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March 14, 2013

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

Dear Michelle :

I have electronically forwarded the final financial statements for Fayston School District as of and for the year ended June 30, 2012. In addition I will be mailing you 11 bound copies.

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

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

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

Sincerely,

Angolano & Company

Angolano & Company

Enclosures

Fayston School District
Financial Statements
For The Year Ended June 30, 2012

Fayston School District
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For The Year Ended June 30, 2012

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Fayston School District
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Independent Auditors' Report

To The School Board
Fayston School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Fayston School District, Vermont, as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the School District's nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Fayston School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of Fayston School District, Vermont, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary fund of Fayston School District, as of June 30, 2012, and the respective changes in

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2013 on our consideration of Fayston School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 and 32 through 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Angolano & Company

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

February 11, 2013

FAYSTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

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, 2012 (FY 12). The District is organized under the guidance of the Board of Directors to provide public education for Fayston.

Financial Highlights

- Government-wide assets totaled \$974,894 and government-wide liabilities totaled \$82,803
- The District's general fund actual revenues were \$1,614,526 while the budgeted revenues were \$1,609,983, an increase of \$4,543 or .28%.
- The District's general fund actual expenditures were \$1,515,811 while the budgeted expenditures were \$1,606,420, a decrease of \$90,609 or 5.6%
- Special Revenue Funds with fund balances totaling \$45,904 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 \$21,997.

Overview of the Financial Statements

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

Government-Wide Financial Statements – The first two statements are government-wide financial statements that report information about the District as a whole using accrual accounting methods similar to those used by private sector companies.

The Statement of Net Assets presents information on all of the District assets and liabilities with the difference between the two reported as net assets. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and inter-governmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include programs and services such as management and instructional support, and other support services such as transportation needs of the supervisory District.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories – governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four (4) governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Special Revenue, Capital Project and Debt Service funds. The basic governmental funds financial statements can be found on pages 8-11.

Proprietary Funds – The District maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its Food Service Program (hot lunch and breakfast) operation. The basic proprietary fund financial statements can be found on pages 12-13 of this report.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-31.

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

Government-Wide Financial Analysis

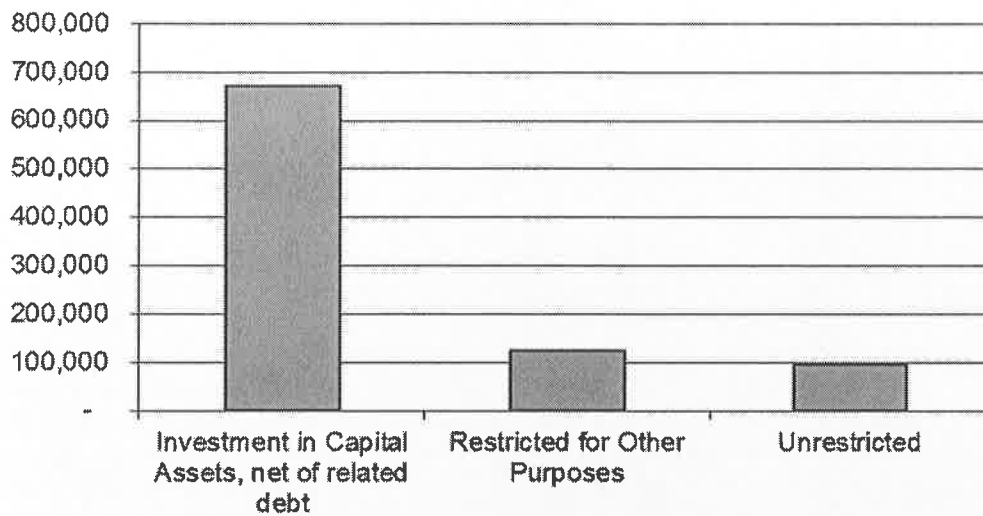
Our analysis of the District's major funds begins on Table 1. The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District's Board of Directors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

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

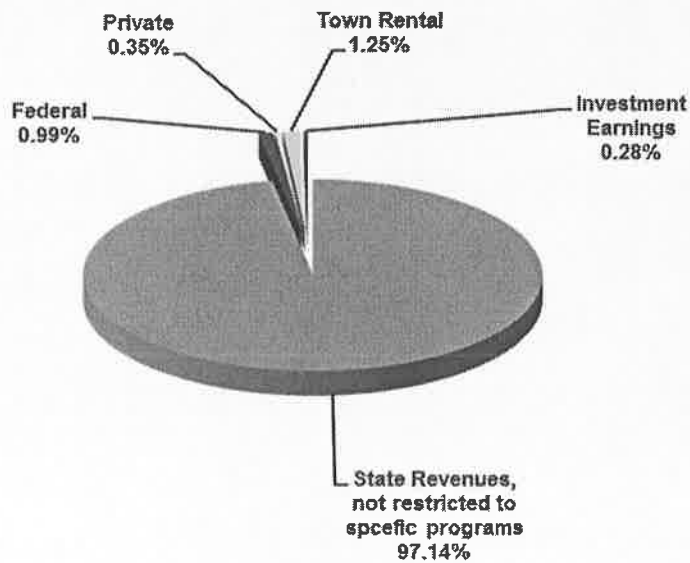
Fayston School District
Statement of Net Assets and Fund Balance Reconciliation
June 30, 2012

	Summary of Financial Operations and Fund Balance	Governmental Activities Government-Wide	Difference
ASSETS:			
Current Assets:			
Cash	243,127	243,127	-
Due from Food Services	6,600	6,600	
Accounts Receivable:			
State	14,333	14,333	
Supervisory Union	3,080	3,080	-
Other	6,419	6,419	
Prepaid Expenses	581	581	
Total Current Assets	274,140	274,140	-
Non-current Assets:			
Capital Assets:			
Buildings & Equipment, net of Accum. Depr.	-	700,754	(700,754)
Total Non-current Assets	-	700,754	(700,754)
TOTAL ASSETS	274,140	974,894	(700,754)
LIABILITIES:			
Current Liabilities:			
Accounts Payable - State	12,951	12,951	-
Accounts Payable - Other	39,050	39,050	-
Accrued Expenses	802	802	-
Due to Other Funds	-	-	-
Current Portion of Long-Term Obligations	-	30,000	(30,000)
Total Current Liabilities	52,803	82,803	(30,000)
Non-current Liabilities			
Bonds Payable	-	-	-
Total Non-current Liabilities	-	-	-
TOTAL LIABILITIES	52,803	82,803	(30,000)
NET ASSETS			
Investment in Capital Assets, net of related Debt	-	670,754	(670,754)
Restricted for Other Purposes	126,185	126,185	-
Unrestricted	95,152	95,152	-
TOTAL NET ASSETS	221,337	892,091	(670,754)
TOTAL LIABILITIES AND NET ASSETS	274,140	974,894	(700,754)

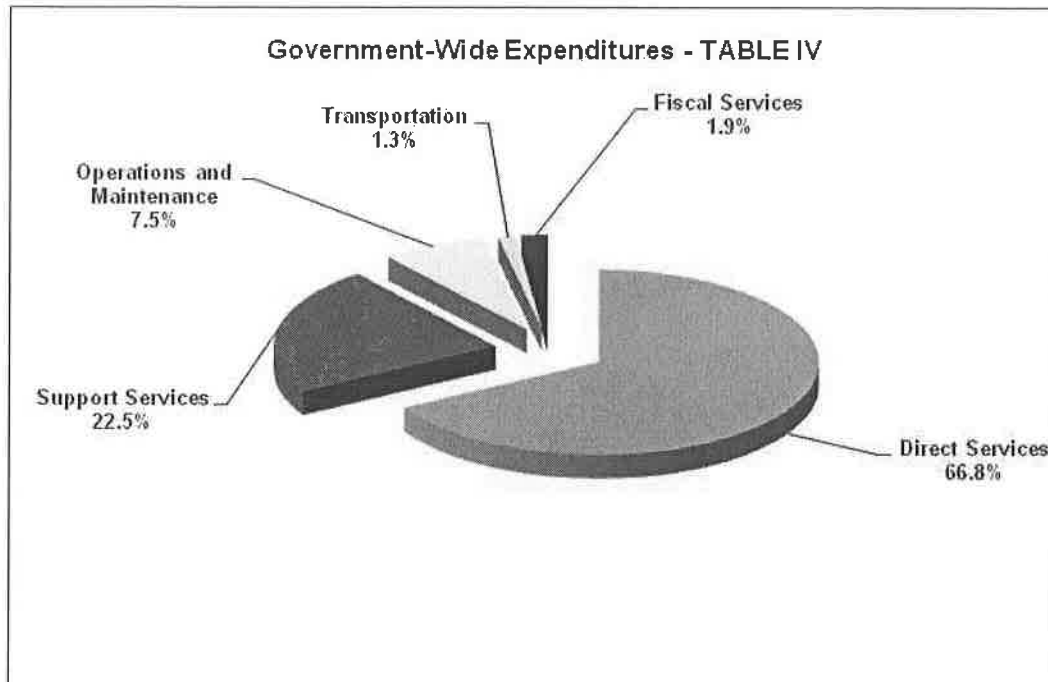
Government-Wide Net Assets - TABLE II



Government-Wide Revenues - TABLE III



Government-wide revenues consisted of \$1,558,255 in state revenue, \$15,936 in federal revenue, \$20,000 in town rental, \$5,590 in private revenues \$4,420 in investment earnings, \$147 of other revenues and offsetting transfers of \$1,500.



Government-wide expenses consist of \$969,164 in direct services, \$373,268 in support services, \$140,094 in operations and maintenance, \$23,245 in transportation and \$28,131 in fiscal services for a total of \$1,533,902.

Governmental Activities:

Governmental Activities revenues totaled \$1,602,848 and expenses net of program revenues were \$1,533,902 resulting in an increase in net assets of \$68,946.

Business Type Activities:

Business Type Activities realized a decrease in net assets of \$11,166.

Fund Financial Analysis

	Summary of Financial Operations and Fund Balance 6/30/2012	Summary of Financial Operations and Fund Balance 6/30/2011	Summary of Financial Operations and Fund Balance 6/30/2010	Summary of Financial Operations and Fund Balance 6/30/2009
ASSETS				
Current Assets:				
Cash	243,127	271,060	212,672	162,375
Prepaid Expenses	581	-	-	8,839
Accounts Receivable:				
State	14,333	-	5,664	127
Supervisory Union	3,080	651	7,664	9,572
Other LEA's	6,419	3,375	-	-
Other	-	-	722	-
Due from Other Funds	6,600	-	6,255	-
Total Current Assets	274,140	275,086	232,977	180,913
LIABILITIES				
Current Liabilities:				
Cash Overdraft	-	-	15,054	-
Accrued Expenses	802	811	635	558
Due to Other Funds	-	11,225	17,236	7,658
Accounts Payable - State	12,951	20,440	11,980	4,318
Accounts Payable - Other	39,050	87,926	46,560	66,158
Total Current Liabilities	52,803	120,402	91,465	78,692
NET ASSETS				
Committed	80,281	44,520	-	-
Restricted	45,904	29,883	97,013	66,726
Unassigned	95,152	80,281	44,499	35,495
TOTAL NET ASSETS	221,337	154,684	141,512	102,221
TOTAL LIABILITIES AND NET ASSETS	274,140	275,086	232,977	180,913

Governmental Fund Types:

Fund balances in the Governmental Fund types increased from \$154,684 to \$221,337 an increase of \$66,653. This increase was reflected in the General Fund by an increase of \$50,632 and an increase of \$16,021 in the Special Revenue Fund.

Proprietary Fund Type:

Food service programs are offered to the students for hot lunch and breakfast. Beginning in FY05, the program agreed to provide food service to the Waitsfield School District. This program recognized a net loss of \$11,166 during the past year and had a retained earnings balance of \$21,997 as of June 30, 2012.

Fiduciary Fund Types:

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

Capital Assets

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

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

TABLE VI			
Fayston School District			
Capital Assets			
June 30, 2012			
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
Governmental Activities:			
Land Improvements	24,307	24,307	-
Buildings and Improvements	\$ 1,295,434	\$ 611,864	\$ 683,570
Furniture and Equipment	45,362	28,178	17,184
Total	\$ 1,365,103	\$ 664,349	\$ 700,754
Business Type Activities:			
Furniture and Equipment	\$ 31,676	\$ 11,446	\$ 20,230
Total	\$ 1,396,779	\$ 675,795	\$ 720,984

Long-Term Debt

The District has one category of long-term debt, defined as debt due and payable beyond one year. At June 30, 2012, the District had \$30,000 in outstanding principal and interest. Bond principal and interest are being paid from the General Fund. The final payment of the bond will be made in FY13.

Current Issues

- Fayston is a community experiencing decreasing student enrollment.
- Fayston may see the loss of revenue from the Small Schools Grant over the next few years.

Current Issues Continued

- Act 153/156 requires transportation, special education, compensatory and remedial services to be provided by the Supervisory Union by July 1, 2014 or for a waiver to be obtained from the SU. No comprehensive guidance has been received from the VT DOE regarding implementation of this legislation. The financial effects on the Fayston School District associated with this legislation are unknown at this time.

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
 Statement of Net Assets
 Government-Wide
 June 30, 2012

EXHIBIT I

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 243,127		\$ 243,127
Due From Other Funds	6,600		6,600
Accounts Receivable - State	14,333	\$ 5,683	20,016
Accounts Receivable - Supervisory Union	3,080		3,080
Accounts Receivable - Other	6,419	3,404	9,823
Prepaid Expenses	581		581
Inventory		1,842	1,842
Capital Assets, net (Note 4)	<u>700,754</u>	<u>20,230</u>	<u>720,984</u>
Total Assets	<u>974,894</u>	<u>31,159</u>	<u>1,006,053</u>
LIABILITIES:			
Due To Other Funds		6,600	6,600
Accounts Payable - State	12,951		12,951
Accounts Payable - Other	39,050	421	39,471
Accrued Expenses	802		802
Deferred Revenue		2,141	2,141
Long-Term Liabilities (Note 6):			
Due Within One Year	30,000		30,000
Due in More Than One Year	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>82,803</u>	<u>9,162</u>	<u>91,965</u>
NET ASSETS:			
Investment in Capital Assets, net of related debt	670,754	20,230	690,984
Restricted for Other Purposes	126,185		126,185
Unrestricted	<u>95,152</u>	<u>1,767</u>	<u>96,919</u>
Total Net Assets	<u>\$ 892,091</u>	<u>\$ 21,997</u>	<u>\$ 914,088</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Statement of Activities
Government-Wide
For The Year Ended June 30, 2012

EXHIBIT II

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
Instructional:						
Direct Services	\$ 976,046		\$ 6,882	\$ (969,164)		\$ (969,164)
Support Services:						
Student Services	109,825			(109,825)		(109,825)
Instructional Services	73,646			(73,646)		(73,646)
General Administrative Services	46,001			(46,001)		(46,001)
Area Administrative Services	143,796			(143,796)		(143,796)
Fiscal Services	28,131			(28,131)		(28,131)
Building Operations and Maintenance	140,094			(140,094)		(140,094)
Transportation	43,920		20,675	(23,245)		(23,245)
Operation of Noninstructional Services:						
Food Services	120,151	\$ 107,485	-	-	\$ (12,666)	(12,666)
Total	<u>\$ 1,681,610</u>	<u>\$ 107,485</u>	<u>\$ 27,557</u>	(1,533,902)	(12,666)	(1,546,568)
General Revenues:						
State Revenues not Restricted to Specific Programs				1,558,255		1,558,255
Federal Revenues not Restricted to Specific Programs				15,936		15,936
Private Revenues not Restricted to Specific Programs				5,590		5,590
Investment Earnings				4,420		4,420
Rentals				20,000		20,000
Miscellaneous				147		147
Transfers				(1,500)	1,500	-
Total General Revenues				<u>1,602,848</u>	<u>1,500</u>	<u>1,604,348</u>
Excess (Deficiency) of Revenues Over Expenses				68,946	(11,166)	57,780
Net Assets - Beginning				<u>823,145</u>	<u>33,163</u>	<u>856,308</u>
Net Assets - Ending				<u>\$ 892,091</u>	<u>\$ 21,997</u>	<u>\$ 914,088</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Combined Balance Sheet
All Fund Types - Fund Base
June 30, 2012

EXHIBIT III

	Governmental Fund Types		Proprietary Fund Type	Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Enterprise Fund	
ASSETS:				
Current Assets:				
Cash	\$ 210,292	\$ 32,835		\$ 243,127
Due From Other Funds		12,994		12,994
Accounts Receivable - State	14,333		\$ 5,683	20,016
Accounts Receivable - Supervisory Union	3,005	75		3,080
Accounts Receivable - Other	4,886	1,533	3,404	9,823
Prepaid Expenses	581			581
Inventory	-	-	1,842	1,842
Total Current Assets	<u>233,097</u>	<u>47,437</u>	<u>10,929</u>	<u>291,463</u>
Other Assets:				
Fixed Assets - Net	-	-	20,230	20,230
Total Other Assets	<u>-</u>	<u>-</u>	<u>20,230</u>	<u>20,230</u>
TOTAL ASSETS	<u>\$ 233,097</u>	<u>\$ 47,437</u>	<u>\$ 31,159</u>	<u>\$ 311,693</u>
LIABILITIES AND FUND EQUITIES:				
Liabilities:				
Due To Other Funds	\$ 6,394		\$ 6,600	\$ 12,994
Accounts Payable - State	12,951			12,951
Accounts Payable - Other	37,517	\$ 1,533	421	39,471
Accrued Expenses	802			802
Deferred Revenue	-	-	2,141	2,141
Total Liabilities	<u>57,664</u>	<u>1,533</u>	<u>9,162</u>	<u>68,359</u>
Fund Equity:				
Fund Balances:				
Unassigned	95,152			95,152
Committed	80,281			80,281
Restricted		45,904		45,904
Retained Earnings	-	-	21,997	21,997
Total Fund Equities	<u>175,433</u>	<u>45,904</u>	<u>21,997</u>	<u>243,334</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$ 233,097</u>	<u>\$ 47,437</u>	<u>\$ 31,159</u>	<u>\$ 311,693</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2012

Fund Balances – total governmental funds	\$ 221,337
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

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

Governmental capital assets	1,365,103
Less accumulated depreciation	(664,349)

Bonds payable and contractual obligations have not been
included in the governmental fund financial statements.

Bonds Payable	<u>(30,000)</u>
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Net Assets of Governmental Activities	<u>\$ 892,091</u>
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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, 2012

EXHIBIT IV

	General Fund	Special Revenue Fund	Debt Service Fund	Totals (Memorandum Only)
REVENUES:				
Interest on Investments	\$ 4,348	\$ 72		\$ 4,420
Town Rental	20,000			20,000
Miscellaneous	147			147
Private/Local		17,307		17,307
State	1,574,095			1,574,095
Federal	<u>15,936</u>	<u>-</u>	<u>-</u>	<u>15,936</u>
TOTAL REVENUES	<u>1,614,526</u>	<u>17,379</u>	<u>\$ -</u>	<u>1,631,905</u>
EXPENDITURES:				
Direct Services	939,013	10,154		949,167
Support Services:				
Students	109,766			109,766
Instructional Staff	71,697			71,697
General Administration	46,001			46,001
Area Administration	143,737			143,737
Fiscal Services	28,131			28,131
Operation & Maintenance of Building	138,381			138,381
Transportation	39,085	4,835		43,920
Debt Service:				
Interest Charges			2,952	2,952
Principal Retirement	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
TOTAL EXPENDITURES	<u>1,515,811</u>	<u>14,989</u>	<u>32,952</u>	<u>1,563,752</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	98,715	2,390	(32,952)	68,153
OTHER FINANCING SOURCES (USES):				
Transfers In		14,690	32,952	47,642
Transfers Out	<u>(48,083)</u>	<u>(1,059)</u>	<u>-</u>	<u>(49,142)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	50,632	16,021	-	66,653
FUND BALANCE, JULY 1, 2011	<u>124,801</u>	<u>29,883</u>	<u>-</u>	<u>154,684</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 175,433</u>	<u>\$ 45,904</u>	<u>\$ -</u>	<u>\$ 221,337</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, 2012

Net Changes in fund Balances – total governmental funds	\$ 66,653
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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	(27,707)

Bond proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the
statement of Net Assets. Repayment of bond principal is an
expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the Statement of Net Assets.

Repayment of bonds	<u>30,000</u>
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Change in Net Assets of Governmental Funds	<u>\$ 68,946</u>
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Fayston School District
Statement of Revenues, Expenditures and
Changes in Retained Earnings
Proprietary Fund Type - Enterprise Fund
Food Program
For The Year Ended June 30, 2012

EXHIBIT V

Operating Revenues:		
Sales	\$ 71,466	
Total Operating Revenues		\$ 71,466
Operating Expenses:		
Salaries and Benefits	65,129	
Repairs and Maintenance	1,401	
Travel	1,683	
Food and Supplies	42,860	
Commodities	6,665	
Equipment	1,026	
Depreciation	1,387	
Total Operating Expenses		<u>120,151</u>
Operating Income (Loss)		(48,685)
Non-Operating Revenue:		
State Sources:		
Restricted Grants:		
Lunch Match	1,226	
Child Nutrition Breakfast	337	
Child Nutrition Other	129	
Federal Sources:		
Restricted Grants:		
National School Lunch Program	20,803	
National School Breakfast Program	7,273	
Commodities	6,251	
Total Non-Operating Revenue		<u>36,019</u>
Income (Loss) Before Transfers		(12,666)
Operating Transfers In (Out)		<u>1,500</u>
Net Income (Loss)		(11,166)
Retained Earnings, July 1, 2011		<u>33,163</u>
Retained Earnings, June 30, 2012		<u>\$ 21,997</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, 2012

EXHIBIT VI

Cash Flows From Operating Activities:

Received From Customers	\$ 71,188	
Payments To Employees and Fringe Benefits	(65,129)	
Payments To Vendors and Supplies	<u>(55,720)</u>	
Net Cash Used By Operating Activities		\$ (49,661)

Cash Flows From Noncapital Financing Activities:

State Aid Received	30,336	
Support From General Fund	<u>19,325</u>	
Net Cash Used By Noncapital Financing Activities		49,661

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, 2010

-

Cash, June 30, 2011

\$ -

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

Cash Provided From Operating Activities:

Operating Income (Loss)		\$ (48,685)
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Adjustments to Reconcile Net Income to Cash

Provided (Used) By Operating Activities:

Depreciation	\$ 1,387	
(Increase) Decrease in Accounts Receivable - Other	(278)	
Increase (Decrease) in Accts Payable - Other	<u>(2,085)</u>	
Total Adjustments		<u>(976)</u>

Net Cash Provided (Used) By Operating Activities		<u>\$ (49,661)</u>
--	--	--------------------

The accompanying notes are an integral part of these financial statements

Fayston School District
Notes to Financial Statements
For The Year Ended June 30, 2012

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

Reporting Entity:

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

Government-Wide and Fund Financial Statements:

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

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Governmental Fund Types:

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

Proprietary Fund Types:

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

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

The government-wide financial statements use the economic resources measurement focus and

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The School District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Other Accounting Policies:

Cash and Cash Equivalents:

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

Interfund Receivables and Payables:

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

Accounts Receivable:

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

Inventory:

Inventories consist of expendable items held for consumption. They are valued at cost on a first-in, first-out basis. In the governmental funds, the cost of inventories is recorded as an expenditure when individual items are purchased. Reported inventories are equally offset by a fund balance reserve to indicate that they do not constitute “available spendable resources” even though they are a component of net current assets.

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 an expenditure when the payments are made. In the government-wide financial statements and the proprietary funds, these items are recorded as prepaid items.

Capital Assets:

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities column in the governmental wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-term Debt:

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

Budgets:

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

Encumbrances:

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

Net Assets and Fund Balance:

Government-Wide Financial Statements:

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Fund Based Financial Statements:

In the fund financial statements, governmental funds report fund balances as unassigned, assigned, restricted, or committed 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 but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Restricted Fund Balance – Includes amounts that can be spent only for the specific Purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance – Includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Unspendable Fund Balance – The portion of the permanent fund balance that has to be maintained, and cannot be spent by the Town.

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 AND REPURCHASE AGREEMENTS

Cash deposits with financial institutions at June 30th amounted to \$243,127. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

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

These four levels of risk are as follows:

- | | |
|------------|---|
| Category 1 | Deposits which are insured or collateralized with securities held by the School District or by its agent in the School District's name. (repurchase agreements) |
| Category 2 | Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Bank's name. |
| Category 3 | Private commercial insurance protection or letter of credit for funds in excess of FDIC limits. |
| Category 4 | Deposits which are not collateralized or insured. (includes cash on hand) |

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 2 - CASH AND REPURCHASE AGREEMENTS (CONTINUED)

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

Balances held in each area are as follows:

	Carrying Amount	Bank Balance
- Insured (FDIC) and/or (SIPC)	\$ 48,151	\$123,608
- Category 1	194,976	194,976
- Category 2	0	0
- Category 3	0	0
- Category 4	<u>0</u>	<u>0</u>
Total deposits	<u>\$243,127</u>	<u>\$318,584</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.

Repurchase agreements of \$194,976 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.

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, 2012 is as follows:

Fund Financial Statements:		
Receivable Fund	Payable Fund	Amount
Special Revenue Fund:		
Medicaid	General Fund	\$ 6,213
Community Assistance	General Fund	174
School Garden	General Fund	367
Book Fair	General Fund	2,104
Winter Sports Program	General Fund	1,512

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 3 - INTERFUND RECEIVABLES (CONTINUED)

Fund Financial Statements:		
Receivable Fund	Payable Fund	Amount
Special Revenue Fund (continued):		
Exxon Mobil Grant	General Fund	\$ 636
Four Winds	General Fund	783
School Field Trips	General Fund	1,205
	Enterprise Fund:	
General Fund	Food Program	<u>6,600</u>
	Total	<u>\$19,594</u>
Government -Wide Financial Statements:		
Receivable Fund	Payable Fund	Amount
Governmental Type	Business Type	<u>\$ 6,600</u>

NOTE 4 – CAPITAL ASSETS

Capital activity for the School District for the year ended June 30, 2012 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets:				
Land Improvements	\$ 24,307	\$ 0	\$ 0	\$ 24,307
Buildings	61,989	0	0	61,989
Building Improvements	1,233,445	0	0	1,233,445
Furniture and Equipment	<u>45,362</u>	<u>0</u>	<u>0</u>	<u>45,362</u>
Total other capital assets at historical costs	<u>1,365,103</u>	<u>0</u>	<u>0</u>	<u>1,365,103</u>
Less accumulated depreciation:				
Land Improvements	24,307	0	0	24,307
Buildings	61,989	0	0	61,989
Building Improvements	524,923	24,952	0	549,875
Furniture and Equipment	<u>25,423</u>	<u>2,755</u>	<u>0</u>	<u>28,178</u>
Total accum. depr.	<u>636,642</u>	<u>27,707</u>	<u>0</u>	<u>664,349</u>
Governmental activities				
Capital Assets, Net	<u>\$ 728,461</u>	<u>\$(27,707)</u>	<u>\$ 0</u>	<u>\$ 700,754</u>

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Primary Government</u>			
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Building Improvements	\$ 21,676	\$ 0	\$ 0	\$ 21,676
Furniture and Equipment	10,000	0	0	10,000
Less accum. Depr.	<u>10,059</u>	<u>1,387</u>	<u>0</u>	<u>11,446</u>
Business-type activities				
Capital Assets, Net	<u>\$ 21,617</u>	<u>\$ (1,387)</u>	<u>\$ 0</u>	<u>\$ 20,230</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Direct Services	\$24,517
Support Services:	
Students	0
Instructional Staff	1,683
General Administration	0
Area Administration	0
Fiscal Services	0
Operation and Maintenance of Plant	1,507
Transportation	0
Other Support Services	<u>0</u>
Total governmental activities depreciation expense	<u>\$27,707</u>

NOTE 5 - SICK LEAVE

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 6 - LONG-TERM DEBT

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

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

	Balance July 1, 2011	Borrowings	Retirements	Balance June 30, 2012
Vermont Municipal Bond Bank, bond payable, interest at 5.809%, interest paid semi-annually, principal of \$35,000 due on December 1 st of each year until 2009, then \$30,000 due on December 1 st of each year until 2012, originally borrowed \$410,000 on September 8, 1998 for an addition.	<u>\$60,000</u>	<u>\$ 0</u>	<u>\$30,000</u>	<u>\$30,000</u>

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

	Principal	Interest	Total
During the year ended June 30, 2013	\$30,000	\$ 271	\$30,271
2014	0	(2,779)	(2,779)
2015	0	(1,990)	(1,990)
2016	0	(1,128)	(1,128)
2017	0	(1,663)	(1,663)
Thereafter	<u>0</u>	<u>(1,950)</u>	<u>(1,950)</u>
Totals	<u>\$30,000</u>	<u>\$(9,239)</u>	<u>\$20,761</u>

NOTE 7 – 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:

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 7 – RESTRICTED, COMMITTED AND ASSIGNED FUND BALANCES (Fund Financial Statements) (CONTINUED)

General Fund:

Fiscal 12-13 Budget	<u>\$80,281</u>
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Special Revenue Funds:

Medicaid	\$ 6,287
Community Assistance	174
Maintenance Reserve	32,835
School Garden	367
Exxon Mobil Grant	636
Four Winds	783
Student Field Trips	1,205
Book Fair	2,104
Winter Sports Program	<u>1,512</u>
Total	<u>\$45,903</u>

NOTE 8 – NET ASSETS RESTRICTED (Government-Wide Financial Statements)

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

Net Assets Restricted For Other Purposes:

Fiscal 12-13 Budget	\$ 80,281
Medicaid	6,287
Community Assistance	174
Maintenance Reserve	32,835
School Garden	367
Exxon Mobil Grant	636
Four Winds	783
Student Field Trips	1,205
Book Fair	2,104
Winter Sports Program	<u>1,512</u>
Total	<u>\$126,184</u>

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 9 – 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 \$13,631 were transferred from the General Fund to the Special Revenue Fund – Maintenance Reserve as per article passed by voters.

NOTE 10 - PENSIONS

VERMONT TEACHERS' RETIREMENT SYSTEM

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

Required contributions to the system are made by the State of Vermont based upon a valuation report prepared by the System's actuary. TRS is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. TRS is funded through state and employee contributions and the School District has no legal obligation for paying benefits. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan as required by Government Accounting Standards Board (GASB) Statement 24 to be 7.74% or approximately \$56,109.

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

Contributions by the employees are 5% of gross earnings and are withheld pre income tax by the School District. Such withholdings totaled \$36,246 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees during the year was \$980,570, with \$724,928 of such amount related to employees covered by the retirement plan.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 10 – PENSIONS (CONTINUED)

VERMONT TEACHERS' RETIREMENT SYSTEM (CONTINUED)

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

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

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

The System is an actuarial reserve, joint-contributory program. Both the members and the School District make contributions to the fund according to the following schedule:

	Group A	Group B	Group C	Group D
Employees' Contributions (% of gross wages)	2.5%	4.5%	9.25%	11.0%
The School District's contributions (% of gross wages)	4.0%	5.0%	6.5%	9.5%

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

Employee contributions are withheld pre income tax by the School District and are remitted to the State of Vermont. Such withholdings totaled \$4,892 during the year. The School District contributed \$7,828 during the year. The School District's total payroll for all employees during the year was \$980,570, with \$195,699 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 11 - RISK MANAGEMENT

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

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 11 - RISK MANAGEMENT (CONTINUED)

Educators legal Liability. Annual contributions are based upon appropriate rates applicable to each Member; such rates are set based on recommendations of a qualified actuary, plus a proportionate share of all operational and administrative cost including excess reinsurance premiums incurred by the trust. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

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

NOTE 12 - OPERATING LEASES

On July 21, 2010 Fayston School District entered into a lease agreement with US Bankcorp Business Equipment Finance Group for the lease of a copier. The total amount due is \$5,814, to be paid in annual installments of \$1,938 over 3 years. The following is a schedule of future minimum lease payments under this lease.

During the year ended June 30, 2013	<u>\$1,938</u>
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Total lease payments made this year were \$1,938.

NOTE 13 - SUBSEQUENT EVENTS

On July 2, 2012, the School District borrowed \$370,000 from Merchants Bank in a Revenue Anticipation Note at 2.20%. The interest and principal are due at maturity on June 28, 2013.

NOTE 14 - COMMITMENTS

On June 24, 2011, the School District entered into an agreement with Gillespie Fuel & Propane for a fixed prepaid rate for 12,000 gallons of fuel @ \$1.40 per gallon. The minimum cost to the Union School District for June 30, 2013, will be \$16,800.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 14 – COMMITMENTS (CONTINUED)

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, 2012 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 15 - RELATED PARTY

On May 23, 2012, the Washington West Supervisory Union entered into a three year agreement with First Student, Inc. on behalf of the School District for contracted bus transportation services through June 30, 2015. The agreement has a fee schedule for the various trips and contingencies. The minimum cost assessed to the School District by the Supervisory Union for the year ended June 30, 2013 is \$48,640. The assessed amounts for fiscal years 2014 and 2015 have not been determined yet.

The School District has an ongoing financial responsibility to Washington West Supervisory Union as defined in GASB 14, paragraph 71. Through Washington West Supervisory Union's assessment process, the School District's assessment can be increased to cover a share of any prior year deficits and decreased to share in any prior year surpluses. Separate financial statements on Washington West Supervisory Union are available from Washington West Supervisory Union.

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

NOTE 16 - CONTINGENCY

The School District received State construction aid in the past for various projects. In the event that the school building was to be sold, this construction aid would have to be repaid out of the

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 16 – CONTINGENCY (CONTINUED)

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

Fayston School District
Statement of Revenues, Expenditures and Changes
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General Fund
For The Year Ended June 30, 2012

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Interest on Investments		\$ 12,500	\$ 4,348	\$ (8,152)
Town Rental		20,000	20,000	-
Miscellaneous		-	147	147
State:				
Education Spending Grant		1,413,482	1,413,482	-
Smalls Schools Grant		24,943	37,462	12,519
Transportation Reimbursement		16,289	15,840	(449)
Mainstream Block Grant		39,194	39,194	-
SPED Expenditure Reimbursement		58,570	68,117	9,547
Essential Early Education		9,455	-	(9,455)
Federal:				
IDEA-B		14,550	15,586	1,036
IDEA-B Preschool		<u>1,000</u>	<u>350</u>	<u>(650)</u>
TOTAL REVENUES		<u>1,609,983</u>	<u>1,614,526</u>	<u>4,543</u>
EXPENDITURES:				
Regular Instruction 1100:				
Salaries	110	371,594	361,885	9,709
Mentoring Salaries	110	750	1,500	(750)
Aide Salaries	115	41,678	55,528	(13,850)
Temporary Salaries	120	15,000	14,200	800
Personal Days	125	-	681	(681)
Health Insurance	210	102,452	98,519	3,933
Section 125	211	-	470	(470)
Insurance Compensation	212	889	-	889
Social Security	220	32,763	30,699	2,064
Life Insurance	230	2,119	1,845	274
Retirement	240	1,667	1,769	(102)
Workers Compensation	250	3,595	2,671	924
Unemployment Compensation	260	448	579	(131)
Tuition Reimbursement	270	19,000	10,992	8,008
Dental Insurance	280	6,474	5,926	548
Purchased Services	330	-	30	(30)
Occupational Therapy	330	2,275	1,343	932
Testing Services	332	1,500	63	1,437
Copier	410	4,000	3,565	435
Equipment Repair	430	500	359	141

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, 2012

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Travel	580	\$ 2,500	\$ 1,528	\$ 972
Supplies	610	12,194	9,550	2,644
Books and Periodicals	640	11,500	11,131	369
Enrichment Program	650	4,806	4,294	512
Equipment	730	3,000	863	2,137
Principals Fund	800	1,500	1,513	(13)
Subtotal		<u>642,204</u>	<u>621,503</u>	<u>20,701</u>
Early Education 1100:				
Salaries	110	14,374	18,129	(3,755)
Aide Salaries	115	6,201	7,628	(1,427)
Health Insurance	210	4,733	5,941	(1,208)
Social Security	220	1,574	1,888	(314)
Life Insurance	230	150	98	52
Retirement	240	-	293	(293)
Workers Compensation	250	179	128	51
Unemployment Compensation	260	71	28	43
Dental Insurance	280	334	389	(55)
Purchased Services	330	20,826	20,826	-
Subtotal		<u>48,442</u>	<u>55,348</u>	<u>(6,906)</u>
ESL 1101:				
Purchased Services	330	4,550	6,110	(1,560)
Subtotal		<u>4,550</u>	<u>6,110</u>	<u>(1,560)</u>
Art 1102:				
Salaries	110	17,200	16,594	606
Personal Days	125	-	84	(84)
Insurance Compensation	212	280	280	-
Social Security	220	1,316	1,297	19
Life Insurance	230	160	-	160
Workers Compensation	250	150	107	43
Unemployment Compensation	260	40	23	17
Supplies	610	1,950	561	1,389
Subtotal		<u>21,096</u>	<u>18,946</u>	<u>2,150</u>
Foreign Language 1106:				
Salaries	110	19,683	19,985	(302)
Personal Days	125	-	(65)	65
Insurance Compensation	212	280	280	-
Social Security	220	1,506	1,545	(39)

The accompanying notes are an integral part of these financial statements

Fayston School District
Statement of Revenues, Expenditures and Changes
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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Life Insurance	230	\$ 166	\$ 153	\$ 13
Workers Compensation	250	171	122	49
Unemployment Compensation	260	40	27	13
Supplies	610	300	-	300
Subtotal		<u>22,146</u>	<u>22,047</u>	<u>99</u>
Physical Education 1108:				
Salaries	110	15,537	15,537	-
Wellness Club Facilities	116	2,122	969	1,153
Personal Days	125	-	75	(75)
Health Insurance	210	6,030	6,825	(795)
Social Security	220	1,189	384	805
Life Insurance	230	153	146	7
Workers Compensation	250	135	110	25
Unemployment Compensation	260	40	24	16
Dental Insurance	280	445	503	(58)
Supplies	610	500	308	192
Subtotal		<u>26,151</u>	<u>24,881</u>	<u>1,270</u>
Music 1112:				
Salaries	110	21,361	21,361	-
Health Insurance	210	6,030	6,067	(37)
Social Security	220	1,634	1,506	128
Life Insurance	230	172	112	60
Workers Compensation	250	186	133	53
Unemployment Compensation	260	40	29	11
Dental Insurance	280	445	403	42
Supplies	610	500	751	(251)
Subtotal		<u>30,368</u>	<u>30,362</u>	<u>6</u>
Special Education 1200:				
Salaries	110	42,093	43,778	(1,685)
Tutor	112	2,000	-	2,000
Aide Salaries	115	53,486	38,110	15,376
Temporary Salaries	120	-	1,034	(1,034)
Personal Days	125	-	310	(310)
Health Insurance	210	14,201	14,171	30
Insurance Compensation	212	175	-	175
Social Security	220	7,465	6,049	1,416
Life Insurance	230	240	265	(25)
Retirement	240	2,140	1,584	556

The accompanying notes are an integral part of these financial statements

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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Workers Compensation	250	\$ 832	\$ 607	\$ 225
Unemployment Compensation	260	184	132	52
Tuition Reimbursement	270	3,499	-	3,499
Dental Insurance	280	329	471	(142)
Summer Services	334	1,750	610	1,140
Supplies	610	1,500	686	814
Equipment	730	1,000	-	1,000
Subtotal		<u>130,894</u>	<u>107,807</u>	<u>23,087</u>
Essential Early Education Program 1200:				
Salaries	110	5,755	-	5,755
Health Insurance	210	1,508	-	1,508
Social Security	220	440	-	440
Life Insurance	230	121	-	121
Workers Compensation	250	50	-	50
Unemployment Compensation	260	4	-	4
Dental Insurance	280	111	-	111
Assessments	335	1,000	-	1,000
Supplies	610	500	-	500
Subtotal		<u>9,489</u>	<u>-</u>	<u>9,489</u>
Compensatory Education 1250:				
Salaries	110	46,462	46,462	-
Insurance Compensation	212	560	560	-
Social Security	220	3,554	3,500	54
Life Insurance	230	252	241	11
Workers Compensation	250	404	289	115
Unemployment Compensation	260	40	63	(23)
Dental Insurance	280	890	894	(4)
Subtotal		<u>52,162</u>	<u>52,009</u>	<u>153</u>
Guidance Services 2120:				
Salaries	110	16,593	17,112	(519)
Personal Days	125	-	14	(14)
Insurance Compensation	212	280	-	280
Social Security	220	1,269	1,310	(41)
Life Insurance	230	156	-	156
Workers Compensation	250	144	103	41
Unemployment Compensation	260	40	22	18

The accompanying notes are an integral part of these financial statements

Fayston School District
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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Supplies	610	\$ 500	\$ 236	\$ 264
Subtotal		<u>18,982</u>	<u>18,797</u>	<u>185</u>
Health Services 2130:				
Salaries	110	19,974	23,957	(3,983)
Personal Days	125	-	1	(1)
Insurance Compensation	212	210	-	210
Social Security	220	1,100	1,833	(733)
Life Insurance	230	150	168	(18)
Workers Compensation	250	125	124	1
Unemployment Compensation	260	40	27	13
Dental Insurance	280	225	-	225
Repairs and Maintenance	430	250	-	250
Supplies	610	<u>700</u>	<u>643</u>	<u>57</u>
Subtotal		<u>22,774</u>	<u>26,753</u>	<u>(3,979)</u>
Preschool Physical Therapy Services 2140:				
Contracted Services	330	<u>-</u>	<u>143</u>	<u>(143)</u>
Subtotal		<u>-</u>	<u>143</u>	<u>(143)</u>
SPED Physical Therapy Services 2140:				
Contracted Services	330	<u>8,000</u>	<u>12,471</u>	<u>(4,471)</u>
Subtotal		<u>8,000</u>	<u>12,471</u>	<u>(4,471)</u>
EEE Physical Therapy Services 2140:				
Contracted Services	330	<u>1,000</u>	<u>350</u>	<u>650</u>
Subtotal		<u>1,000</u>	<u>350</u>	<u>650</u>
Special Education Speech 2150:				
Salaries	110	28,777	28,778	(1)
Summer Salaries	112	-	668	(668)
Personal Days	125	-	56	(56)
Health Insurance	210	7,538	9,100	(1,562)
Social Security	220	2,201	1,465	736
Life Insurance	230	195	177	18
Workers Compensation	250	250	54	196
Unemployment Compensation	260	40	41	(1)
Dental Insurance	280	557	578	(21)
Supplies	610	750	480	270
Testing Materials	611	<u>200</u>	<u>144</u>	<u>56</u>
Subtotal		<u>40,508</u>	<u>41,541</u>	<u>(1,033)</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
SPED Occupational Therapy Services 2160:				
Contracted Services	330	\$ 6,550	\$ 7,191	\$ (641)
Subtotal		<u>6,550</u>	<u>7,191</u>	<u>(641)</u>
SPED Physical Therapy Services 2190:				
Contracted Services	330	-	2,520	(2,520)
Subtotal		<u>-</u>	<u>2,520</u>	<u>(2,520)</u>
Improvement of Instruction 2210:				
Inservice	320	3,000	-	3,000
Subtotal		<u>3,000</u>	<u>-</u>	<u>3,000</u>
Media Center 2220:				
Salaries	110	18,128	18,128	-
Health Insurance	210	6,030	5,292	738
Social Security	220	1,387	777	610
Life Insurance	230	163	148	15
Workers Compensation	250	158	113	45
Unemployment Compensation	260	40	25	15
Dental Insurance	280	445	318	127
Equipment Maintenance	430	400	-	400
Supplies	610	600	659	(59)
Books and Periodicals	640	3,500	4,214	(714)
Audio Visual Materials	650	900	892	8
Subtotal		<u>31,751</u>	<u>30,566</u>	<u>1,185</u>
Audio Visual/Technology 2223:				
Salaries	116	5,000	3,375	1,625
Social Security	220	383	258	125
Unemployment Compensation	260	4	-	4
Purchased Services	330	15,500	13,929	1,571
Equipment Repair	430	2,000	1,309	691
Internet Connection	530	2,200	537	1,663
Supplies	610	1,500	2,289	(789)
Software	650	1,000	1,735	(735)
Equipment	730	7,000	4,207	2,793
Subtotal		<u>34,587</u>	<u>27,639</u>	<u>6,948</u>
Technology Integration 2229:				
Salaries	110	12,445	12,445	-
Personal Days	125	-	1	(1)
Social Security	220	952	952	-

The accompanying notes are an integral part of these financial statements

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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Retirement	240	\$ 80	\$ -	\$ 80
Workers Compensation	250	20	77	(57)
Unemployment Compensation	260	-	17	(17)
Subtotal		<u>13,497</u>	<u>13,492</u>	<u>5</u>
Board of Education 2310:				
Board Stipend	118	3,750	3,750	-
Social Security	220	-	287	(287)
Legal	360	5,000	222	4,778
Insurance	523	-	1,378	(1,378)
Advertising	540	2,750	814	1,936
Miscellaneous	550	1,400	1,162	238
Dues and Fees	810	<u>1,250</u>	<u>1,435</u>	<u>(185)</u>
Subtotal		<u>14,150</u>	<u>9,048</u>	<u>5,102</u>
District Treasurer 2313:				
Salaries	110	500	500	-
Social Security	220	-	38	(38)
Subtotal		<u>500</u>	<u>538</u>	<u>(38)</u>
Assessment 2321:				
Supervisory Union Assessment	331	<u>36,416</u>	<u>36,415</u>	<u>1</u>
Subtotal		<u>36,416</u>	<u>36,415</u>	<u>1</u>
Administration 2400:				
Salaries	110	76,125	76,125	-
Support Staff Salaries	111	34,392	31,679	2,713
Temporary Salaries	120	-	1,040	(1,040)
Substitute Coordinator Salaries	123	500	500	-
Health Insurance	210	16,978	17,579	(601)
Social Security	220	8,799	8,102	697
Life Insurance	230	438	451	(13)
Retirement	240	1,376	1,232	144
Workers Compensation	250	961	687	274
Unemployment Compensation	260	80	150	(70)
Professional Development	270	2,500	677	1,823
Dental Insurance	280	411	1,177	(766)
Postage	531	1,250	1,370	(120)
Travel	580	1,500	829	671
Supplies	610	300	297	3
Equipment	730	1,500	1,568	(68)

The accompanying notes are an integral part of these financial statements

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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Dues and Fees	810	\$ 750	\$ 274	\$ 476
Subtotal		<u>147,860</u>	<u>143,737</u>	<u>4,123</u>
Fiscal Services 2520:				
Business Manager Assessment	331	6,981	6,981	-
Accounting Assessment	331	14,680	14,680	-
Audit	370	2,900	2,900	-
Current Interest	830	5,000	3,394	1,606
Bank Analysis Fees	890	-	176	(176)
Subtotal		<u>29,561</u>	<u>28,131</u>	<u>1,430</u>
Building Maintenance & Operation 2600:				
Salaries	110	36,067	37,357	(1,290)
Assistant Salaries	111	6,537	6,745	(208)
Insurance Compensation	212	700	-	700
Social Security	220	3,313	3,374	(61)
Retirement	240	1,704	1,494	210
Workers Compensation	250	2,888	265	2,623
Unemployment Compensation	260	74	58	16
Trash Removal	421	3,150	2,987	163
Snow Removal	422	2,900	1,850	1,050
Grounds Maintenance	424	3,000	2,481	519
Equipment Repair	430	20,000	24,276	(4,276)
Capital/Building Repair	435	6,500	561	5,939
Water Testing	460	1,000	736	264
Property Insurance	521	5,192	3,788	1,404
Telephone	530	3,400	3,299	101
Travel	580	250	67	183
Supplies	610	9,000	6,374	2,626
Electricity	622	20,160	16,644	3,516
Oil	624	35,388	25,920	9,468
Equipment	730	1,000	105	895
Subtotal		<u>162,223</u>	<u>138,381</u>	<u>23,842</u>
Transportation 2710:				
Contracted Transportation	519	45,059	34,938	10,121
Subtotal		<u>45,059</u>	<u>34,938</u>	<u>10,121</u>
Co-Curricular Transportation 2720:				
Field Trips	519	2,500	4,147	(1,647)
Subtotal		<u>2,500</u>	<u>4,147</u>	<u>(1,647)</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
TOTAL EXPENDITURES		<u>\$ 1,606,420</u>	<u>\$ 1,515,811</u>	<u>\$ 90,609</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		3,563	98,715	95,152
OTHER FINANCING SOURCES (USES):				
Transfer to Special Revenue Fund		(13,631)	(13,631)	-
Transfer to Enterprise Fund		(1,500)	(1,500)	-
Transfer to Debt Service Fund		<u>(32,952)</u>	<u>(32,952)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		(44,520)	50,632	95,152
FUND BALANCE, JULY 1, 2011		<u>44,520</u>	<u>124,801</u>	<u>80,281</u>
FUND BALANCE, JUNE 30, 2012		<u>\$ -</u>	<u>\$ 175,433</u>	<u>\$ 175,433</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Balance Sheet
Special Revenue Funds
June 30, 2012

Schedule 2
(page 1 of 2)

	Medicaid	Student Field Trips	Maintenance Reserve	Community Assistance Grant	Winter Sports Program	Subtotals
ASSETS:						
Current Assets:						
Cash			\$ 32,835			\$ 32,835
Due From Other Funds	\$ 6,213	\$ 1,205		\$ 174	\$ 1,512	9,104
Accounts Receivable - Supervisory Union	75					75
Accounts Receivable - Other	-	-	-	-	-	-
Total Current Assets	<u>6,288</u>	<u>1,205</u>	<u>32,835</u>	<u>174</u>	<u>1,512</u>	<u>42,014</u>
TOTAL ASSETS	<u>\$ 6,288</u>	<u>\$ 1,205</u>	<u>\$ 32,835</u>	<u>\$ 174</u>	<u>\$ 1,512</u>	<u>\$ 42,014</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable - Other	-	-	-	-	-	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Fund Balances:						
Restricted	<u>6,288</u>	<u>1,205</u>	<u>32,835</u>	<u>174</u>	<u>1,512</u>	<u>42,014</u>
Total Fund Balances	<u>6,288</u>	<u>1,205</u>	<u>32,835</u>	<u>174</u>	<u>1,512</u>	<u>42,014</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 6,288</u>	<u>\$ 1,205</u>	<u>\$ 32,835</u>	<u>\$ 174</u>	<u>\$ 1,512</u>	<u>\$ 42,014</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Balance Sheet
Special Revenue Funds
June 30, 2012

Schedule 2
(page 2 of 2)

	School Garden	Book Fair	Exxon Mobil Grant	Four Winds	Empty Bowl Service	Subtotals	Totals
ASSETS:							
Current Assets:							
Cash						\$ -	\$ 32,835
Due From Other Funds	\$ 367	\$ 2,104	\$ 636	\$ 783		3,890	12,994
Accounts Receivable - Supervisory Union						-	75
Accounts Receivable - Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 1,533</u>	<u>1,533</u>	<u>1,533</u>
Total Current Assets	<u>367</u>	<u>2,104</u>	<u>636</u>	<u>783</u>	<u>1,533</u>	<u>5,423</u>	<u>47,437</u>
TOTAL ASSETS	<u>\$ 367</u>	<u>\$ 2,104</u>	<u>\$ 636</u>	<u>\$ 783</u>	<u>\$ 1,533</u>	<u>\$ 5,423</u>	<u>\$ 47,437</u>
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts Payable - Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 1,533</u>	<u>1,533</u>	<u>\$ 1,533</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,533</u>	<u>1,533</u>	<u>1,533</u>
Fund Balances:							
Restricted	<u>367</u>	<u>2,104</u>	<u>636</u>	<u>783</u>	<u>-</u>	<u>3,890</u>	<u>45,904</u>
Total Fund Balances	<u>367</u>	<u>2,104</u>	<u>636</u>	<u>783</u>	<u>-</u>	<u>3,890</u>	<u>45,904</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 367</u>	<u>\$ 2,104</u>	<u>\$ 636</u>	<u>\$ 783</u>	<u>\$ 1,533</u>	<u>\$ 5,423</u>	<u>\$ 47,437</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
Special Revenue Funds
For The Year Ended June 30, 2012

Schedule 3
(page 1 of 2)

	Medicaid	Student Field Trips	Maintenance Reserve	Community Assistance Grant	Winter Sports Program	2012 6th Grade	School Garden	Subtotals
REVENUES:								
Investment Income			\$ 72					\$ 72
Private/Local	\$ 1,559	\$ 1,404	-	-	\$ 1,670	\$ 6,559	-	11,192
TOTAL REVENUES	1,559	1,404	72	\$ -	1,670	6,559	\$ -	11,264
EXPENDITURES:								
Direct Services			1,233		2,001	3,631		6,865
Transportation Services	-	199	-	-	-	4,636	-	4,835
TOTAL EXPENDITURES	-	199	1,233	-	2,001	8,267	-	11,700
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,559	1,205	(1,161)	-	(331)	(1,708)	-	(436)
OTHER FINANCING SOURCES (USES):								
Transfers In			13,631			1,059		14,690
Transfers Out	-	-	-	-	-	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,559	1,205	12,470	-	(331)	(649)	-	14,254
FUND BALANCES, JULY 1, 2011	4,729	-	20,365	174	1,843	649	367	28,127
FUND BALANCES, JUNE 30, 2012	\$ 6,288	\$ 1,205	\$ 32,835	\$ 174	\$ 1,512	\$ -	\$ 367	\$ 42,381

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
Special Revenue Funds
For The Year Ended June 30, 2012

Schedule 3
(page 2 of 2)

	Book Fair	Library Donations	2011 6th Grade	Exxon Mobil Grant	Four Winds	Empty Bowl Service	Subtotals	Totals
REVENUES:								
Investment Income							\$ -	\$ 72
Private/Local	<u>\$ 1,924</u>	<u>-</u>	<u>-</u>	<u>\$ 500</u>	<u>\$ 402</u>	<u>\$ 3,289</u>	<u>6,115</u>	<u>17,307</u>
TOTAL REVENUES	<u>1,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>500</u>	<u>402</u>	<u>3,289</u>	<u>6,115</u>	<u>17,379</u>
EXPENDITURES:								
Direct Services						3,289	3,289	10,154
Transportation Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,835</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,289</u>	<u>3,289</u>	<u>14,989</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,924	-	-	500	402	-	2,826	2,390
OTHER FINANCING SOURCES (USES):								
Transfers In							-	14,690
Transfers Out	<u>-</u>	<u>-</u>	<u>(1,059)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,059)</u>	<u>(1,059)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,924	-	(1,059)	500	402	-	1,767	16,021
FUND BALANCES, JULY 1, 2011	<u>180</u>	<u>-</u>	<u>1,059</u>	<u>136</u>	<u>381</u>	<u>-</u>	<u>1,756</u>	<u>29,883</u>
FUND BALANCES, JUNE 30, 2012	<u>\$ 2,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 636</u>	<u>\$ 783</u>	<u>\$ -</u>	<u>\$ 3,523</u>	<u>\$ 45,904</u>

The accompanying notes are an integral part of these financial statements



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

To the School Board
Fayston School District

We have audited the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Fayston School District, Vermont as of and for the year ended June 30, 2012, which collectively comprise the entity's basic financial statements and have issued our report thereon dated February 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Angolano & Company

Angolano & Company
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February 11, 2013



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To the School Board
Fayston School District

In planning and performing our audit of the financial statements of Fayston School District as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Fayston School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fayston School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fayston School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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 a 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.

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

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February 11, 2013



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August 24, 2012

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, 2012. 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, 2011. 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, 2012. 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 Assets in Notes 7 and 8 to the financial statements as to how any surplus is to be used in future fiscal years.

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,
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