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www.angolanoandcompany.com

February 25, 2014

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

Dear Michelle :

I have electronically forwarded the final financial statements for Fayston School District as of and for the year ended June 30, 2013. In addition I will be mailing you 8 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, 2013

Fayston School District
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For The Year Ended June 30, 2013

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Fayston School District
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INDEPENDENT AUDITOR'S REPORT

To the School Board
Fayston School District, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Fayston School District, Vermont, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the and the aggregate remaining fund information of the Fayston School District, Vermont, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 and 32-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2014, on our consideration of the Fayston School District, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fayston School District, Vermont's internal control over financial reporting and compliance.

Angolano & Company

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

February 18, 2014

FAYSTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

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, 2013 (FY 13). The District is organized under the guidance of the Board of Directors to provide public education for Fayston.

Financial Highlights

- Government-wide assets totaled \$1,003,102 and government-wide liabilities totaled \$89,049.
- The District's general fund actual revenues were \$1,630,916 while the budgeted revenues were \$1,645,969, a decrease of \$14,843 or .90%.
- The District's general fund actual expenditures were \$1,619,486 while the budgeted expenditures were \$1,689,250, a savings of \$69,764 or 4.1%.
- Special Revenue Funds with fund balances totaling \$59,194 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 \$21,276 after receiving a transfer in the amount of \$18,685 from the general fund.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The District maintains four (4) governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Special Revenue, Capital Project and Debt Service funds. The basic governmental funds financial statements can be found on pages 9-12.

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

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

Notes to the Financial Statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-31.

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.

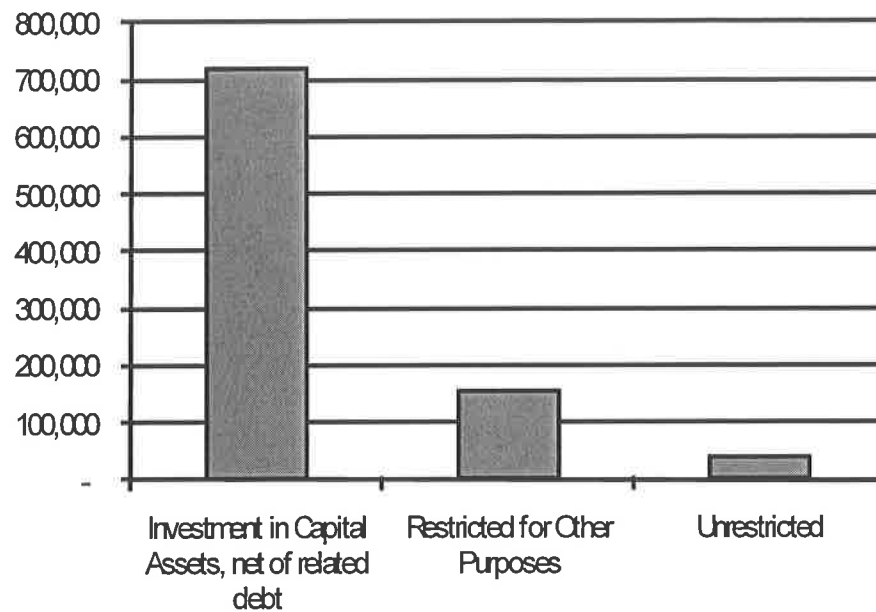
Amounts reported for governmental activities in this statement of net assets differ from the summary of financial operations because: capital (non-current) assets used in governmental activities are not financial resources and therefore, are deferred in the funds; non-current liabilities—consisting of 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.

TABLE I

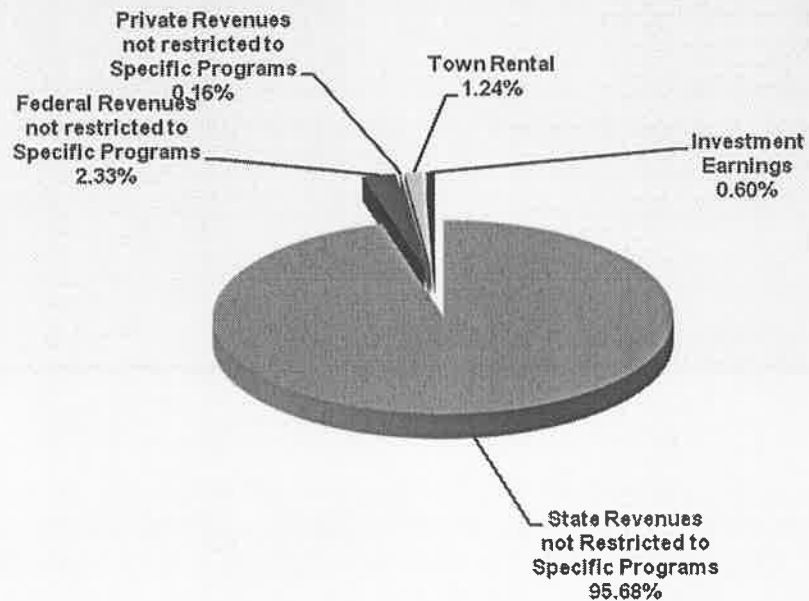
Fayston School District
Statement of Net Assets and Fund Balance Reconciliation
June 30, 2013

	Governmental Balance Sheet Fund Base	Governmental Activities Government-Wide	Difference
ASSETS:			
Current Assets:			
Cash	253,180	253,180	-
Due from Food Services	7,465	7,465	-
Accounts Receivable:			-
Supervisory Union	9,956	9,956	-
Other LEAs	126	126	-
Other	1,280	1,280	-
Prepaid Expenses	-	-	-
Total Current Assets	272,007	272,007	-
Non-current Assets:			
Capital Assets:			
Buildings & Equipment, net of Accum. Depr.	-	700,405	(700,405)
Total Non-current Assets	-	700,405	(700,405)
TOTAL ASSETS	272,007	972,412	(700,405)
LIABILITIES:			
Current Liabilities:			
Accounts Payable - State	29,347	29,347	-
Accounts Payable-Other LEAs	124	124	-
Accounts Payable - Other	49,503	49,503	-
Accrued Expenses	661	661	-
Due to Other Funds	-	-	-
Current Portion of Long-Term Obligations	79,635	79,635	-
Total Current Liabilities			
Non-current Liabilities	-	-	-
Bonds Payable	-	-	-
Total Non-current Liabilities	79,635	79,635	-
TOTAL LIABILITIES			
NET ASSETS			-
Investment in Capital Assets, net of related Debt	-	700,405	(700,405)
Restricted for Other Purposes	154,606	154,606	-
Unrestricted	37,766	37,766	-
TOTAL NET ASSETS	192,372	892,777	(700,405)
TOTAL LIABILITIES AND NET ASSETS	272,007	972,412	(700,405)

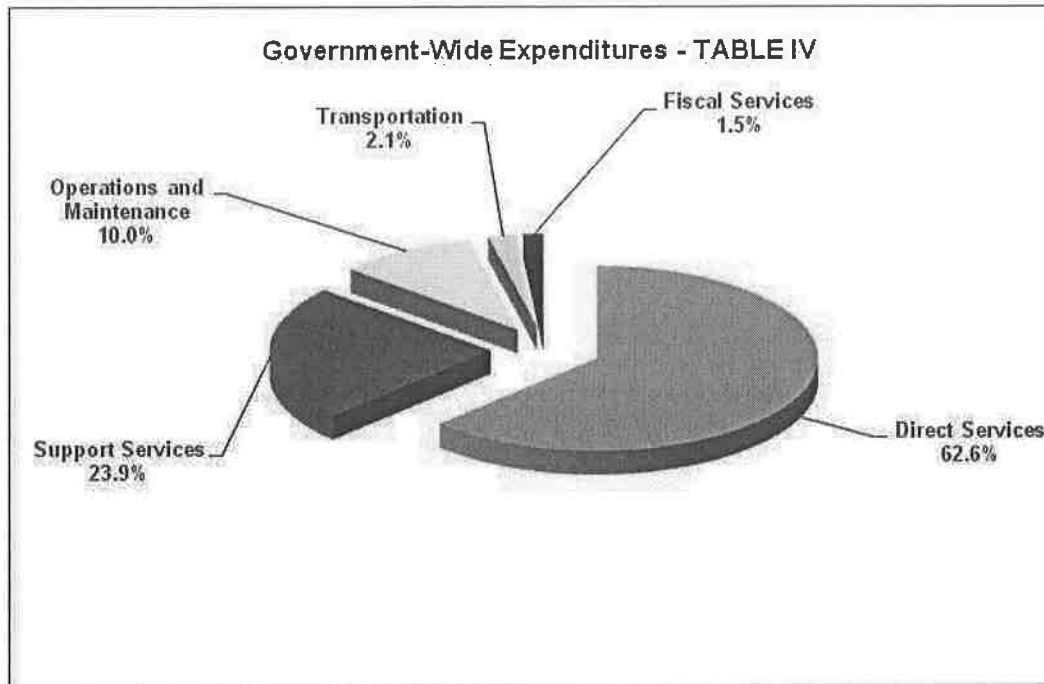
Government-Wide Net Assets - TABLE II



Government-Wide Revenues - TABLE III



Government-wide revenues consisted of \$1,548,490 in state revenue, \$37,646 in federal revenue, \$20,000 in town rental, \$2,520 in private revenues \$9,768 in investment earnings, \$233 of other revenues and offsetting transfers to food service of \$18,685.



Government-wide expenses consist of \$1,000,539 in direct services, \$382,110 in support services, \$159,686 in operations and maintenance, \$33,395 in transportation and \$23,556 in fiscal services for a total of \$1,599,286 and food service program expenses of \$19,406.

Governmental Activities:

Governmental Activities revenues totaled \$1,599,972 and expenses net of program revenues were \$1,599,286 resulting in an increase in net assets of \$686.

Business Type Activities:

Business Type Activities realized a decrease in net assets of \$721.

Fund Financial Analysis

	Governmental Balance Sheet	Governmental Balance Sheet	Governmental Balance Sheet	Governmental Balance Sheet	Governmental Balance Sheet
	Fund Base	Fund Base	Fund Base	Fund Base	Fund Base
	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009
ASSETS					
Current Assets:					
Cash	253,180	243,127	271,060	212,672	162,375
Prepaid Expenses	-	581	-	-	8,839
Accounts Receivable:					
State	-	14,333	-	5,664	127
Supervisory Union	9,956	3,080	651	7,664	9,572
Other LEAs	126	6,419	3,375	-	-
Other	1,280	-	-	722	-
Due from Other Funds	7,465	6,600	-	6,255	-
Total Current Assets	272,007	274,140	275,086	232,977	180,913
LIABILITIES					
Current Liabilities:					
Cash Overdraft	-	-	-	15,054	-
Accrued Expenses	661	802	811	635	558
Due to Other Funds	-	-	11,225	17,236	7,658
Accounts Payable - State	29,347	12,951	20,440	11,980	4,318
Accounts Payable - Other LEAs	124				
Accounts Payable - Other	49,503	39,050	87,926	46,560	66,158
Total Current Liabilities	79,635	52,803	120,402	91,465	78,692
NET ASSETS					
Committed	95,152	80,281	44,520	-	-
Restricted	59,454	45,904	29,883	97,013	66,726
Unassigned	37,766	95,152	80,281	44,499	35,495
TOTAL NET ASSETS	192,372	221,337	154,684	141,512	102,221
TOTAL LIABILITIES AND NET ASSETS	272,007	274,140	275,086	232,977	180,913

Governmental Fund Types:

Fund balances in the Governmental Fund types decreased from \$221,337 to \$192,372 a decrease of \$28,965. This decrease was reflected in the General Fund by a decrease of \$42,255 and an increase of \$13,290 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 \$19,406 during the past year and had a retained earnings balance of \$21,276 as of June 30, 2013.

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.

<i>Fayston School District</i> <i>Capital Assets</i> <i>June 30, 2013</i>				TABLE VI
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>	
<i>Governmental Activities</i>				
Land Improvements	47,161	25,450	21,711	
Buildings and Improvements	\$ 1,295,434	\$ 636,816	\$ 658,618	
Furniture and Equipment	52,421	32,345	20,076	
Total	<u>\$ 1,395,016</u>	<u>\$ 694,611</u>	<u>\$ 700,405</u>	
<i>Business Type Activities</i>				
Buildings and Improvements	21,676	-	21,676	
Furniture and Equipment	\$ 10,000	\$ 12,169	\$ (2,169)	
Total	<u>\$ 1,426,692</u>	<u>\$ 706,780</u>	<u>\$ 719,912</u>	

Long-Term Debt

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 was paid in FY13 and at June 30, 2013 the District has \$0 long term debt..

Current Issues

- Fayston is a community experiencing some decreasing student enrollment.
- Fayston may see the loss of revenue from the Small Schools Grant over the next few years.
- The combined Fayston-Waitsfield food service program has seen significant losses for two years, FY2012 and FY2013. Lunch prices have been increased, a program plan has been implemented in an effort to boost sales and a new agreement, based on actual meal costs, has been negotiated with Waitsfield for FY2014. A RFP for contracted food service will be issued in the spring of 2014.

Current Issues Continued

- Act 153/156 requires transportation, special education, compensatory and remedial services to be provided by the Supervisory Union by July 1, 2015, or for a waiver to be obtained from the Agency of Education. The financial effects on the Fayston School District associated with this legislation are unknown at this time.
- The Legislature is evaluating the Act 60/68 education funding formula and school governance. How any future legislation may affect the Fayston School District is unknown at this time; however it appears change is on the horizon.

Contact for Further Information

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

Fayston School District
Statement of Net Assets
Government-Wide
June 30, 2013

EXHIBIT I

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 253,180		\$ 253,180
Due From Other Funds	7,465		7,465
Accounts Receivable - Supervisory Union	9,956		9,956
Accounts Receivable - Other LEAs	126	6,122	6,248
Accounts Receivable - Other	1,280	514	1,794
Inventory		4,547	4,547
Capital Assets, net (Note 4)	<u>700,405</u>	<u>19,507</u>	<u>719,912</u>
Total Assets	<u>972,412</u>	<u>30,690</u>	<u>1,003,102</u>
LIABILITIES:			
Due To Other Funds		7,464	7,464
Accounts Payable - State	29,347		29,347
Accounts Payable - Other LEAs	124		124
Accounts Payable - Other	49,503	1,950	51,453
Accrued Expenses	<u>661</u>	<u>-</u>	<u>661</u>
Total Liabilities	<u>79,635</u>	<u>9,414</u>	<u>89,049</u>
NET ASSETS:			
Investment in Capital Assets, net of related debt	700,405	19,507	719,912
Restricted for Other Purposes	154,606		154,606
Unrestricted	<u>37,766</u>	<u>1,769</u>	<u>39,535</u>
Total Net Assets	<u>\$ 892,777</u>	<u>\$ 21,276</u>	<u>\$ 914,053</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, 2013

EXHIBIT II

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities
					Total
Instructional:					
Direct Services	\$ 1,008,811		\$ 8,272	\$ (1,000,539)	\$ (1,000,539)
Support Services:					
Student Services	111,791			(111,791)	(111,791)
Instructional Services	72,358		7,059	(65,299)	(65,299)
General Administrative Services	46,671			(46,671)	(46,671)
Area Administrative Services	158,349			(158,349)	(158,349)
Fiscal Services	23,556			(23,556)	(23,556)
Building Operations and Maintenance	159,686			(159,686)	(159,686)
Transportation	52,395		19,000	(33,395)	(33,395)
Operation of Noninstructional Services:					
Food Services	126,186	\$ 106,780	-	-	\$ (19,406)
Total	<u>\$ 1,759,803</u>	<u>\$ 106,780</u>	<u>\$ 34,331</u>	(1,599,286)	(19,406)
					(1,618,692)
General Revenues:					
State Revenues not Restricted to Specific Programs				1,548,490	1,548,490
Federal Revenues not Restricted to Specific Programs				37,646	37,646
Private Revenues not Restricted to Specific Programs				2,520	2,520
Investment Earnings				9,768	9,768
Rentals				20,000	20,000
Miscellaneous				233	233
Transfers				(18,685)	18,685
Total General Revenues				<u>1,599,972</u>	<u>18,685</u>
Excess (Deficiency) of Revenues Over Expenses				686	(721)
Net Assets - Beginning				<u>892,091</u>	<u>21,997</u>
Net Assets - Ending				<u>\$ 892,777</u>	<u>\$ 21,276</u>
					<u>\$ 914,053</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, 2013

EXHIBIT III

	Governmental Fund Types		Proprietary Fund Type	Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Enterprise Fund	
ASSETS:				
Current Assets:				
Cash	\$ 208,121	\$ 45,059		\$ 253,180
Due From Other Funds		14,741		14,741
Accounts Receivable - Supervisory Union	9,883	73	\$ 6,122	16,078
Accounts Receivable - Other LEAs	126			126
Accounts Receivable - Other	400	880	514	1,794
Inventory	-	-	4,547	4,547
Total Current Assets	<u>218,530</u>	<u>60,753</u>	<u>11,183</u>	<u>290,466</u>
Other Assets:				
Fixed Assets - Net	-	-	19,507	19,507
Total Other Assets	<u>-</u>	<u>-</u>	<u>19,507</u>	<u>19,507</u>
TOTAL ASSETS	<u>\$ 218,530</u>	<u>\$ 60,753</u>	<u>\$ 30,690</u>	<u>\$ 309,973</u>
LIABILITIES AND FUND EQUITIES:				
Liabilities:				
Due To Other Funds	\$ 7,276		\$ 7,464	\$ 14,740
Accounts Payable - State	29,347			29,347
Accounts Payable - Other LEAs	124			124
Accounts Payable - Other	47,944	\$ 1,559	1,950	51,453
Accrued Expenses	661	-	-	661
Total Liabilities	<u>85,352</u>	<u>1,559</u>	<u>9,414</u>	<u>96,325</u>
Fund Equity:				
Fund Balances:				
Unassigned	38,026	(260)		37,766
Committed	95,152			95,152
Restricted		59,454		59,454
Retained Earnings	-	-	21,276	21,276
Total Fund Equities	<u>133,178</u>	<u>59,194</u>	<u>21,276</u>	<u>213,648</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$ 218,530</u>	<u>\$ 60,753</u>	<u>\$ 30,690</u>	<u>\$ 309,973</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, 2013

Fund Balances – total governmental funds	\$ 192,372
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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	1,395,016
Less accumulated depreciation	(694,611)

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

Bonds Payable	<u>0</u>
---------------	----------

Net Assets of Governmental Activities	<u>\$ 892,777</u>
---------------------------------------	-------------------

Fayston School District
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types - Fund Base
For The Year Ended June 30, 2013

EXHIBIT IV

	General Fund	Special Revenue Fund	Totals (Memorandum Only)
REVENUES:			
Interest on Investments	\$ 9,690	\$ 78	\$ 9,768
Town Rental	20,000		20,000
Donations		7,059	7,059
Miscellaneous	233		233
Private/Local		14,935	14,935
State	1,563,347		1,563,347
Federal	<u>37,646</u>	<u>-</u>	<u>37,646</u>
 TOTAL REVENUES	 <u>1,630,916</u>	 <u>22,072</u>	 <u>1,652,988</u>
EXPENDITURES:			
Direct Services	989,284	8,826	998,110
Support Services:			
Students	111,791		111,791
Instructional Staff	69,263	7,059	76,322
General Administration	46,671		46,671
Area Administration	158,349		158,349
Fiscal Services	23,556		23,556
Operation & Maintenance of Building	135,325	22,854	158,179
Transportation	47,352	5,043	52,395
Debt Services	<u>37,895</u>	<u>-</u>	<u>37,895</u>
 TOTAL EXPENDITURES	 <u>1,619,486</u>	 <u>43,782</u>	 <u>1,663,268</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 11,430	 (21,710)	 (10,280)
OTHER FINANCING SOURCES (USES):			
Transfers In		35,000	35,000
Transfers Out	<u>(53,685)</u>	<u>-</u>	<u>(53,685)</u>
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 (42,255)	 13,290	 (28,965)
 FUND BALANCE, JULY 1, 2012	 <u>175,433</u>	 <u>45,904</u>	 <u>221,337</u>
 FUND BALANCE, JUNE 30, 2013	 <u>\$ 133,178</u>	 <u>\$ 59,194</u>	 <u>\$ 192,372</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, 2013

Net Changes in fund Balances – total governmental funds	\$(28,965)
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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	29,913
Less current year depreciation	(30,262)

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>\$ 686</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, 2013

EXHIBIT V

Operating Revenues:		
Sales	\$ 67,950	
Total Operating Revenues		\$ 67,950
Operating Expenses:		
Salaries and Benefits	74,273	
Repairs and Maintenance	1,032	
Travel	1,888	
Food and Supplies	41,348	
Commodities	6,922	
Depreciation	723	
Total Operating Expenses		<u>126,186</u>
Operating Income (Loss)		(58,236)
Non-Operating Revenue:		
State Sources:		
Restricted Grants:		
Lunch Match	1,155	
Child Nutrition Breakfast	257	
Child Nutrition Other	121	
Federal Sources:		
Restricted Grants:		
National School Lunch Program	23,804	
National School Breakfast Program	6,970	
Commodities	6,523	
Total Non-Operating Revenue		<u>38,830</u>
Income (Loss) Before Transfers		(19,406)
Operating Transfers In (Out)		<u>18,685</u>
Net Income (Loss)		(721)
Retained Earnings, July 1, 2012		<u>21,997</u>
Retained Earnings, June 30, 2013		<u>\$ 21,276</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, 2013

EXHIBIT VI

Cash Flows From Operating Activities:		
Received From Customers	\$ 68,699	
Payments To Employees and Fringe Benefits	(74,273)	
Payments To Vendors and Supplies	<u>(52,367)</u>	
Net Cash Used By Operating Activities		\$ (57,941)
Cash Flows From Noncapital Financing Activities:		
State Aid Received	38,392	
Support From General Fund	<u>19,549</u>	
Net Cash Used By Noncapital Financing Activities		57,941
Cash Flows From Capital and Related Financing Activities:		
None		-
Cash Flows From Investing Activities:		
None		<u>-</u>
Net Increase (Decrease) in Cash		-
Cash, July 1, 2012		<u>-</u>
Cash, June 30, 2013		<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities:		
Cash Provided From Operating Activities:		
Operating Income (Loss)		\$ (58,236)
Adjustments to Reconcile Net Income to Cash Provided (Used) By Operating Activities:		
Depreciation	\$ 723	
(Increase) Decrease in Accounts Receivable - Other	2,890	
(Increase) Decrease in Inventory	(2,705)	
Increase (Decrease) in Accts Payable - Other	1,528	
Increase (Decrease) in Deferred Revenue	<u>(2,141)</u>	
Total Adjustments		<u>295</u>
Net Cash Provided (Used) By Operating Activities		<u>\$ (57,941)</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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity:

The 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.

Basic Financial Statements - Government-Wide:

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

In the government-wide Statement of Net Position, both the governmental and business-type activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activity reports both the gross and net cost of the School District's functions and business-type activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function, or a business-type activity. Operating grants include operating-specific and discretionary grants.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The net costs are normally covered by general revenue.

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

Basis Financial Statements – Fund Financial Statements:

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The major funds are:

Governmental Fund Types:

- General Fund – The general fund is the School District's primary operating fund and accounts for typical general government revenues and a wide variety of activities that benefit the School District's as a whole. It accounts for all financial resources not accounted for or reported in another fund.
- Special Revenue Funds – The special revenue funds focus on revenues that are restricted or committed to expenditures for specific purposes. The School District accounts for resources restricted to, or committed for, specific purposes by the School District or a grantor in a special revenue fund. Most federal, some State financial assistance and voter committed funds are accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor or the voters at the close of specified project periods.

Proprietary Fund Types:

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

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Exchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

Other Accounting Policies:

Cash and Cash Equivalents:

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

Interfund Receivables and Payables:

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:

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

Inventory:

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

Capital Assets:

Capital assets, which include land, buildings, furniture, and equipment, are reported in the

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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. and approved by the Fayston School District Board at a properly warned meeting.

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.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 net assets, it generally uses restricted net assets first. Net assets on the Statement of Net Assets include the following:

Net Investment in Capital Assets, net of Related Debt – It consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows or resources related to those assets.

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

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

Unrestricted – The difference between the assets and liabilities that are 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, committed, spendable, or non-spendable fund balance.

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

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, generally the voters.

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

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

Function and Object Codes:

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

Memorandum Only Columns:

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

NOTE 2 - CASH AND REPURCHASE AGREEMENTS

Cash deposits with financial institutions at June 30th amounted to \$253,180. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

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

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:

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 2 - CASH AND REPURCHASE AGREEMENTS (CONTINUED)

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

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

Balances held in each area are as follows:

	Carrying Amount	Bank Balance
- Insured (FDIC) and/or (SIPC)	\$ 45,059	\$ 45,059
- Category 1	0	0
- Category 2	208,201	250,167
- Category 3	0	0
- Category 4	0	0
Total deposits	<u>\$253,180</u>	<u>\$295,225</u>

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

Collateralization agreements of \$250,167 are securities held by the bank's trust department or agent in the bank's name. Securities consist of municipal bonds, U.S. Government obligations and U.S. Government Agency Bonds.

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

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, 2013 is as follows:

Fund Financial Statements:		
Receivable Fund	Payable Fund	Amount
Special Revenue Fund:		
Medicaid	General Fund	\$ 6,257
Community Assistance	General Fund	174
School Garden	General Fund	367
Book Fair	General Fund	2,333
Winter Sports Program	General Fund	1,218
Urban Art Club	General Fund	79
Vt. Rural Partnership	General Fund	274
Class of 2013	General Fund	165
Class of 2014	General Fund	650
Exxon Mobil Grant	General Fund	1,136
Four Winds	General Fund	783
School Field Trips	General Fund	305
	Enterprise Fund:	
General Fund	Food Program	<u>7,464</u>
	Total	<u>\$22,205</u>

Government -Wide Financial Statements:		
Receivable Fund	Payable Fund	Amount
Governmental Type	Business Type	<u>\$ 7,464</u>

NOTE 4 – CAPITAL ASSETS

Capital activity for the School District for the year ended June 30, 2013 was as follows:

	<u>Primary Government</u>			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital Assets:				
Land Improvements	\$ 24,307	\$22,854	\$ 0	\$ 47,161

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Primary Government</u>			
	Beginning Balance	Increases	Decreases	Ending Balance
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>7,059</u>	<u>0</u>	<u>52,421</u>
Total other capital assets at historical costs	<u>1,365,103</u>	<u>29,913</u>	<u>0</u>	<u>1,395,013</u>
Less accumulated depreciation:				
Land Improvements	24,307	1,143	0	25,450
Buildings	61,989	0	0	61,989
Building Improvements	549,875	24,952	0	574,827
Furniture and Equipment	<u>28,178</u>	<u>4,167</u>	<u>0</u>	<u>32,345</u>
Total accum. Depr.	<u>664,349</u>	<u>30,262</u>	<u>0</u>	<u>694,611</u>
Governmental activities				
Capital Assets, Net	<u>\$ 700,754</u>	<u>\$ (349)</u>	<u>\$ 0</u>	<u>\$ 700,405</u>
Business-type activities:				
Building Improvements	\$ 21,676	\$ 0	\$ 0	\$ 21,676
Furniture and Equipment	10,000	0	0	10,000
Less accum. Depr.	<u>11,446</u>	<u>723</u>	<u>0</u>	<u>12,169</u>
Business-type activities				
Capital Assets, Net	<u>\$ 20,230</u>	<u>\$ (723)</u>	<u>\$ 0</u>	<u>\$ 19,507</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Direct Services	\$25,660
Support Services:	
Students	0
Instructional Staff	3,095
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>\$30,262</u>

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

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.

There are no sick leave buy back provisions.

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, 2012	Borrowings	Retirements	Balance June 30, 2013
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>\$30,000</u>	<u>\$ 0</u>	<u>\$30,000</u>	<u>\$ 0</u>

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

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:

General Fund:

Fiscal 13-14 Budget	<u>\$95,152</u>
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Special Revenue Fund:

Medicaid	\$ 7,330
Community Assistance	174
Maintenance Reserve	45,059
School Garden	367
Exxon Mobil Grant	1,136
Four Winds	783
Student Field Trips	305
Book Fair	2,333
Urban Art Club	79
Vt. Rural Partnership	20
Class of 2014	650
Winter Sports Program	<u>1,218</u>
Total	<u>\$59,454</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 13-14 Budget	\$ 95,152
Medicaid	7,330
Community Assistance	174
Maintenance Reserve	45,059
School Garden	367

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

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

Net Assets Restricted For Other Purposes (continued):

Exxon Mobil Grant	\$ 1,136
Four Winds	783
Student Field Trips	305
Book Fair	2,333
Urban Art Club	79
Vt. Rural Partnership	20
Class of 2014	650
Winter Sports Program	<u>1,218</u>
Total	<u>\$154,606</u>

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 \$35,000 were transferred from the General Fund to the Special Revenue Fund – Maintenance Reserve as per article passed by voters.

Funds of \$18,685 were transferred from the General Fund to the Enterprise Fund – Food Program for the purpose of subsidizing operations.

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. The State Legislature has sole authority to amend benefit provisions.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 10 – PENSIONS (CONTINUED)

VERMONT TEACHERS' RETIREMENT SYSTEM (CONTINUED)

Required contributions to the system are made by the State of Vermont based upon a valuation report prepared by the System's actuary. TRS is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. TRS is funded through state and employee contributions and the School District has no legal obligation for paying benefits. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan as required by Government Accounting Standards Board (GASB) Statement 24 to be 8.45% or approximately \$65,088.

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 \$38,346 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 \$1,039,525, with \$770,277 of such amount related to employees covered by the retirement plan.

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

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 10 – PENSIONS (CONTINUED)

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

creditable service. Normal retirement for Group C and D members is age 55 and the completion of 5 years of creditable service. A member may receive reduced benefits at age 55 if they have 5 years of service and have made contributions for at least 2.5 years.

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

	Group A	Group B	Group C	Group D
Employees' Contributions (% of gross wages)	2.5%	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 \$5,664 during the year. The School District contributed \$9,063 during the year. The School District's total payroll for all employees during the year was \$1,039,525 , with \$226,569 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System. The plan had 12 members at June 30, 2013.

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

NOTE 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, students and guess; as well as natural disasters. School District uses risk sharing pools and carries commercial insurance to cover these risks. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 11 - RISK MANAGEMENT (CONTINUED)

In addition, Fayston School District as a member of Vermont School Boards Association (Association), participates in that entity's public entity risk pools. The Association has set up two insurance 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 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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 11 - RISK MANAGEMENT (CONTINUED)

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 - SUBSEQUENT EVENTS

On July 1, 2013, the School District borrowed \$300,000 from People's United Bank in a Revenue Anticipation Note at 1.39%. The interest and principal are due at maturity on June 30, 2014.

NOTE 13 - COMMITMENTS

On June 19, 2013, the School District entered into an agreement with Gillespie Fuel & Propane for a fixed prepaid rate for 12,000 gallons of fuel at \$1.47 per gallon. The minimum cost to the Union School District for June 30, 2014, will be \$17,640, however due to a credit balance carryover from FY13; the minimum cost is \$7,290.

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, 2013 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.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2013

NOTE 14 - RELATED PARTY

As defined by GASB No. 14, paragraph 71, the School District is related to and as an ongoing financial responsibility to Washington West Supervisory Union. Washington West Supervisory Union assesses the School District annually for a share of the net projected expenses in excess of revenues, plus a share of other budgetary provisions. Washington West Supervisory Union also provides the busing for the District, the cost of which is assessed to the School District. Washington West Supervisory Union collects the food program reimbursement from the State and passes it through the School District. Separate financial statements on Washington West Supervisory Union are available from Washington West Supervisory Union.

The School District is part of the Harwood Union School District #19 and has an ongoing financial responsibility as defined in GASB No. 14, paragraph 71. Separate financial statements on the Union School District are available from Washington West Supervisory Union.

NOTE 15 - CONTINGENCY

Annually, before November 1st, the Commissioner of the Vermont Department of Education notifies each school of its net cost per elementary and/or secondary pupil for the previous school year. If the School District received tuition students from other Vermont School Districts it must determine whether it overcharged the sending District. If it did, it must provide the overcharged District with a credit against current tuition or refund the overcharged amount.

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

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

	Object	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Interest on Investments		\$ 8,500	\$ 9,690	\$ 1,190
Town Rental		20,000	20,000	-
Miscellaneous		-	233	233
State:				
Education Spending Grant		1,404,602	1,404,602	-
Smalls Schools Grant		47,874	47,792	(82)
Transportation Reimbursement		14,685	14,857	172
Mainstream Block Grant		37,252	37,252	-
SPED Expenditure Reimbursement		68,710	56,910	(11,800)
Essential Early Education		500	1,934	1,434
Federal:				
Education Jobs Fund		24,521	24,521	-
IDEA-B		16,825	11,775	(5,050)
IDEA-B Preschool		<u>2,000</u>	<u>1,350</u>	<u>(650)</u>
TOTAL REVENUES		<u>1,645,469</u>	<u>1,630,916</u>	<u>(14,553)</u>
EXPENDITURES:				
Regular Instruction 1100:				
Salaries	110	385,713	391,114	(5,401)
Mentoring Salaries	110	2,250	1,500	750
Aide Salaries	115	47,674	41,530	6,144
Enrichment Salaries	119	-	1,000	(1,000)
Temporary Salaries	120	16,000	17,113	(1,113)
Personal Days	125	1,000	1,226	(226)
Health Insurance	210	116,502	112,476	4,026
Section 125	211	-	477	(477)
Social Security	220	34,550	33,327	1,223
Life Insurance	230	2,064	1,973	91
Retirement	240	1,907	1,574	333
Workers Compensation	250	3,772	3,073	699
Unemployment Compensation	260	2,148	2,825	(677)
Tuition Reimbursement	270	18,500	17,817	683
Dental Insurance	280	7,556	6,448	1,108
Purchased Services	330	-	30	(30)
Occupational Therapy	330	-	88	(88)
Testing Services	332	1,500	781	719
Copier	410	4,000	3,111	889

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, 2013

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Equipment Repair	430	\$ 210	\$ 210	\$ -
Travel	580	2,500	294	2,206
Supplies	610	12,755	9,578	3,177
Books and Periodicals	640	11,500	10,960	540
Enrichment Program	650	13,360	5,968	7,392
Equipment	730	3,000	489	2,511
Principals Fund	800	2,035	2,341	(306)
Subtotal		<u>690,496</u>	<u>667,323</u>	<u>23,173</u>
Early Education 1100:				
Salaries	110	13,950	13,041	909
Aide Salaries	115	6,481	6,248	233
Personal Days	125	-	43	(43)
Health Insurance	210	765	-	765
Social Security	220	1,563	553	1,010
Life Insurance	230	147	-	147
Workers Compensation	250	177	139	38
Unemployment Compensation	260	318	128	190
Professional Development	270	-	440	(440)
Purchased Services	330	17,622	17,622	-
Supplies	610	-	112	(112)
Audio Visual Materials	650	218	217	1
Equipment	735	5,000	5,014	(14)
Subtotal		<u>46,241</u>	<u>43,557</u>	<u>2,684</u>
Art 1102:				
Salaries	110	16,843	17,506	(663)
Insurance Compensation	212	570	280	290
Social Security	220	1,288	1,361	(73)
Life Insurance	230	156	204	(48)
Workers Compensation	250	147	114	33
Unemployment Compensation	260	179	105	74
Supplies	610	1,250	1,043	207
Subtotal		<u>20,433</u>	<u>20,613</u>	<u>(180)</u>
Foreign Language 1106:				
Salaries	110	19,979	20,666	(687)
Personal Days	125	-	14	(14)
Insurance Compensation	212	624	280	344
Social Security	220	1,528	1,603	(75)
Life Insurance	230	166	157	9

The accompanying notes are an integral part of these financial statements

Fayston School District
Statement of Revenues, Expenditures and Changes
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General Fund
For The Year Ended June 30, 2013

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Workers Compensation	250	\$ 174	\$ 136	\$ 38
Unemployment Compensation	260	179	123	56
Supplies	610	<u>300</u>	<u>71</u>	<u>229</u>
Subtotal		<u>22,950</u>	<u>23,050</u>	<u>(100)</u>
Physical Education 1108:				
Salaries	110	15,770	15,105	665
Wellness Club Facilities	116	1,021	706	315
Health Insurance	210	6,513	-	6,513
Insurance Compensation	212	-	315	(315)
Social Security	220	1,206	1,234	(28)
Life Insurance	230	153	114	39
Workers Compensation	250	137	114	23
Unemployment Compensation	260	179	106	73
Dental Insurance	280	466	-	466
Supplies	610	<u>750</u>	<u>727</u>	<u>23</u>
Subtotal		<u>26,195</u>	<u>18,421</u>	<u>7,774</u>
Music 1112:				
Salaries	110	21,681	21,852	(171)
Health Insurance	210	6,615	6,347	268
Social Security	220	1,659	1,539	120
Life Insurance	230	172	114	58
Workers Compensation	250	189	147	42
Unemployment Compensation	260	179	136	43
Dental Insurance	280	466	413	53
Supplies	610	<u>500</u>	<u>240</u>	<u>260</u>
Subtotal		<u>31,461</u>	<u>30,788</u>	<u>673</u>
Special Education 1200:				
Salaries	110	41,543	48,661	(7,118)
Tutor	112	2,000	-	2,000
Aide Salaries	115	64,985	50,570	14,415
Long Term Substitute Salaries	115	-	5,077	(5,077)
Temporary Salaries	120	-	175	(175)
Personal Days	125	-	34	(34)
Health Insurance	210	17,890	12,357	5,533
Social Security	220	6,825	7,682	(857)
Life Insurance	230	236	136	100
Retirement	240	2,599	2,503	96
Workers Compensation	250	927	737	190

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)
Unemployment Compensation	260	\$ 895	\$ 678	\$ 217
Tuition Reimbursement	270	2,000	150	1,850
Dental Insurance	280	631	679	(48)
Summer Services	334	1,750	258	1,492
Supplies	610	1,500	809	691
Equipment	730	1,000	501	499
Subtotal		<u>144,781</u>	<u>131,007</u>	<u>13,774</u>
Essential Early Education Program 1200:				
Supplies	610	500	-	500
Subtotal		<u>500</u>	<u>-</u>	<u>500</u>
Compensatory Education 1250:				
Salaries	110	47,159	48,798	(1,639)
Insurance Compensation	212	1,373	560	813
Social Security	220	3,608	3,679	(71)
Life Insurance	230	256	263	(7)
Workers Compensation	250	410	-	410
Unemployment Compensation	260	179	292	(113)
Dental Insurance	280	931	933	(2)
Subtotal		<u>53,916</u>	<u>54,525</u>	<u>(609)</u>
Guidance Services 2120:				
Salaries	110	17,369	18,036	(667)
Personal Days	125	-	14	(14)
Health Insurance	210	2,668	4,658	(1,990)
Social Security	220	1,329	1,381	(52)
Life Insurance	230	160	208	(48)
Workers Compensation	250	151	118	33
Unemployment Compensation	260	179	109	70
Dental Insurance	280	175	342	(167)
Supplies	610	250	366	(116)
Subtotal		<u>22,281</u>	<u>25,232</u>	<u>(2,951)</u>
Health Services 2130:				
Salaries	110	24,316	24,507	(191)
Personal Days	125	-	105	(105)
Insurance Compensation	212	769	-	769
Social Security	220	1,860	1,883	(23)
Life Insurance	230	182	170	12
Workers Compensation	250	212	165	47

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)
Unemployment Compensation	260	\$ 179	\$ 152	\$ 27
Repairs and Maintenance	430	400	128	272
Supplies	610	1,000	290	710
Software	650	250	-	250
Subtotal		<u>29,168</u>	<u>27,400</u>	<u>1,768</u>
Preschool Physical Therapy Services 2140:				
Contracted Services	330	-	26	(26)
Subtotal		<u>-</u>	<u>26</u>	<u>(26)</u>
SPED Physical Therapy Services 2140:				
Contracted Services	330	10,775	6,521	4,254
Equipment	739	-	1,860	(1,860)
Subtotal		<u>10,775</u>	<u>8,381</u>	<u>2,394</u>
EEE Physical Therapy Services 2140:				
Contracted Services	330	2,000	1,350	650
Subtotal		<u>2,000</u>	<u>1,350</u>	<u>650</u>
Special Education Speech 2150:				
Salaries	110	29,210	29,440	(230)
Summer Salaries	112	1,000	1,020	(20)
Personal Days	125	-	99	(99)
Health Insurance	210	9,866	9,520	346
Social Security	220	2,235	1,379	856
Life Insurance	230	198	195	3
Workers Compensation	250	254	205	49
Unemployment Compensation	260	179	189	(10)
Dental Insurance	280	698	792	(94)
Supplies	610	750	569	181
Testing Materials	611	200	44	156
Subtotal		<u>44,590</u>	<u>43,452</u>	<u>1,138</u>
SPED Occupational Therapy Services 2160:				
Contracted Services	330	7,300	4,990	2,310
Subtotal		<u>7,300</u>	<u>4,990</u>	<u>2,310</u>
SPED Physical Therapy Services 2190:				
Contracted Services	330	750	960	(210)
Subtotal		<u>750</u>	<u>960</u>	<u>(210)</u>
Improvement of Instruction 2210:				
Social Security	220	-	61	(61)

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)
Inservice	320	\$ 3,000	\$ 800	\$ 2,200
Subtotal		<u>3,000</u>	<u>861</u>	<u>2,139</u>
Media Center 2220:				
Salaries	110	18,400	19,679	(1,279)
Health Insurance	210	6,558	2,409	4,149
Social Security	220	1,408	1,385	23
Life Insurance	230	163	83	80
Workers Compensation	250	160	125	35
Unemployment Compensation	260	179	115	64
Dental Insurance	280	466	231	235
Equipment Maintenance	430	900	1,131	(231)
Supplies	610	600	171	429
Books and Periodicals	640	3,000	2,799	201
Audio Visual Materials	650	<u>900</u>	<u>500</u>	<u>400</u>
Subtotal		<u>32,734</u>	<u>28,628</u>	<u>4,106</u>
Audio Visual/Technology 2223:				
Salaries	116	5,000	5,844	(844)
Social Security	220	383	446	(63)
Unemployment Compensation	260	5	-	5
Purchased Services	330	1,000	1,051	(51)
Equipment Repair	430	2,000	710	1,290
Internet Connection	530	2,200	1,731	469
Supplies	610	2,000	-	2,000
Software	650	2,642	2,744	(102)
Equipment	730	<u>6,158</u>	<u>8,371</u>	<u>(2,213)</u>
Subtotal		<u>21,388</u>	<u>20,897</u>	<u>491</u>
Technology Integration 2229:				
Salaries	110	12,632	15,649	(3,017)
Personal Days	125	-	42	(42)
Health Insurance	210	-	1,806	(1,806)
Insurance Compensation	212	428	-	428
Social Security	220	966	1,102	(136)
Life Insurance	230	144	81	63
Retirement	240	110	-	110
Workers Compensation	250	-	34	(34)
Unemployment Compensation	260	179	31	148

The accompanying notes are an integral part of these financial statements

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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Dental Insurance	280	\$ -	\$ 132	\$ (132)
Subtotal		<u>14,459</u>	<u>18,877</u>	<u>(4,418)</u>
Board of Education 2310:				
Secretary Salaries	116	-	975	(975)
Board Stipend	118	3,750	3,750	-
Social Security	220	287	354	(67)
Retirement	240	-	27	(27)
Legal	360	5,000	156	4,844
Insurance	523	1,400	1,477	(77)
Advertising	540	1,500	695	805
Miscellaneous	550	1,400	902	498
Dues and Fees	810	<u>1,250</u>	<u>1,030</u>	<u>220</u>
Subtotal		<u>14,587</u>	<u>9,366</u>	<u>5,221</u>
District Treasurer 2313:				
Salaries	110	500	500	-
Social Security	220	<u>38</u>	<u>38</u>	<u>-</u>
Subtotal		<u>538</u>	<u>538</u>	<u>-</u>
Assessment 2321:				
Supervisory Union Assessment	331	<u>36,508</u>	<u>36,767</u>	<u>(259)</u>
Subtotal		<u>36,508</u>	<u>36,767</u>	<u>(259)</u>
Administration 2400:				
Salaries	110	77,648	80,750	(3,102)
Support Staff Salaries	111	31,620	35,106	(3,486)
Temporary Salaries	120	1,000	-	1,000
Substitute Coordinator Salaries	123	500	-	500
Health Insurance	210	16,303	19,665	(3,362)
Social Security	220	8,359	8,455	(96)
Life Insurance	230	556	435	121
Retirement	240	1,265	1,234	31
Workers Compensation	250	951	362	589
Unemployment Compensation	260	358	353	5
Professional Development	270	2,500	2,024	476
Dental Insurance	280	1,164	760	404
Contract Services	300	-	3,192	(3,192)
Postage	531	1,500	1,754	(254)
Travel	580	500	875	(375)
Supplies	610	300	907	(607)

The accompanying notes are an integral part of these financial statements

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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Equipment	730	\$ 300	\$ 1,872	\$ (1,572)
Dues and Fees	810	<u>750</u>	<u>605</u>	<u>145</u>
Subtotal		<u>145,574</u>	<u>158,349</u>	<u>(12,775)</u>
Fiscal Services 2520:				
Business Manager Assessment	331	6,300	6,216	84
Accounting Assessment	331	13,241	13,065	176
Audit	370	3,000	3,300	(300)
Current Interest	830	<u>-</u>	<u>975</u>	<u>(975)</u>
Subtotal		<u>22,541</u>	<u>23,556</u>	<u>(1,015)</u>
Building Maintenance & Operation 2600:				
Salaries	110	38,480	36,158	2,322
Assistant Salaries	111	6,714	6,480	234
Temporary Salaries	120	-	598	(598)
Social Security	220	3,458	3,308	150
Retirement	240	1,704	1,446	258
Workers Compensation	250	2,888	278	2,610
Unemployment Compensation	260	325	283	42
Trash Removal	421	3,150	3,014	136
Snow Removal	422	2,900	1,850	1,050
Grounds Maintenance	424	3,000	3,173	(173)
Equipment Repair	430	20,000	25,552	(5,552)
Capital/Building Repair	435	6,500	5,870	630
Water Testing	460	1,000	1,024	(24)
Property Insurance	521	5,200	4,040	1,160
Telephone	530	3,400	3,359	41
Travel	580	250	14	236
Supplies	610	8,000	4,754	3,246
Electricity	622	20,160	16,917	3,243
Oil	624	33,000	16,800	16,200
Equipment	730	<u>1,000</u>	<u>407</u>	<u>593</u>
Subtotal		<u>161,129</u>	<u>135,325</u>	<u>25,804</u>
Transportation 2710:				
Contracted Transportation	519	<u>46,185</u>	<u>45,719</u>	<u>466</u>
Subtotal		<u>46,185</u>	<u>45,719</u>	<u>466</u>
Co-Curricular Transportation 2720:				
Field Trips	519	<u>2,500</u>	<u>1,633</u>	<u>867</u>
Subtotal		<u>2,500</u>	<u>1,633</u>	<u>867</u>

The accompanying notes are an integral part of these financial statements

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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Debt Services 5100:				
Interest Charges	830	\$ 4,270	\$ 7,895	\$ (3,625)
Principal Retirement	910	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Subtotal		<u>34,270</u>	<u>37,895</u>	<u>(3,625)</u>
TOTAL EXPENDITURES		<u>1,689,250</u>	<u>1,619,486</u>	<u>69,764</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		(43,781)	11,430	55,211
OTHER FINANCING SOURCES (USES):				
Transfer to Special Revenue Fund		(35,000)	(35,000)	-
Transfer to Enterprise Fund		<u>(1,500)</u>	<u>(18,685)</u>	<u>(17,185)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		(80,281)	(42,255)	38,026
FUND BALANCE, JULY 1, 2012		<u>80,281</u>	<u>175,433</u>	<u>95,152</u>
FUND BALANCE, JUNE 30, 2013		<u>\$ -</u>	<u>\$ 133,178</u>	<u>\$ 133,178</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Balance Sheet
Special Revenue Funds
June 30, 2013

Schedule 2
(page 1 of 2)

	Medicaid	Student Field Trips	Maintenance Reserve	Community Assistance Grant	Winter Sports Program	Urban Art Club	School Garden	Subtotals
ASSETS:								
Current Assets:								
Cash			\$ 45,059					\$ 45,059
Due From Other Funds	\$ 7,257	\$ 305		\$ 174	\$ 1,218	\$ 79	\$ 367	9,400
Accounts Receivable - Supervisory Union	73							73
Accounts Receivable - Other	-	-	-	-	-	-	-	-
Total Current Assets	<u>7,330</u>	<u>305</u>	<u>45,059</u>	<u>174</u>	<u>1,218</u>	<u>79</u>	<u>367</u>	<u>54,532</u>
TOTAL ASSETS	<u>\$ 7,330</u>	<u>\$ 305</u>	<u>\$ 45,059</u>	<u>\$ 174</u>	<u>\$ 1,218</u>	<u>\$ 79</u>	<u>\$ 367</u>	<u>\$ 54,532</u>
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Accounts Payable - Other	-	-	-	-	-	-	-	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Fund Balances:								
Unassigned								-
Restricted	<u>7,330</u>	<u>305</u>	<u>45,059</u>	<u>174</u>	<u>1,218</u>	<u>79</u>	<u>367</u>	<u>54,532</u>
Total Fund Balances	<u>7,330</u>	<u>305</u>	<u>45,059</u>	<u>174</u>	<u>1,218</u>	<u>79</u>	<u>367</u>	<u>54,532</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 7,330</u>	<u>\$ 305</u>	<u>\$ 45,059</u>	<u>\$ 174</u>	<u>\$ 1,218</u>	<u>\$ 79</u>	<u>\$ 367</u>	<u>\$ 54,532</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Balance Sheet
Special Revenue Funds
June 30, 2013

Schedule 2
(page 2 of 2)

	Book Fair	Exxon Mobil Grant	Four Winds	Vermont Rural Partnership	Class of 2013	Class of 2014	Subtotals	Totals
ASSETS:								
Current Assets:								
Cash							\$ -	\$ 45,059
Due From Other Funds	\$ 2,333	\$ 1,136	\$ 783	\$ 274	\$ 165	\$ 650	5,341	14,741
Accounts Receivable - Supervisory Union							-	73
Accounts Receivable - Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>880</u>	<u>-</u>	<u>880</u>	<u>880</u>
Total Current Assets	<u>2,333</u>	<u>1,136</u>	<u>783</u>	<u>274</u>	<u>1,045</u>	<u>650</u>	<u>6,221</u>	<u>60,753</u>
TOTAL ASSETS	<u>\$ 2,333</u>	<u>\$ 1,136</u>	<u>\$ 783</u>	<u>\$ 274</u>	<u>\$ 1,045</u>	<u>\$ 650</u>	<u>\$ 6,221</u>	<u>\$ 60,753</u>
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Accounts Payable - Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 254</u>	<u>\$ 1,305</u>	<u>-</u>	<u>\$ 1,559</u>	<u>\$ 1,559</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>254</u>	<u>1,305</u>	<u>\$ -</u>	<u>1,559</u>	<u>1,559</u>
Fund Balances:								
Unassigned					(260)		(260)	(260)
Restricted	<u>2,333</u>	<u>1,136</u>	<u>783</u>	<u>20</u>	<u>-</u>	<u>650</u>	<u>4,922</u>	<u>59,454</u>
Total Fund Balances	<u>2,333</u>	<u>1,136</u>	<u>783</u>	<u>20</u>	<u>(260)</u>	<u>650</u>	<u>4,662</u>	<u>59,194</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 2,333</u>	<u>\$ 1,136</u>	<u>\$ 783</u>	<u>\$ 274</u>	<u>\$ 1,045</u>	<u>\$ 650</u>	<u>\$ 6,221</u>	<u>\$ 60,753</u>

The accompanying notes are an integral part of these financial statements

Fauston School District
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
Special Revenue Funds
For The Year Ended June 30, 2013

Schedule 3
(page 1 of 2)

	Medicaid	Student Field Trips	Maintenance Reserve	Community Assistance Grant	Winter Sports Program	Urban Art Club	School Garden	Book Fair	Subtotals
REVENUES:									
Investment Income			\$ 78						\$ 78
Donations									-
Private/Local	\$ 1,042	-	-	-	\$ 2,360	\$ 665	-	\$ 1,793	5,860
TOTAL REVENUES	1,042	\$ -	78	\$ -	2,360	665	\$ -	1,793	5,938
EXPENDITURES:									
Direct Services					2,654	586		1,564	4,804
Support Services:									
Instructional Staff									-
Operation and Maintenance of Building			22,854						22,854
Transportation Services	-	900	-	-	-	-	-	-	900
TOTAL EXPENDITURES	-	900	22,854	-	2,654	586	-	1,564	28,558
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,042	(900)	(22,776)	-	(294)	79	-	229	(22,620)
OTHER FINANCING SOURCES (USES):									
Transfers In	-	-	35,000	-	-	-	-	-	35,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,042	(900)	12,224	-	(294)	79	-	229	12,380
FUND BALANCES, JULY 1, 2012	6,288	1,205	32,835	174	1,512	-	367	2,104	44,485
FUND BALANCES, JUNE 30, 2013	\$ 7,330	\$ 305	\$ 45,059	\$ 174	\$ 1,218	\$ 79	\$ 367	\$ 2,333	\$ 56,865

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, 2013

Schedule 3
(page 2 of 2)

	PTO Donations	Exxon Mobil Grant	Four Winds	Vermont Rural Partnership	Class of 2013	Class of 2014	Subtotals	Totals
REVENUES:								
Investment Income							\$ -	\$ 78
Donations	\$ 7,059						7,059	7,059
Private/Local	<u>-</u>	<u>\$ 500</u>	<u>-</u>	<u>\$ 2,000</u>	<u>\$ 5,925</u>	<u>\$ 650</u>	<u>9,075</u>	<u>14,935</u>
TOTAL REVENUES	<u>7,059</u>	<u>500</u>	<u>\$ -</u>	<u>2,000</u>	<u>5,925</u>	<u>650</u>	<u>16,134</u>	<u>22,072</u>
EXPENDITURES:								
Direct Services				1,867	2,155		4,022	8,826
Support Services:								
Instructional Staff	7,059						7,059	7,059
Operation and Maintenance of Building							-	22,854
Transportation Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>113</u>	<u>4,030</u>	<u>-</u>	<u>4,143</u>	<u>5,043</u>
TOTAL EXPENDITURES	<u>7,059</u>	<u>-</u>	<u>-</u>	<u>1,980</u>	<u>6,185</u>	<u>-</u>	<u>15,224</u>	<u>43,782</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	500	-	20	(260)	650	910	(21,710)
OTHER FINANCING SOURCES (USES):								
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	500	-	20	(260)	650	910	13,290
FUND BALANCES, JULY 1, 2012	<u>-</u>	<u>636</u>	<u>783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,419</u>	<u>45,904</u>
FUND BALANCES, JUNE 30, 2013	<u>\$ -</u>	<u>\$ 1,136</u>	<u>\$ 783</u>	<u>\$ 20</u>	<u>\$ (260)</u>	<u>\$ 650</u>	<u>\$ 2,329</u>	<u>\$ 59,194</u>

The accompanying notes are an integral part of these financial statements



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

To the School Board
Fayston School District, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Fayston School District, Vermont, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Fayston School District, Vermont's basic financial statements and have issued our report thereon dated February 18, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Angolano & Company

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

February 18, 2014



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August 23, 2013

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, 2013. 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, 2013. 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, 2013. 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,
Shelburne, Vermont
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