONS (CONTINUED)

VERMONT TEACHERS' RETIREMENT SYSTEM (CONTINUED)

the State will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the State's proportionate share of the net pension liability to changes in the discount rate. The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 8.15 percent, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.15 percentage) or 1-percentage-point higher (9.15 percentage) than the current rate:

	1% Decrease <u>(7.15%)</u>	Discount Rate <u>(8.15%)</u>	1% Increase <u>(9.15%)</u>
State's proportionate share of The net pension liability	\$1,724,173	\$1,312,844	\$967,560

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued VSTR financial report.

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

Employees of the District are provided with pensions through the Vermont Municipal Employees' Retirement System (VMERS) – a cost-sharing multiple employer defined benefit pension plan administered by a board of five trustees, known as the Retirement Board. Vermont Statutes Annotated title 24 Section 5062 grants the responsibility for the proper operation and effective provision of the Retirement System to the Retirement Board. VMERS issues a publicly available financial report that can be obtained at www.vermonttreasurer.gov/retirement/muni-financial-reports.

Benefits provided. VMERS provides retirement, disability and death benefits. Details of benefits can be obtained at www.vermonttreasurer.gov/retirement/muni-group-plans and www.vermonttreasurer.gov/retirement/muni-group-comparisons.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 13 – PENSIONS (CONTINUED)

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

Contributions. Per Title 24 Chapter 125 of the Vermont Statutes, contribution requirements of the active employees and the participating School District are established and may be amended by the Retirement Board. Employees and the School District's contributions vary based on group classification (Group A, B, C, or D)

	Group A	Group B	Group C	Group D
Employees' Contributions (% of gross wages)	2.5%	4.75%	9.75%	11.25%
The School District's contributions (% of gross wages)	4.0%	5.375%	7.0%	9.75%

Further information on contributions can be obtained at
www.vermonttreasurer.gov/retirement/municipal-group-comparisons.

The School District contractually required contribution rate for the year ended June 30, 2015, was the percentage of annual payroll from the above table, which is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$7,940 for the year ended June 30, 2015.

Pension Liability, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions.

At June 30, 2015, the School District reported a liability of \$5,946 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District long-term share of contributions to the pension plan relative to the projected contributions of all participating School Districts, actuarially determined. At June 30, 2014, the School District's proportion was 0.0651 percent, which was a decrease of 0.0104 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$8,211. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 13 – PENSIONS (CONTINUED)

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

	Deferred Outflows <u>Of Resources</u>	Deferred Inflows <u>Of Resources</u>
Differences between expected and actual experience	\$0	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual		
Earnings on pension plan investments	0	(18,335)
Changes in proportion and differences between		
School District contributions and		
Proportionate share of contributions	0	(3,014)
School District contributions subsequent		
To the measurement date	<u>0</u>	<u>0</u>
Total	<u>\$0</u>	<u>\$(21,349)</u>

\$(18,198) reported as deferred outflows/inflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expenses as follows:

Year ended June 30:	
2016	\$(6,066)
2017	(6,066)
2018	(6,066)
2019	0
2020	0
Thereafter	0

Actuarial assumptions. The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3-3.25 percent
Salary increases	5 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, Including inflation

Mortality rates were based on the 12995 Buck Mortality Tables for Males or Females, as appropriate.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 13 – PENSIONS (CONTINUED)

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

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2010. Expectation of life after disability was based on RP 2000 Disabled Life Tables.

The long-term expected rate of return on System investments was determined using best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. These best estimate ranges were combined to produce forecast of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.6.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.94%
Equity	31.5	6.70
Alternative	15.5	6.26
Multi-Strateg	20.0	5.98

Discount rate. The discount rate used to measure the total pension liability was 8.23 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the School District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 13 – PENSIONS (CONTINUED)

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

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate. The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 8.23 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.23 percentage) or 1-percentage-point higher (9.23 percentage) than the current rate:

	1% Decrease <u>(7.23%)</u>	Discount Rate <u>(8.23%)</u>	1% Increase <u>(9.23%)</u>
School District's proportionate share of The net pension liability	\$50,091	\$5,946	\$(31,090)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued VMERS financial report.

NOTE 14 - RISK MANAGEMENT

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

In addition, the Fayston School District as a member of Vermont School Boards Association (Association), participates in that entity's public entity risk pools. The Association has set up two insurance trusts; Vermont School Board Insurance Trust, Inc. (VSBIT) for Workers Compensation, Multi-Line Intermunicipal School Program, and Unemployment Compensation Program, and the Vermont Education Health Initiative (VEHI) for Medical Benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 14 - RISK MANAGEMENT (CONTINUED)

programs for Vermont school districts and are owned by the participating districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 14 - RISK MANAGEMENT (CONTINUED)

the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 15 - OPERATING LEASES

On October 4, 2013, the School District entered into a lease agreement with Office Systems of Vermont, which became Leaf Capital Funding, for the lease of a photocopier. The total amount due is \$7,452, to be paid in annual installments of \$2,384 over 3 years. The following is a schedule of future minimum lease payments under this lease.

During the year ended June 30, 2016	<u>\$2,484</u>
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Total minimum lease payments made this year were \$2,484.

NOTE 16 - SUBSEQUENT EVENTS

On July 1, 2015, the School District took out a Tax/Revenue Anticipation Note from the Peoples United Bank in the amount of \$500,000 at 1.19% interest. Any outstanding principal and interest are due at maturity on June 30, 2016.

NOTE 17 - COMMITMENTS

On June 25, 2015, the Fayston School District entered into a contract with Gillespie Fuels & Propane, Inc. to prepay \$14,375 worth of fuel for the period July 1, 2015, through June 30, 2016. Any unused account balance at June 30, 2016, will be refunded to the School District.

The School District participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any money recovered may be required and the collectibility of any related receivable at June 30, 2015, may be impaired. It is the opinion of the School District, that there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2015

NOTE 17 – COMMITMENTS (CONTINUED)

The School District is responsible for the withholding and paying over of certain payroll taxes and related items. At June 30, 2015, School District showed a liability for any taxes due and unpaid. These taxes are subject to audit by the State and federal government. It is the opinion of the School District, that there are no significant contingent liabilities relating to compliance with the rules and regulations governing these or other taxes.

NOTE 18 - RELATED PARTY

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

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

NOTE 19 - CONTINGENCY

Annually, before November 1st, the Secretary of the Vermont Agency 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 might have to be repaid out of the proceeds. The amount of State construction aid received since July 1970 is not available but can be calculated by the State of Vermont in the event that a repayment is sought.

Fayston School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended June 30, 2015

Schedule 1

	Object	Original & Final Budget	Actual	Variance
REVENUES:				
Interest on Investments		\$ 8,500	\$ 6,391	\$ (2,109)
Interest Savings - Reallocated Bond		-	2,779	2,779
Town Rental		20,000	20,000	-
E-Rate Reimbursement		-	965	965
Miscellaneous		-	4,040	4,040
State:				
Education Spending Grant		1,484,407	1,484,407	-
Smalls Schools Grant		50,126	51,093	967
Transportation Reimbursement		19,930	19,899	(31)
Mainstream Block Grant		33,629	33,629	-
SPED Expenditure Reimbursement		62,126	55,576	(6,550)
Essential Early Education		4,700	8,700	4,000
Federal:				
IDEA-B		11,400	3,457	(7,943)
IDEA-B Preschool		<u>2,000</u>	<u>1,623</u>	<u>(377)</u>
TOTAL REVENUES		<u>1,696,818</u>	<u>1,692,559</u>	<u>(4,259)</u>
EXPENDITURES:				
Regular Instruction 1100:				
Salaries	110	430,164	426,323	3,841
Stipend Salaries	110	-	478	(478)
Mentoring Salaries	110	-	750	(750)
Tutor/Summer Salaries	112	-	841	(841)
Aide Salaries	115	23,007	12,239	10,768
Enrichment Salaries	119	1,200	900	300
Temporary Salaries	120	16,000	15,374	626
Personal Days	125	792	510	282
Teacher Additional Compensation	151	-	450	(450)
MGI Per Diem Salaries	170	-	3,072	(3,072)
Health Insurance	210	119,137	121,896	(2,759)
Section 125	211	500	477	23
Social Security	220	35,837	33,646	2,191
Life Insurance	230	2,324	2,772	(448)
Retirement	240	1,237	807	430
Workers Compensation	250	3,943	3,493	450
Unemployment Compensation	260	791	705	86
Tuition Reimbursement	270	18,500	15,836	2,664

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, 2015

Schedule 1

	Object	Original & Final Budget	Actual	Variance
Dental Insurance	280	\$ 8,057	\$ 6,239	\$ 1,818
Purchased Services	330	500	-	500
Testing Services	332	1,000	43	957
Copier	410	3,650	2,986	664
Travel	580	1,500	505	995
Supplies	610	13,500	11,239	2,261
Books and Periodicals	640	11,000	1,235	9,765
Enrichment Program	650	3,000	2,724	276
Equipment	730	1,500	-	1,500
Principals Fund	800	750	3,171	(2,421)
Subtotal		<u>697,889</u>	<u>668,711</u>	<u>29,178</u>
Early Education 1100:				
Salaries	110	13,522	14,169	(647)
Per Diem Salaries	110	-	122	(122)
Aide Salaries	115	6,468	6,983	(515)
Personal Days	125	35	13	22
Per Diem Extra Salaries	151	-	201	(201)
Health Insurance	210	224	-	224
Social Security	220	1,532	1,246	286
Life Insurance	230	141	-	141
Retirement	240	954	-	954
Workers Compensation	250	174	138	36
Unemployment Compensation	260	123	32	91
Professional Development	270	769	-	769
Purchased Services	330	32,604	17,160	15,444
Supplies	610	-	800	(800)
Books and Periodicals	640	-	105	(105)
Subtotal		<u>56,546</u>	<u>40,969</u>	<u>15,577</u>
English as a Second Language 1101:				
Purchased Services	330	-	8,025	(8,025)
Subtotal		<u>-</u>	<u>8,025</u>	<u>(8,025)</u>
Art 1102:				
Salaries	110	19,822	19,054	768
Personal Days	125	44	82	(38)
Insurance Compensation	212	280	280	-
Social Security	220	1,516	1,363	153
Life Insurance	230	164	-	164
Workers Compensation	250	172	138	34

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, 2015

Schedule 1

	Object	Original & Final Budget	Actual	Variance
Unemployment Compensation	260	\$ 68	\$ 30	\$ 38
Supplies	610	1,250	1,281	(31)
Equipment	730	1,000	-	1,000
Subtotal		<u>24,316</u>	<u>22,228</u>	<u>2,088</u>
Foreign Language 1106:				
Salaries	110	22,127	22,127	-
Personal Days	125	44	14	30
Insurance Compensation	212	280	280	-
Social Security	220	1,696	1,715	(19)
Life Insurance	230	174	20	154
Workers Compensation	250	193	155	38
Unemployment Compensation	260	68	34	34
Supplies	610	300	47	253
Subtotal		<u>24,882</u>	<u>24,392</u>	<u>490</u>
Physical Education 1108:				
Salaries	110	16,902	15,366	1,536
Personal Days	125	44	10	34
Insurance Compensation	212	280	-	280
Social Security	220	1,296	1,176	120
Life Insurance	230	244	32	212
Workers Compensation	250	147	118	29
Unemployment Compensation	260	68	24	44
Supplies	610	750	622	128
Subtotal		<u>19,731</u>	<u>17,348</u>	<u>2,383</u>
Music 1112:				
Salaries	110	22,895	22,895	-
Personal Days	125	-	25	(25)
Health Insurance	210	7,176	5,462	1,714
Social Security	220	1,751	1,596	155
Life Insurance	230	176	-	176
Workers Compensation	250	199	160	39
Unemployment Compensation	260	68	35	33
Dental Insurance	280	497	409	88
Repairs and Maintenance	430	200	-	200
Supplies	610	300	288	12
Equipment	730	1,000	-	1,000
Subtotal		<u>34,262</u>	<u>30,870</u>	<u>3,392</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, 2015

Schedule 1

	Object	Original & Final Budget	Actual	Variance
Special Education 1200:				
Salaries	110	\$ 48,863	\$ 48,863	\$ -
Tutor	112	1,740	1,628	112
Aide Salaries	115	59,526	73,547	(14,021)
Temporary Salaries	120	-	424	(424)
Personal Days	125	88	-	88
Health Insurance	210	10,704	12,691	(1,987)
Social Security	220	8,432	9,217	(785)
Life Insurance	230	174	205	(31)
Retirement	240	3,200	2,945	255
Workers Compensation	250	943	757	186
Unemployment Compensation	260	315	168	147
Tuition Reimbursement	270	1,538	389	1,149
Dental Insurance	280	669	610	59
Travel	580	-	170	(170)
Supplies	610	700	1,261	(561)
Equipment	730	500	498	2
Subtotal		<u>137,392</u>	<u>153,373</u>	<u>(15,981)</u>
Essential Early Education Program 1200:				
Supplies	610	<u>700</u>	<u>243</u>	<u>457</u>
Subtotal		<u>700</u>	<u>243</u>	<u>457</u>
Compensatory Education Literacy 1250:				
Salaries	110	38,952	38,952	-
Personal Days	125	-	2	(2)
Insurance Compensation	212	420	420	-
Social Security	220	2,980	2,910	70
Life Insurance	230	234	201	33
Workers Compensation	250	339	272	67
Unemployment Compensation	260	68	60	8
Dental Insurance	280	<u>746</u>	<u>508</u>	<u>238</u>
Subtotal		<u>43,739</u>	<u>43,325</u>	<u>414</u>
Guidance Services 2120:				
Salaries	110	19,822	19,822	-
Personal Days	125	44	26	18
Health Insurance	210	2,723	3,404	(681)
Social Security	220	1,520	1,518	2
Life Insurance	230	164	132	32
Workers Compensation	250	172	6	166

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, 2015

Schedule 1

	Object	Original & Final Budget	Actual	Variance
Unemployment Compensation	260	\$ 68	\$ 31	\$ 37
Dental Insurance	280	186	-	186
Supplies	610	250	181	69
Subtotal		<u>24,949</u>	<u>25,120</u>	<u>(171)</u>
Health Services 2130:				
Salaries	110	25,354	19,325	6,029
Substitute Salaries	120	-	13	(13)
Personal Days	125	66	14	52
Insurance Compensation	212	420	-	420
Social Security	220	1,945	1,480	465
Life Insurance	230	275	34	241
Workers Compensation	250	221	175	46
Unemployment Compensation	260	136	30	106
Repairs and Maintenance	430	250	163	87
Supplies	610	1,000	856	144
Subtotal		<u>29,667</u>	<u>22,090</u>	<u>7,577</u>
Health Education 2135:				
Salaries	110	-	5,532	(5,532)
Insurance Compensation	212	-	70	(70)
Social Security	220	-	428	(428)
Workers Compensation	250	-	2	(2)
Unemployment Compensation	260	-	8	(8)
Subtotal		<u>-</u>	<u>6,040</u>	<u>(6,040)</u>
SPED Services 2140:				
Contracted Services - Evaluations	330	4,500	9,295	(4,795)
Equipment	739	-	(629)	629
Subtotal		<u>4,500</u>	<u>8,666</u>	<u>(4,166)</u>
SPED Physical Therapy Services 2140:				
Contracted Services	330	310	-	310
Subtotal		<u>310</u>	<u>-</u>	<u>310</u>
EEE Physical Therapy Services 2140:				
Contracted Services - Evaluations	330	6,000	1,623	4,377
Subtotal		<u>6,000</u>	<u>1,623</u>	<u>4,377</u>
Special Education Speech 2150:				
Salaries	110	32,038	32,533	(495)
Per Diem Salaries	110	-	154	(154)
Summer Salaries	112	450	634	(184)

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, 2015

Schedule 1

	Object	Original & Final Budget	Actual	Variance
Personal Days	125	\$ 66	\$ 95	\$ (29)
Per Diem Salaries	151	-	185	(185)
Health Insurance	210	10,764	10,293	471
Social Security	220	2,490	1,618	872
Life Insurance	230	212	169	43
Workers Compensation	250	279	217	62
Unemployment Compensation	260	68	52	16
Professional Development	270	1,154	-	1,154
Dental Insurance	280	746	679	67
Travel	580	-	105	(105)
Supplies	610	750	638	112
Subtotal		<u>49,017</u>	<u>47,372</u>	<u>1,645</u>
SPED Occupational Therapy Services 2160:				
Contracted Services	330	<u>1,275</u>	<u>875</u>	<u>400</u>
Subtotal		<u>1,275</u>	<u>875</u>	<u>400</u>
EEE Occupational Therapy Services 2160:				
Contracted Services	330	<u>-</u>	<u>1,955</u>	<u>(1,955)</u>
Subtotal		<u>-</u>	<u>1,955</u>	<u>(1,955)</u>
SPED Physical Therapy Services 2190:				
Contracted Services	330	<u>1,125</u>	<u>683</u>	<u>442</u>
Subtotal		<u>1,125</u>	<u>683</u>	<u>442</u>
EEE Physical Therapy Services 2190:				
Contracted Services	330	<u>-</u>	<u>1,170</u>	<u>(1,170)</u>
Subtotal		<u>-</u>	<u>1,170</u>	<u>(1,170)</u>
Improvement of Instruction 2210:				
Inservice	320	<u>2,000</u>	<u>360</u>	<u>1,640</u>
Subtotal		<u>2,000</u>	<u>360</u>	<u>1,640</u>
Media Center 2220:				
Salaries	110	18,285	18,285	-
Personal Days	125	44	77	(33)
Health Insurance	210	2,723	2,598	125
Social Security	220	1,402	1,258	144
Life Insurance	230	161	97	64
Workers Compensation	250	159	128	31
Unemployment Compensation	260	68	29	39
Dental Insurance	280	186	170	16
Supplies	610	500	801	(301)

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, 2015

Schedule 1

	Object	Original & Final Budget	Actual	Variance
Books and Periodicals	640	\$ 3,000	\$ 3,188	\$ (188)
Audio Visual Materials	650	900	500	400
Subtotal		<u>27,428</u>	<u>27,131</u>	<u>297</u>
Audio Visual/Technology 2223:				
Salaries	116	-	2,875	(2,875)
Social Security	220	-	217	(217)
Purchased Services	331	11,000	11,213	(213)
Equipment Repair	430	2,000	422	1,578
Internet Connection	530	1,800	1,931	(131)
Supplies	610	2,000	1,534	466
Software	650	3,000	3,729	(729)
Equipment	730	1,756	1,537	219
Equipment Lease	731	13,455	11,041	2,414
Subtotal		<u>35,011</u>	<u>34,499</u>	<u>512</u>
Technology Integration 2229:				
Salaries	110	13,714	13,801	(87)
Personal Days	125	33	-	33
Health Insurance	210	2,042	1,944	98
Social Security	220	1,052	946	106
Life Insurance	230	142	72	70
Workers Compensation	250	119	109	10
Unemployment Compensation	260	68	21	47
Dental Insurance	280	-	127	(127)
Subtotal		<u>17,170</u>	<u>17,020</u>	<u>150</u>
Board of Education 2310:				
Secretary Salaries	116	1,000	825	175
Board Stipend	118	3,750	3,750	-
Social Security	220	364	350	14
Retirement	240	287	23	264
Unemployment Compensation	260	-	1	(1)
Legal	360	3,000	-	3,000
Insurance	523	2,300	2,248	52
Advertising	540	750	725	25
Miscellaneous	550	1,400	1,054	346
Dues and Fees	810	1,200	1,339	(139)
Subtotal		<u>14,051</u>	<u>10,315</u>	<u>3,736</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, 2015

Schedule 1

	Object	Original & Final Budget	Actual	Variance
District Treasurer 2313:				
Salaries	110	\$ 500	\$ 500	\$ -
Social Security	220	38	38	-
Subtotal		<u>538</u>	<u>538</u>	<u>-</u>
Assessment 2321:				
Supervisory Union Assessment	331	40,479	40,489	(10)
Subtotal		<u>40,479</u>	<u>40,489</u>	<u>(10)</u>
Administration 2400:				
Salaries	110	85,698	85,698	-
Support Staff Salaries	111	33,208	33,699	(491)
Coordinator Salaries	114	750	750	-
Temporary Salaries	120	-	243	(243)
Health Insurance	210	26,759	13,403	13,356
Social Security	220	9,154	9,024	130
Life Insurance	230	624	426	198
Retirement	240	1,785	1,708	77
Workers Compensation	250	1,034	855	179
Unemployment Compensation	260	136	130	6
Professional Development	270	4,000	2,140	1,860
Dental Insurance	280	-	1,264	(1,264)
Postage	531	1,500	843	657
Travel	580	800	208	592
Supplies	610	300	986	(686)
Equipment	730	-	935	(935)
Dues and Fees	810	750	225	525
Subtotal		<u>166,498</u>	<u>152,537</u>	<u>13,961</u>
Fiscal Services 2520:				
Business Manager Assessment	331	6,766	6,768	(2)
Accounting Assessment	331	15,212	15,216	(4)
Audit	370	3,700	3,700	-
Current Interest	830	4,500	5,565	(1,065)
Bank Service Charges	835	-	75	(75)
Bank Analysis Fees	890	-	16	(16)
Subtotal		<u>30,178</u>	<u>31,340</u>	<u>(1,162)</u>
Building Maintenance & Operation 2600:				
Salaries	110	41,226	40,363	863
Assistant Salaries	111	7,535	8,912	(1,377)

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, 2015

Schedule 1

	Object	Original & Final Budget	Actual	Variance
Health Insurance	210	\$ -	\$ 5,511	\$ (5,511)
Insurance Compensation	212	-	3	(3)
Social Security	220	3,413	3,589	(176)
Retirement	240	2,621	1,630	991
Workers Compensation	250	424	440	(16)
Unemployment Compensation	260	132	53	79
Contracted Services	330	3,500	200	3,300
Trash Removal	421	3,500	4,894	(1,394)
Snow Removal	422	2,900	2,000	900
Grounds Maintenance	424	4,000	4,780	(780)
Equipment Repair	430	27,350	24,083	3,267
Capital/Building Repair	435	6,500	2,939	3,561
Water Testing	460	1,000	1,549	(549)
Property Insurance	521	3,500	4,208	(708)
Telephone	530	3,200	2,308	892
Travel	580	250	75	175
Supplies	610	7,000	8,815	(1,815)
Electricity	622	20,160	14,974	5,186
Oil	624	24,000	21,582	2,418
Equipment	730	1,000	4,834	(3,834)
Subtotal		<u>163,211</u>	<u>157,742</u>	<u>5,469</u>
SPED Transportation 2700:				
Social Security	220	<u>4,900</u>	<u>-</u>	<u>4,900</u>
Subtotal		<u>4,900</u>	<u>-</u>	<u>4,900</u>
Transportation 2710:				
Contracted Transportation	519	<u>45,580</u>	<u>42,799</u>	<u>2,781</u>
Subtotal		<u>45,580</u>	<u>42,799</u>	<u>2,781</u>
Co-Curricular Transportation 2720:				
Field Trips	519	<u>2,500</u>	<u>4,158</u>	<u>(1,658)</u>
Subtotal		<u>2,500</u>	<u>4,158</u>	<u>(1,658)</u>
TOTAL EXPENDITURES		<u>1,705,844</u>	<u>1,644,006</u>	<u>61,838</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		(9,026)	48,553	57,579

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, 2015

Schedule 1

	Object	Original & Final Budget	Actual	Variance
OTHER FINANCING SOURCES (USES):				
Transfer to Special Revenue Fund		\$ (20,000)	\$ (20,000)	\$ -
Transfer to Enterprise Fund		<u>(9,000)</u>	<u>(10,015)</u>	<u>(1,015)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		(38,026)	18,538	56,564
FUND BALANCE, JULY 1, 2014		<u>-</u>	<u>89,197</u>	<u>89,197</u>
FUND BALANCE, JUNE 30, 2015		<u>\$ (38,026)</u>	<u>\$ 107,735</u>	<u>\$ 145,761</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Balance Sheet
Special Revenue Fund Components
June 30, 2015

Schedule 2
(page 1 of 2)

	Medicaid	Maintenance Reserve	Community Assistance Grant	Winter Sports Program	School Garden	Book Fair	Exxon Mobil Grant	Subtotals
ASSETS:								
Current Assets:								
Cash		\$ 120,345						\$ 120,345
Due From Other Funds	\$ 2,316		\$ 174	\$ 2,182	\$ 166	\$ 1,877	\$ 2,124	8,839
Accounts Receivable - Supervisory Union	<u>2,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,024</u>
Total Current Assets	<u>4,340</u>	<u>120,345</u>	<u>174</u>	<u>2,182</u>	<u>166</u>	<u>1,877</u>	<u>2,124</u>	<u>131,208</u>
TOTAL ASSETS	\$ 4,340	\$ 120,345	\$ 174	\$ 2,182	\$ 166	\$ 1,877	\$ 2,124	\$ 131,208
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Due To Other Funds		\$ 25,378						\$ 25,378
Accounts Payable - Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 96</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96</u>
Total Liabilities	<u>\$ -</u>	<u>25,378</u>	<u>\$ -</u>	<u>96</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>25,474</u>
Fund Balances:								
Restricted	<u>4,340</u>	<u>94,967</u>	<u>174</u>	<u>2,086</u>	<u>166</u>	<u>1,877</u>	<u>2,124</u>	<u>105,734</u>
Total Fund Balances	<u>4,340</u>	<u>94,967</u>	<u>174</u>	<u>2,086</u>	<u>166</u>	<u>1,877</u>	<u>2,124</u>	<u>105,734</u>
TOTAL LIABILITIES & FUND BALANCES	\$ 4,340	\$ 120,345	\$ 174	\$ 2,182	\$ 166	\$ 1,877	\$ 2,124	\$ 131,208

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Balance Sheet
Special Revenue Fund Components
June 30, 2015

Schedule 2
(page 2 of 2)

	Vermont Rural Partnership	Class of 2015	PK Reading Loft	Girls on the Run	Small Equipment	Spirit Fund	Subtotals	Totals
ASSETS:								
Current Assets:								
Cash							\$ -	\$ 120,345
Due From Other Funds	\$ 2,698	\$ 865	\$ 110	\$ 647	\$ 31	\$ 6	4,357	13,196
Accounts Receivable - Supervisory Union	-	-	-	-	-	-	-	2,024
Total Current Assets	<u>2,698</u>	<u>865</u>	<u>110</u>	<u>647</u>	<u>31</u>	<u>6</u>	<u>4,357</u>	<u>135,565</u>
TOTAL ASSETS	<u>\$ 2,698</u>	<u>\$ 865</u>	<u>\$ 110</u>	<u>\$ 647</u>	<u>\$ 31</u>	<u>\$ 6</u>	<u>\$ 4,357</u>	<u>\$ 135,565</u>
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Due To Other Funds							\$ -	\$ 25,378
Accounts Payable - Other	\$ 110	-	-	-	-	-	110	206
Total Liabilities	<u>110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>110</u>	<u>25,584</u>
Fund Balances:								
Restricted	<u>2,588</u>	<u>865</u>	<u>110</u>	<u>647</u>	<u>31</u>	<u>6</u>	<u>4,247</u>	<u>109,981</u>
Total Fund Balances	<u>2,588</u>	<u>865</u>	<u>110</u>	<u>647</u>	<u>31</u>	<u>6</u>	<u>4,247</u>	<u>109,981</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 2,698</u>	<u>\$ 865</u>	<u>\$ 110</u>	<u>\$ 647</u>	<u>\$ 31</u>	<u>\$ 6</u>	<u>\$ 4,357</u>	<u>\$ 135,565</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 Fund Components
For The Year Ended June 30, 2015

Schedule 3
(page 1 of 2)

	Medicaid	Student Field Trips	Maintenance Reserve	Community Assistance Grant	Winter Sports Program	School Garden	Book Fair	Exxon Mobil Grant	Four Winds	Subtotals
REVENUES:										
Investment Income			\$ 160							\$ 160
Private/Local	\$ 4,968	\$ 1,781	3,300	-	\$ 2,500	\$ 52	\$ 1,576	\$ 500	\$ 2,235	16,912
TOTAL REVENUES	4,968	1,781	3,460	\$ -	2,500	52	1,576	500	2,235	17,072
EXPENDITURES:										
Direct Services	5,344		9,170		2,773		1,718		2,030	21,035
Transportation Services	-	1,773	-	-	-	-	-	-	-	1,773
TOTAL EXPENDITURES	5,344	1,773	9,170	-	2,773	-	1,718	-	2,030	22,808
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(376)	8	(5,710)	-	(273)	52	(142)	500	205	(5,736)
OTHER FINANCING SOURCES (USES):										
Transfers In	-	-	20,000	-	-	-	-	-	-	20,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(376)	8	14,290	-	(273)	52	(142)	500	205	14,264
FUND BALANCES, JULY 1, 2014	4,716	(8)	80,677	174	2,359	114	2,019	1,624	(205)	91,470
FUND BALANCES, JUNE 30, 2015	\$ 4,340	\$ -	\$ 94,967	\$ 174	\$ 2,086	\$ 166	\$ 1,877	\$ 2,124	\$ -	\$ 105,734

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 Fund Components
For The Year Ended June 30, 2015

Schedule 3
(page 2 of 2)

	Vermont Rural Partnership	Class of 2014	Class of 2015	PK Reading Loft	Girls on the Run	Small Equipment	Spirit Fund	Subtotals	Totals
REVENUES:									
Investment Income									
Private/Local	\$ 2,000	-	\$ 8,906	-	\$ 647	\$ 876	\$ 1,543	\$ 13,972	\$ 30,884
TOTAL REVENUES	2,000	\$ -	8,906	\$ -	647	876	1,543	13,972	31,044
EXPENDITURES:									
Direct Services	594	935	7,263			845	1,537	11,174	32,209
Transportation Services	-	-	-	-	-	-	-	-	1,773
TOTAL EXPENDITURES	594	935	7,263	-	-	845	1,537	11,174	33,982
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,406	(935)	1,643	-	647	31	6	2,798	(2,938)
OTHER FINANCING SOURCES (USES):									
Transfers In	-	-	-	-	-	-	-	-	20,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,406	(935)	1,643	-	647	31	6	2,798	17,062
FUND BALANCES, JULY 1, 2014	1,182	935	(778)	110	-	-	-	1,449	92,919
FUND BALANCES, JUNE 30, 2015	\$ 2,588	\$ -	\$ 865	\$ 110	\$ 647	\$ 31	\$ 6	\$ 4,247	\$ 109,981

The accompanying notes are an integral part of these financial statements



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

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

www.angolanoandcompany.com

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

To the School Board
Fayston School District, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Fayston School District, Vermont, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Fayston School District, Vermont's basic financial statements and have issued our report thereon dated February 19, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Angolano & Company

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

February 19, 2016



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

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

www.angolanoandcompany.com

August 21, 2015

To the School Board
Fayston School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Fayston School District** for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 29, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fayston School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

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

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those

statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of School Board and management of Fayston School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Angolano & Company

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