



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

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

[www.angolanoandcompany.com](http://www.angolanoandcompany.com)

February 21, 2013

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

Dear Michelle :

I have electronically forwarded the final financial statements for Warren School District as of and for the year ended June 30, 2012. In addition I will be mailing you 10 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

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

Warren School District  
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For The Year Ended June 30, 2012

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Warren School District  
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## Independent Auditors' Report

To The School Board  
Warren School District

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2013 on our consideration of Warren School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 and 33 through 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

***Angolano & Company***

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

February 6, 2013

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

**Introduction**

The discussion and analysis of The Warren School District's ("the District") financial performance provides a narrative introduction and overview of the school District's financial activities for the fiscal year ending June 30, 2012 (FY 12). The District is organized under the guidance of the Board of School Directors to provide public education for Warren.

**Financial Highlights**

- Government-wide assets totaled \$622,486 and government-wide liabilities totaled \$146,594.
- The District's general fund actual revenues were \$2,105,474 while the budgeted revenues were \$2,082,521 an increase of \$22,953. The increases in revenue were primarily from tuition revenue.
- The District's general fund actual expenditures were \$2,068,910, while the budgeted expenditures were \$2,091,451, a decrease of \$22,541.
- Special Revenue Funds totaling \$25,064 are held in the District's accounts for various Federal, State and Private Grants.
- The Capital Project Fund represents the unspent balance on monies set aside for unanticipated and/or future building and technology needs. The balance in the Maintenance Reserve Fund \$16,385.
- The Enterprise Fund represents the food program and had an ending retained earnings balance of \$17,225.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Warren 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 instruction, support services, and building operation and maintenance. The business-type activities of the District include the Food Service Program.

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. Individual fund data for the Proprietary and Fiduciary Funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 8-11.

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

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



Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-32.

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*

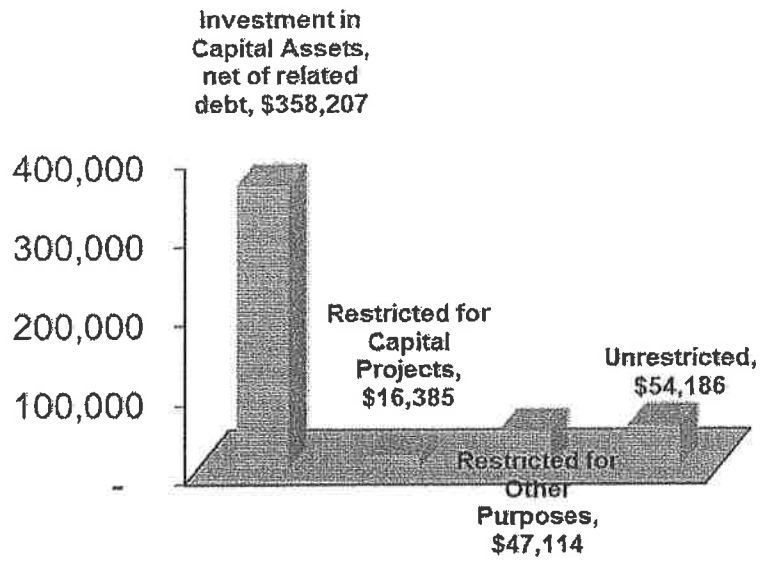
Our analysis of the District's major funds begins on Table 1. The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District's Board of Directors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

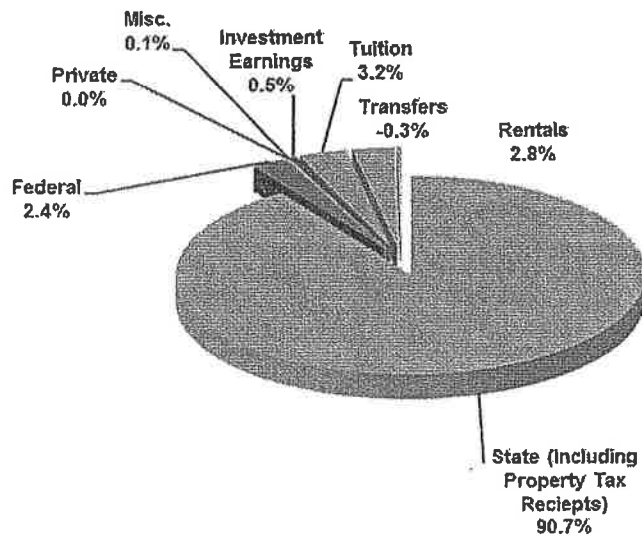
**Warren School District**  
**Statement of Net Assets and Fund Balance Reconciliation**  
**June 30, 2012**

	Summary of Financial Operations and Fund Balance	Governmental Activities Government-Wide	Difference
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash	133,526	133,526	-
Accounts Receivable:			
Town	17,468	17,468	-
Supervisory Union	19,704	19,704	-
Other LEA's	7	7	-
Other	2,367	2,367	-
Prepaid Expenses	2,847	2,847	-
<b>Total Current Assets</b>	<b>175,919</b>	<b>175,919</b>	<b>-</b>
<b>Non-current Assets:</b>			
<b>Capital Assets:</b>			
Building & Equipment, net of Accum. Depr.	-	427,013	(427,013)
<b>Total Non-current Assets</b>	<b>-</b>	<b>427,013</b>	<b>(427,013)</b>
<b>TOTAL ASSETS</b>	<b>175,919</b>	<b>602,932</b>	<b>(427,013)</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Cash Overdraft	1,367	1,367	-
Due to Proprietary Fund	2,614	2,614	-
Accounts Payable:			
State	16,291	16,291	-
Supervisory Union	8,329	8,329	-
Other	34,812	34,812	-
Capital Leases Payable	-	14,299	(14,299)
Current Debt	-	51,365	(51,365)
<b>Total Current Liabilities</b>	<b>63,413</b>	<b>129,077</b>	<b>(65,664)</b>
<b>Non-current Liabilities:</b>			
Long Term Debt - Notes Payable	-	15,188	(15,188)
<b>Total Non-current Liabilities</b>	<b>-</b>	<b>15,188</b>	<b>(15,188)</b>
<b>TOTAL LIABILITIES</b>	<b>63,413</b>	<b>144,265</b>	<b>(80,852)</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, net of related Debt	-	346,161	(346,161)
Restricted for Capital Projects	16,385	16,385	-
Restricted for Other Purposes	8,679	47,114	(38,435)
Committed	38,435	-	38,435
Unrestricted	49,007	49,007	-
<b>TOTAL NET ASSETS</b>	<b>112,506</b>	<b>458,667</b>	<b>(346,161)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>175,919</b>	<b>602,932</b>	<b>(427,013)</b>

**Government-Wide Net Assets - TABLE II**

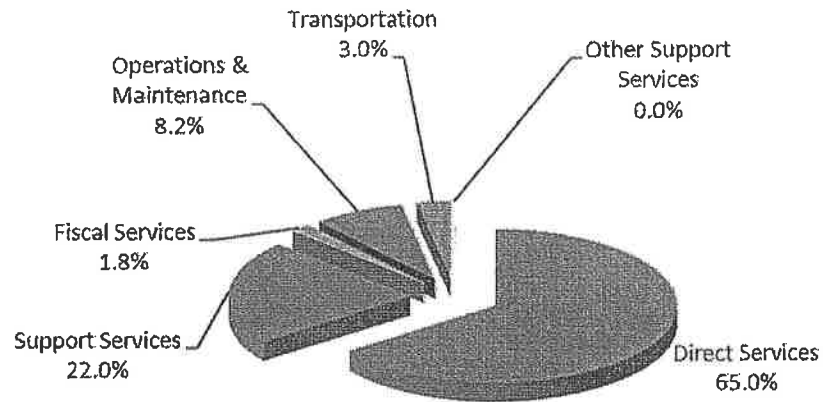


**Government-Wide Revenues - TABLE III**



Government-wide revenues consisted of \$1,850,687 in state revenue, which includes property tax, \$47,985 in federal revenue, \$10,618 in investment earnings, \$65,866 in tuition revenue, \$56,649 in rental, \$2,078 in miscellaneous revenues and \$5,462 in transfers out.

### Government-Wide Expenditures - TABLE IV



Government-wide expenses consist of \$1,326,067 in direct services, \$448,581 in support services, \$36,530 in fiscal services, \$166,359 in operations and maintenance, \$61,626 in transportation and \$400 in Other Support Services, for a total of \$2,039,563.

#### *Governmental Activities:*

Governmental Activities revenues totaled \$2,028,421 and expenses totaled \$2,039,563 resulting in a decrease in net assets of \$11,142.

#### *Business Type Activities:*

Business Type Activities realized a \$499 increase in net assets, with an ending balance of \$17,225.

**Fund Financial Analysis**

	Summary of	Summary of	Summary of	Summary of
	Financial	Financial	Financial	Financial
	Operations and	Operations and	Operations and	Operations and
	Fund Balance	Fund Balance	Fund Balance	Fund Balance
	6/30/2012	6/30/2011	6/30/2010	6/30/2009
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash	133,526	95,315	170,735	120,914
Prepaid Expenses	-	-	14,943	4,934
Accounts Receivable:				
State	-	-	1,256	-
Town	17,468	-	-	-
Supervisory Union	19,704	89,651	22,848	9,788
Other LEA's	7	12,431	-	9,878
Other	2,367	1,040	18,581	21,295
Prepaid Expenses	2,847	-	-	-
Due from Other Funds	-	2,387	-	4,695
<b>Total Current Assets</b>	<b>175,919</b>	<b>200,824</b>	<b>228,363</b>	<b>171,504</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Cash Overdraft	1,367	-	24,585	-
Accrued Expenses	-	-	2,995	599
Due to Other Funds	2,614	-	1,487	-
Accounts Payable - State	16,291	-	7,244	45,194
Accounts Payable - Supervisory Union	8,329	-	-	-
Accounts Payable - Other LEA's	-	-	605	-
Accounts Payable - Other	34,812	73,408	56,106	10,832
<b>Total Current Liabilities</b>	<b>63,413</b>	<b>73,408</b>	<b>93,022</b>	<b>56,625</b>
<b>NET ASSETS</b>				
Committed	38,435	76,275	91,039	68,535
Restricted	25,064	29,116	-	-
Unassigned	49,007	22,025	44,302	46,344
<b>TOTAL NET ASSETS</b>	<b>112,506</b>	<b>127,416</b>	<b>135,341</b>	<b>114,879</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>175,919</b>	<b>200,824</b>	<b>228,363</b>	<b>171,504</b>

***Governmental Fund Types:***

Fund balances in the Governmental Fund types decreased from \$127,416 to \$112,506 a decrease of \$14,910. This decrease was reflected in the General Fund by a decrease of \$5,861, a decrease of \$8,922 in the Special Revenue Funds and by a decrease of \$127 in the Capital Projects Funds.

The Capital Projects Fund ending fund balance of \$16,385 is reflective of funds set aside for future unspecified building and technology needs.

*Proprietary Fund Type:*

Food service programs are offered to the students for hot lunch and breakfast. This program had a retained earnings balance of \$ 17,225 as of June 30, 2012.

*Fiduciary Fund Types:*

Agency funds of \$-0- were being held at the end of the year for student activities and projects. The prior year balance was also \$-0-.

**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.

<b>Warren School District</b>			TABLE VI
<b>Capital Assets</b>			
<b>June 30, 2012</b>			
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
<b>Governmental Activities:</b>			
Construction in Progress	29,202	-	29,202
<b>Land Improvements</b>	21,847	21,847	-
Buildings and Improvements	\$ 1,040,771	\$ 766,926	\$ 273,845
Vehicles	219,701	124,150	95,551
Furniture and Equipment	52,497	24,082	28,415
Total	\$ 1,364,018	\$ 937,005	\$ 427,013
<b>Business Type Activities:</b>			
Furniture and Equipment	\$ 19,900	\$ 7,854	\$ 12,046
Total	\$ 1,383,918	\$ 944,859	\$ 439,059

**Long-Term Debt**

The District had \$15,188 in long-term debt, associated with the water project loan, defined as debt due and payable beyond one year, at June 30, 2012.

**Current Issues**

- The Warren Elementary School is experiencing an increase in student enrollment. A voter approved project (March 2012) for a new classroom was completed in December 2012.
- The Warren Elementary School will likely need a roof replacement within the next five years.

### *Current Issues (Continued)*

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

### *Contact for Further Information*

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Michelle J. Baker, Business Manager, Washington West Supervisory Union, 1673 Main Street – Suite A, Waitsfield, Vermont 05673 or at (802) 496-2272 ext. 117.

Warren School District  
Statement of Net Assets  
Government-Wide  
June 30, 2012

EXHIBIT I

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 133,526		\$ 133,526
Due From Other Funds		\$ 2,614	2,614
Accounts Receivable - State		2,844	2,844
Accounts Receivable - Town	17,468		17,468
Accounts Receivable - Supervisory Union	19,704		19,704
Accounts Receivable - Other LEAs	7		7
Accounts Receivable - Other	2,367	1,377	3,744
Prepaid Expenses	2,847		2,847
Inventory		673	673
Capital Assets, net (Note 4)	<u>427,013</u>	<u>12,046</u>	<u>439,059</u>
Total Assets	<u>602,932</u>	<u>19,554</u>	<u>622,486</u>
<b>LIABILITIES:</b>			
Cash Overdraft	1,367		
Due To Other Funds	2,614		2,614
Accounts Payable - State	16,291		16,291
Accounts Payable - Supervisory Union	8,329		8,329
Accounts Payable - Other	34,812	2,329	37,141
Capital Leases Payable (Note 7)	14,299		14,299
Long-Term Liabilities (Note 6):			
Due Within One Year	51,365		51,365
Due in More Than One Year	<u>15,188</u>	<u>-</u>	<u>15,188</u>
Total Liabilities	<u>144,265</u>	<u>2,329</u>	<u>146,594</u>
<b>NET ASSETS:</b>			
Investment in Capital Assets, net of related debt	346,161	12,046	358,207
Restricted for Capital Projects	16,385		16,385
Restricted for Other Purposes	47,114		47,114
Unrestricted	<u>49,007</u>	<u>5,179</u>	<u>54,186</u>
Total Net Assets	<u>\$ 458,667</u>	<u>\$ 17,225</u>	<u>\$ 475,892</u>

The accompanying notes are an integral part of these financial statements



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

EXHIBIT II

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
Instructional:						
Direct Services	\$ 1,381,856		\$ 55,789	\$ (1,326,067)		\$ (1,326,067)
Support Services:						
Student Services	151,713			(151,713)		(151,713)
Instructional Services	69,277			(69,277)		(69,277)
General Administrative Services	58,570			(58,570)		(58,570)
Area Administrative Services	169,021			(169,021)		(169,021)
Fiscal Services	36,530			(36,530)		(36,530)
Building Operations and Maintenance	166,359			(166,359)		(166,359)
Transportation	100,768		39,142	(61,626)		(61,626)
Other Support Services	400			(400)		(400)
Operation of Noninstructional Services:						
Food Services	88,941	\$ 83,953	-	-	\$ (4,988)	(4,988)
Total	<u>\$ 2,223,435</u>	<u>\$ 83,953</u>	<u>\$ 94,931</u>	(2,039,563)	(4,988)	(2,044,551)
General Revenues:						
Tuition				65,866		65,866
State Revenues not Restricted to Specific Programs				1,850,687		1,850,687
Federal Revenues not Restricted to Specific Programs				47,985		47,985
Investment Earnings				10,618		10,618
Rentals				56,649		56,649
Miscellaneous				2,078		2,078
Transfers				(5,462)	5,487	25
Total General Revenues				<u>2,028,421</u>	<u>5,487</u>	<u>2,033,908</u>
Excess (Deficiency) of Revenues Over Expenses				(11,142)	499	(10,643)
Net Assets - Beginning				<u>469,809</u>	<u>16,726</u>	<u>486,535</u>
Net Assets - Ending				<u>\$ 458,667</u>	<u>\$ 17,225</u>	<u>\$ 475,892</u>

The accompanying notes are an integral part of these financial statements

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

EXHIBIT III

	Governmental Fund Types			Proprietary Fund Type	Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Capital Projects Fund	Enterprise Fund	
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash	\$ 107,871		\$ 25,655		\$ 133,526
Accounts Receivable - State				\$ 2,844	2,844
Accounts Receivable - Town	17,468				17,468
Accounts Receivable - Supervisory Union	18,473	\$ 1,231			19,704
Accounts Receivable - Other LEAs	7				7
Accounts Receivable - Other	2,367			1,377	3,744
Due From Other Funds		24,822		2,614	27,436
Prepaid Expenses	2,847				2,847
Inventory	-	-	-	673	673
Total Current Assets	<u>149,033</u>	<u>26,053</u>	<u>25,655</u>	<u>7,508</u>	<u>208,249</u>
<b>Other Assets:</b>					
Fixed Assets - net	-	-	-	12,046	12,046
Total Other Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,046</u>	<u>12,046</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 149,033</u></b>	<b><u>\$ 26,053</u></b>	<b><u>\$ 25,655</u></b>	<b><u>\$ 19,554</u></b>	<b><u>\$ 220,295</u></b>
<b>LIABILITIES AND FUND EQUITIES:</b>					
<b>Liabilities:</b>					
Cash Overdraft	\$ 1,367				\$ 1,367
Due to Other Funds	18,166		\$ 9,270		27,436
Accounts Payable - State	16,291				16,291
Accounts Payable - Supervisory Union	8,329				8,329
Accounts Payable - Other	33,823	\$ 989	-	\$ 2,329	37,141
Total Liabilities	<u>77,976</u>	<u>989</u>	<u>9,270</u>	<u>2,329</u>	<u>90,564</u>
<b>Fund Equity:</b>					
<b>Fund Balances:</b>					
Unassigned	49,007				49,007
Committed	22,050		16,385		38,435
Restricted		25,064			25,064
Retained Earnings	-	-	-	17,225	17,225
Total Fund Equities	<u>71,057</u>	<u>25,064</u>	<u>16,385</u>	<u>17,225</u>	<u>129,731</u>
<b>TOTAL LIABILITIES AND FUND EQUITIES</b>	<b><u>\$ 149,033</u></b>	<b><u>\$ 26,053</u></b>	<b><u>\$ 25,655</u></b>	<b><u>\$ 19,554</u></b>	<b><u>\$ 220,295</u></b>

The accompanying notes are an integral part of these financial statements

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

Fund Balances – total governmental funds	\$ 112,506
------------------------------------------	------------

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	1,364,018
Less accumulated depreciation	(937,005)

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

Bonds Payable	(22,453)
Notes Payable	(44,100)
Capital Lease Obligations	<u>(14,299)</u>

Net Assets of Governmental Activities	<u>\$ 458,667</u>
---------------------------------------	-------------------

Warren School District  
Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances  
All Governmental Fund Types - Fund Base  
For The Year Ended June 30, 2012

EXHIBIT IV

	Governmental Fund Types				Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
REVENUES:					
Tuition	\$ 65,866				\$ 65,866
Interest on Investments	10,568		\$ 50		10,618
Rental Income	56,649				56,649
Miscellaneous	2,078				2,078
Private/Local		\$ 23,290			23,290
State	1,888,829				1,888,829
Federal	81,484	-	-	-	81,484
<b>TOTAL REVENUES</b>	<b>2,105,474</b>	<b>23,290</b>	<b>50</b>	<b>\$ -</b>	<b>2,128,814</b>
EXPENDITURES:					
Direct Services	1,334,053	30,864			1,364,917
Support Services:					
Students	151,018				151,018
Instructional Staff	63,999	1,348			65,347
General Administration	58,570				58,570
Area Administration	168,847				168,847
Fiscal Services	36,530				36,530
Operation & Maintenance of Building	161,695		29,202		190,897
Transportation	93,798				93,798
Debt Service:					
Interest Charges				886	886
Principal Reduction				7,052	7,052
Other Outlays	400	-	-	-	400
<b>TOTAL EXPENDITURES</b>	<b>2,068,910</b>	<b>32,212</b>	<b>29,202</b>	<b>7,938</b>	<b>2,138,262</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	36,564	(8,922)	(29,152)	(7,938)	(9,448)
OTHER FINANCING SOURCES (USES):					
Transfers In			29,025	7,938	36,963
Transfers Out	(42,425)	-	-	-	(42,425)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(5,861)	(8,922)	(127)	-	(14,910)
FUND BALANCE, JULY 1, 2011	76,918	33,986	16,512	-	127,416
FUND BALANCE, JUNE 30, 2012	\$ 71,057	\$ 25,064	\$ 16,385	\$ -	\$ 112,506

The accompanying notes are an integral part of these financial statements

Warren School District  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
For The Year Ended June 30, 2012

Net Changes in fund Balances – total governmental funds	\$ (14,910)
---------------------------------------------------------	-------------

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	39,291
Less current year depreciation	(51,276)

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.

Bond proceeds	
Repayment of bonds	7,052
Repayment of notes	15,000
Capital lease proceeds	(10,089)
Repayment of capital lease obligation	<u>3,790</u>

Change in Net Assets of Governmental Funds	<u>\$(11,142)</u>
--------------------------------------------	-------------------

Warren School District  
Statement of Revenues, Expenditures and  
Changes in Retained Earnings  
Proprietary Fund Type - Enterprise Fund  
Food Program  
For The Year Ended June 30, 2012

EXHIBIT V

Operating Revenues:		
Sales	\$ 39,035	
Total Operating Revenues		\$ 39,035
Operating Expenses:		
Salaries and Benefits	59,116	
Repairs and Maintenance	1,360	
Food and Supplies	22,122	
Commodities	5,213	
Equipment	203	
Depreciation	927	
Total Operating Expenses		88,941
Operating Income (Loss)		(49,906)
Non-Operating Revenue:		
State Sources:		
State Match	1,090	
Child Nutrition Breakfast	264	
Child Nutrition Other	211	
Federal Sources:		
Restricted Grants:		
School Breakfast Program	8,397	
School Lunch Program	29,809	
Commodities	5,147	
Total Non-Operating Revenue		44,918
Income (Loss) Before Transfers		(4,988)
Operating Transfers In (Out)		5,487
Net Income (Loss)		499
Retained Earnings, July 1, 2011		16,726
Retained Earnings, June 30, 2012		\$ 17,225

The accompanying notes are an integral part of these financial statements

Warren School District  
Statement of Cash Flows  
Proprietary Fund Type - Enterprise Fund  
Food Program  
For The Year Ended June 30, 2012

EXHIBIT VI

Cash Flows From Operating Activities:

Received From Customers	\$ 38,997	
Payments To Employees and Fringe Benefits	(59,116)	
Payments To Vendors and Supplies	<u>(29,783)</u>	
Net Cash Used By Operating Activities		\$ (49,902)

Cash Flows From Noncapital Financing Activities:

State Aid Received	49,416	
Support From General Fund	<u>486</u>	
Net Cash Used By Noncapital Financing Activities		49,902

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, 2011

-

Cash, June 30, 2012

\$ -

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

Cash Provided From Operating Activities:

Operating Income (Loss)		\$ (49,906)
-------------------------	--	-------------

Adjustments to Reconcile Net Income to Cash

Provided (Used) By Operating Activities:

Depreciation	\$ 927	
(Increase) Decrease in Accounts Receivable - Other	(38)	
Increase (Decrease) in Accounts Payable	<u>(885)</u>	

Total Adjustments 4

Net Cash Provided (Used) By Operating Activities \$ (49,902)

The accompanying notes are an integral part of these financial statements

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Reporting Entity:**

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

**Government-Wide and Fund Financial Statements:**

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

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

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



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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

Governmental Fund Types:

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

Proprietary Fund Types:

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The School District applies all GASB pronouncements as well as the Financial Accounting Standards Board

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Other Accounting Policies:

Cash and Cash Equivalents:

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

Interfund Receivables and Payables:

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

Accounts Receivable:

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

Inventory:

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

Prepaid Items:

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

Capital Assets:

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities column in the governmental wide financial statements.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 Warren School District School Board at a properly warned meeting for presentation to the voters. The operating budget includes proposed expenditures by line item and the means of financing them. The budget is approved by School District Voters at a properly warned annual meeting. The voters vote on the total expense amount and not on the individual line items presented in these financial statements.

Encumbrances:

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

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

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

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

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

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

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

Fund Based Financial Statements:

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

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

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

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

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

**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.

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

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

Function and Object Codes:

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

Memorandum Only Columns:

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

**NOTE 2 - CASH AND REPURCHASE AGREEMENTS**

Cash deposits with financial institutions at June 30th amounted to \$133,526. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

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

These four levels of risk are as follows:

- |            |                                                                                                                                                                 |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Category 1 | Deposits which are insured or collateralized with securities held by the School District or by its agent in the School District's name. (repurchase agreements) |
| Category 2 | Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Bank's name.                    |
| Category 3 | Private commercial insurance protection or letter of credit for funds in excess of FDIC limits.                                                                 |

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

**NOTE 2 - CASH AND REPURCHASE AGREEMENTS (CONTINUED)**

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)	\$133,526	\$526,752
- Category 1	0	0
- Category 2	0	0
- Category 3	0	0
- Category 4	0	0
Total deposits	<u>\$133,526</u>	<u>\$526,752</u>

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

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

**NOTE 3 - INTERFUND RECEIVABLES**

In compliance with GASB 1300.109 School District does not maintain separate bank accounts for each fund, unless it is required by law, or grant agreement. The composition of amounts due to and from other funds as of June 30, 2012, is as follows:

Fund Financial Statements:		
Receivable Fund	Payable Fund	Amount
Special Revenue Fund:		
Medicaid	General Fund	\$16,017
Roy Foundation	General Fund	5,283
Stars Grant	General Fund	1,100
Technical Fund	General Fund	3,522

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

**NOTE 3 - INTERFUND RECEIVABLES (CONTINUED)**

Fund Financial Statements:			
Receivable Fund	Payable Fund		Amount
	Capital Project Fund:		
General Fund	Maintenance Reserve		\$ 9,270
Enterprise Fund:			
Food Program	General Fund		<u>2,614</u>
Total			<u>\$37,806</u>
Government -Wide Financial Statements:			
Receivable Fund	Payable Fund		Amount
Business Type	Governmental Type		<u>\$ 2,614</u>

**NOTE 4 – CAPITAL ASSETS**

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

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depr.				
Construction in Progress	<u>\$ 0</u>	<u>\$ 29,202</u>	<u>\$ 0</u>	<u>\$ 29,202</u>
Total capital assets not being depreciated	<u>0</u>	<u>29,202</u>	<u>0</u>	<u>29,202</u>
Other Capital Assets:				
Land Improvements	21,847	0	0	21,847
Buildings	869,000	0	0	869,000
Building Improvements	82,356	0	0	82,356
Infrastructure	89,415	0	0	89,415
Furniture and Equipment	42,408	10,089	0	52,497
Vehicles	<u>219,701</u>	<u>0</u>	<u>0</u>	<u>219,701</u>
Total other capital assets at historical costs	<u>1,324,727</u>	<u>10,089</u>	<u>0</u>	<u>1,334,816</u>
Less accumulated depreciation:				
Land Improvements	21,847	0	0	21,847
Buildings	695,200	17,380	0	712,580



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

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

	<u>Primary Government</u>			
	Beginning Balance	Increases	Decreases	Ending Balance
Building Improvements	\$ 43,112	\$ 2,318	\$ 0	\$ 45,430
Infrastructure	6,687	2,229	0	8,916
Furniture and Equipment	16,703	7,379	0	24,082
Vehicles	<u>102,180</u>	<u>21,970</u>	<u>0</u>	<u>124,150</u>
Total accum. depr.	<u>885,729</u>	<u>51,276</u>	<u>0</u>	<u>937,005</u>
Other Capital Assets, Net	<u>438,998</u>	<u>(41,187)</u>	<u>0</u>	<u>397,811</u>
Governmental activities				
Capital Assets, Net	<u>\$ 438,998</u>	<u>\$(11,985)</u>	<u>\$ 0</u>	<u>\$ 427,013</u>
Business -type activities:				
Furniture and Equipment	\$ 19,900	\$ 0	\$ 0	\$ 19,900
Less accum. Depr.	<u>6,927</u>	<u>927</u>	<u>0</u>	<u>7,854</u>
Business -type activities				
Capital Assets, Net	<u>\$ 12,973</u>	<u>\$ (927)</u>	<u>\$ 0</u>	<u>\$ 12,046</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Direct Services	\$20,729
Support Services:	
Students	695
Instructional Staff	3,930
General Administration	0
Area Administration	174
Fiscal Services	0
Operation and Maintenance of Plant	3,778
Transportation	21,970
Other Support Services	<u>0</u>
Total governmental activities depreciation expense	<u>\$51,276</u>

**NOTE 5 - SICK LEAVE**

It is the School District's policy to permit employees to accumulate earned but unused sick pay benefits. Such leave benefits do not vest under the School District's policy, accordingly benefits must be used during employment. Since the employees' accumulating rights to receive

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

**NOTE 5 - SICK LEAVE (CONTINUED)**

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. Non-teaching staff earn sick days in varying amounts as they do not have a Master Agreement.

**NOTE 6 - LONG-TERM DEBT**

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

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

	Balance July 1, 2011	Borrowings	Retirements	Balance June 30, 2012
Vermont Municipal Bond Bank, Water Construction Note Payable, interest at 1.0% and admin. fee of 2.0%; principal, interest, and admin. fee due September 1 <sup>st</sup> of each year until 2014; originally borrowed \$48,830 in May of 2008; amended to \$59,271 on November 15, 2010.	\$29,505	\$ 0	\$ 7,052	\$22,453
Peoples United Bank, current expense Note payable, interest at 2.3%, interest paid annually, principle of \$44,100 due on October 10, 2012. This note for \$44,100 is issued to refund a borrowing for \$59,100 on October 11, 2010, which was issued to refund a borrowing for \$74,100 on October 13, 2009, for a school bus.	<u>59,100</u>	<u>0</u>	<u>15,000</u>	<u>44,100</u>
Total Long-Term Debt	<u>\$88,605</u>	<u>\$ 0</u>	<u>\$22,052</u>	<u>\$66,553</u>

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

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

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

	Principal	Interest	Total
During the year ended June 30, 2013	\$51,365	\$1,688	\$53,053
2014	7,482	456	7,938
2015	7,706	231	7,937
Thereafter	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$66,553</u>	<u>\$2,375</u>	<u>\$68,928</u>

**NOTE 7 - CAPITAL LEASES**

On July 15, 2010, the Warren School District entered into a noncancellable lease agreement with Apple Financial Services for the lease of Mac computers. This lease agreement qualifies as a capital lease, for accounting purposes and thus, has been recorded at the present value of the future minimum lease payments at the inception of the lease in the general long-term debt account group. The total amount due is \$14,008, to be paid in yearly installments of \$4,669 over 3 years with a buyout at the end of \$1.

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

During the year ended June 30, 2013	<u>\$4,669</u>
Total minimum lease payments	4,669
Less amount representing interest	<u>(459)</u>
Present value of minimum lease payments	<u>\$4,210</u>

Interest rate on the capitalized lease is approximately 10.910 percent.

On June 28, 2012, the Warren School District entered into a noncancellable lease agreement with Apple Financial Services Inc. for the lease of Ipads. This lease agreement qualifies as a capital lease, for accounting purposes and thus, has been recorded at the present value of the future minimum lease payments at the inception of the lease in the general long-term debt account group. The total amount due is \$10,791, to be paid in yearly installments of \$3,597 over 3 years with a buyout at the end of \$1.

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

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

**NOTE 7 - CAPITAL LEASES (CONTINUED)**

During the year ended June 30, 2013	\$ 3,597
2014	3,597
2015	<u>3,597</u>
Total minimum lease payments	10,791
Less amount representing interest	<u>(702)</u>
Present value of minimum lease payments	<u>\$10,089</u>

Interest rate on the capitalized lease is approximately 7.13 percent.

**NOTE 8 – 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:

Reserved for FY 13 budget committed	<u>\$22,050</u>
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Special Revenue Funds:

Medicaid	\$17,248
Roy Foundation	4,294
Technology	<u>3,522</u>
Total	<u>\$25,064</u>

Capital Projects Fund:

Maintenance Reserve	<u>\$16,385</u>
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**NOTE 9 – NET ASSETS RESTRICTED (Government-Wide Financial Statements)**

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

Net Assets Restricted For Capital Projects:

Maintenance Reserve	<u>\$16,385</u>
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Warren School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2012

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

Net Assets Restricted For Other Purposes:

Reserved for FY 13 budget committed	\$20,050
Medicaid	17,248
Roy Foundation	4,294
Technology	<u>3,522</u>
Total	<u>\$45,114</u>

**NOTE 10 – 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 \$29,000 were transferred from the General Fund to the Capital Project Fund – Maintenance Reserve as per article approved by voters.

Funds of \$5,487 were transferred from the General Fund to the Enterprise Fund – Food Program for the purpose of subsidizing operations.

Funds of \$30 were transferred from the General Fund to the Capital Project Fund – Bus Fund for the purpose of closing out the deficit.

**NOTE 11 - PENSIONS**

**VERMONT TEACHERS' RETIREMENT SYSTEM**

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

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

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

**NOTE 11 – PENSIONS (CONTINUED)**

**VERMONT TEACHERS' RETIREMENT SYSTEM (CONTINUED)**

liability of the State of Vermont. TRS is funded through state and employee contributions and the School District has no legal obligation for paying benefits. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan as required by Government Accounting Standards Board (GASB) Statement 24 to be 7.74% or approximately \$76,259.

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 \$49,264 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 \$1,344,989, with \$985,253 of such amount related to employees covered by the retirement plan.

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

**VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

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

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

**NOTE 11 – PENSIONS (CONTINUED)**

**VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

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

Employee contributions are withheld pre income tax by the School District and are remitted to the State of Vermont. Such withholdings totaled \$4,942 during the year. The School District contributed \$7,907 during the year. The School District's total payroll for all employees during the year was \$1,344,989, with \$197,676 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System.

**NOTE 12 - RISK MANAGEMENT**

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

In addition, Warren School District is a member of Vermont School Boards Association (Association). The Association has set up two insurance Trusts; Vermont School Board Insurance Trust, Inc. (VSBIT) for Workers Compensation, Multi-Line Intermunicipal School Program, and Unemployment Compensation Program, and the Vermont Education Health Initiative (VEHI) for Medical Benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont school districts and 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

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

**NOTE 12 - RISK MANAGEMENT (CONTINUED)**

excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

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

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

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

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

**NOTE 13 - OPERATING LEASES**

On November 12, 2010, the Warren School District entered into a lease agreement with Ikon Office Solutions for the lease of photocopier equipment. The total amount due is \$12,039, to be



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

**NOTE 13 - OPERATING LEASES (CONTINUED)**

paid in annual installments of \$4,013 over 3 years. The following is a schedule of future minimum lease payments under this lease.

During the year ended June 30, 2013	\$4,013
2014	1,672
Thereafter	<u>0</u>
Total	<u>\$5,685</u>

Total lease payments made this year were \$5,451.

**NOTE 14 - SUBSEQUENT EVENTS**

On July 2, 2012, the School District issued a tax anticipation note in the amount of \$300,000 to Peoples United Bank. The note carries interest at 1.55%. Principal and interest are due at maturity on June 28, 2013.

On July 18, 2012, the Warren School District signed a \$127,000 Capital Improvement Note with the Community National Bank for the purpose of funding the construction of new classrooms. This note is a 5 year loan with an interest rate of 2.20%. Annual payments (including interest) of \$27,101 will be due on July 18 of each year starting in 2013 and ending in 2017.

On July 20, 2012, the Warren School District signed a \$81,646 current expense note with the Peoples United Bank with an interest rate of 2.0%. This note is for the purpose of purchasing a new school bus. Any principle and interest are due at maturity on July 25, 2013, but is expected to be refunded at maturity under a new loan.

**NOTE 15 - COMMITMENTS**

On June 21, 2012, the School District entered into an agreement with Gillespies Fuels and Propane to prepay a fixed note for 6,500 gallons of fuel at \$3.11 per gallon. The minimum prepayment by the School District for fiscal year 2013 will be \$20,215. Any unused account balance at June 30, 2013, will be refunded to the District.

On August 1, 2012, the School District entered into an agreement with Ruggco Inc. to construct new classrooms at a cost to the District that is not to exceed \$146,056.

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

**NOTE 15 – COMMITMENTS (CONTINUED)**

The School District participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any money recovered may be required and the collectibility of any related receivable at June 30, 2012, may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**NOTE 16 - RELATED PARTY**

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

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

**NOTE 17 - CONTINGENCY**

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

The School District received State construction aid in the past for various projects. In the event that the school building was to be sold, this construction aid would have to be repaid out of the proceeds. The amount of State construction aid received since July 1970 is available only from the State of Vermont who at this time is unwilling to provide the amount to the School District. The amount of State construction aid is thought to be material.

Warren School District  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
General Fund  
For The Year Ended June 30, 2012

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Tuition:				
Individuals		\$ -	\$ 5,848	\$ 5,848
Other LEAs		43,500	59,706	16,206
Summer School		-	312	312
Interest on Investments		7,500	10,568	3,068
Town Rental Income		56,574	56,574	-
Bus Rental		-	75	75
Miscellaneous		-	2,078	2,078
State:				
Education Spending Grant		1,633,171	1,627,907	(5,264)
Transportation Aid		29,940	39,142	9,202
Capital Debt Hold Harmless		-	5,263	5,263
Mainstream Block Grant		49,646	49,646	-
SPED Expenditure Reimbursement		166,173	154,086	(12,087)
Essential Early Education		20,020	12,785	(7,235)
Federal:				
School Wide Program		32,000	32,499	499
IDEA-B		22,997	25,000	2,003
IDEA-B Preschool		1,000	396	(604)
Forest Revenue		<u>20,000</u>	<u>23,589</u>	<u>3,589</u>
<b>TOTAL REVENUES</b>		<u>2,082,521</u>	<u>2,105,474</u>	<u>22,953</u>
<b>EXPENDITURES:</b>				
Regular Instruction 1100:				
Salaries	110	469,769	473,779	(4,010)
Mentoring Salaries	110	1,500	1,500	-
Tutors	112	2,000	2,503	(503)
Aide Salaries	115	6,013	7,282	(1,269)
Temporary Salaries	120	12,500	7,351	5,149
Personal Days	125	1,000	925	75
Health Insurance	210	119,327	112,199	7,128
Section 125 Plan	211	660	425	235
Insurance Compensation	212	700	980	(280)
Social Security	220	37,507	36,137	1,370
Life Insurance	230	2,745	2,401	344
Retirement	240	301	183	118
Workers Compensation	250	2,458	3,178	(720)

The accompanying notes are an integral part of these financial statements

Warren School District  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
General Fund  
For The Year Ended June 30, 2012

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Unemployment Compensation	260	\$ 560	\$ 332	\$ 228
Tuition Reimbursement	270	15,000	12,808	2,192
Dental Insurance	280	8,571	7,679	892
Purchased Services	330	1,590	1,872	(282)
Copier	410	7,500	5,451	2,049
Supplies	610	13,160	16,358	(3,198)
Books and Periodicals	640	11,555	3,634	7,921
Equipment	730	4,000	3,593	407
Subtotal		<u>718,416</u>	<u>700,570</u>	<u>17,846</u>
Early Education 1100:				
Salaries	110	43,377	22,491	20,886
Substitute Salaries	110	-	23,313	(23,313)
Aide Salaries	115	17,862	17,331	531
Personal Days	125	-	102	(102)
Health Insurance	210	11,737	10,708	1,029
Social Security	220	4,685	3,712	973
Life Insurance	230	276	325	(49)
Workers Compensation	250	1,116	386	730
Unemployment Compensation	260	112	41	71
Dental Insurance	280	401	769	(368)
Purchased Services	330	-	275	(275)
Supplies	610	600	1,453	(853)
Equipment	730	250	25	225
Subtotal		<u>80,416</u>	<u>80,931</u>	<u>(515)</u>
Art 1102:				
Salaries	110	19,228	19,605	(377)
Health Insurance	210	5,281	2,651	2,630
Social Security	220	1,471	1,153	318
Life Insurance	230	200	152	48
Workers Compensation	250	99	121	(22)
Unemployment Compensation	260	56	13	43
Dental Insurance	280	326	341	(15)
Supplies	610	1,700	1,716	(16)
Subtotal		<u>28,361</u>	<u>25,752</u>	<u>2,609</u>
Language Program 1106:				
Salaries	110	16,594	16,594	-
Personal Days	125	-	(56)	56
Insurance Compensation	212	300	-	300

The accompanying notes are an integral part of these financial statements

Warren School District  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
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For The Year Ended June 30, 2012

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Social Security	220	\$ 1,269	\$ 1,265	\$ 4
Life Insurance	230	191	-	191
Workers Compensation	250	86	105	(19)
Unemployment Compensation	260	20	11	9
Supplies	610	800	996	(196)
Subtotal		<u>19,260</u>	<u>18,915</u>	<u>345</u>
Physical Education 1108:				
Salaries	110	30,194	30,194	-
Personal Days	125	-	105	(105)
Health Insurance	210	5,868	5,790	78
Social Security	220	2,310	2,318	(8)
Life Insurance	230	235	190	45
Workers Compensation	250	156	190	(34)
Unemployment Compensation	260	56	20	36
Dental Insurance	280	362	379	(17)
Supplies	610	800	1,067	(267)
Equipment	730	200	-	200
Subtotal		<u>40,181</u>	<u>40,253</u>	<u>(72)</u>
Music 1112:				
Salaries	110	22,727	23,657	(930)
Music Lessons	111	5,184	5,435	(251)
Personal Days	125	-	84	(84)
Health Insurance	210	7,080	6,945	135
Social Security	220	2,135	2,413	(278)
Life Insurance	230	211	120	91
Workers Compensation	250	118	176	(58)
Unemployment Compensation	260	56	19	37
Dental Insurance	280	480	434	46
Supplies	610	600	1,705	(1,105)
Equipment	730	500	-	500
Subtotal		<u>39,091</u>	<u>40,988</u>	<u>(1,897)</u>
Special Education 1200:				
Salaries	110	90,892	96,177	(5,285)
Tutor	112	2,000	2,409	(409)
Aide Salaries	115	130,882	106,214	24,668
Temporary Salaries	120	-	5,162	(5,162)
Personal Days	125	-	322	(322)
Health Insurance	210	52,818	54,894	(2,076)

The accompanying notes are an integral part of these financial statements

Warren School District  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
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For The Year Ended June 30, 2012

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Insurance Compensation	212	\$ -	\$ 420	\$ (420)
Social Security	220	17,119	14,904	2,215
Life Insurance	230	-	518	(518)
Retirement	240	6,544	4,291	2,253
Workers Compensation	250	1,452	1,473	(21)
Unemployment Compensation	260	120	156	(36)
Tuition Reimbursement	270	-	3,635	(3,635)
Dental Insurance	280	1,545	3,661	(2,116)
Contract Services	340	-	29,288	(29,288)
Supplies	610	1,500	3,681	(2,181)
Books and Periodicals	640	100	24	76
Equipment	730	500	100	400
Subtotal		<u>305,472</u>	<u>327,329</u>	<u>(21,857)</u>
Essential Early Education 1200:				
Salaries	110	8,601	-	8,601
Health Insurance	210	1,888	-	1,888
Social Security	220	658	-	658
Life Insurance	230	44	-	44
Unemployment Compensation	260	20	-	20
Dental Insurance	280	128	-	128
Supplies	610	750	-	750
Subtotal		<u>12,089</u>	<u>-</u>	<u>12,089</u>
Compensatory Education 1250:				
Salaries	110	67,759	42,601	25,158
Aide Salaries	115	10,022	6,031	3,991
Personal Days	125	-	77	(77)
Health Insurance	210	13,907	14,145	(238)
Insurance Compensation	212	-	(937)	937
Social Security	220	5,644	2,982	2,662
Life Insurance	230	-	243	(243)
Retirement	240	501	213	288
Workers Compensation	250	402	490	(88)
Unemployment Compensation	260	-	53	(53)
Dental Insurance	280	1,160	919	241
Subtotal		<u>99,395</u>	<u>66,817</u>	<u>32,578</u>
School Wide Program 1270:				
Salaries	110	-	27,143	(27,143)
Insurance Compensation	212	-	2,382	(2,382)

The accompanying notes are an integral part of these financial statements

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

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Social Security	220	\$ -	\$ 2,811	\$ (2,811)
Life Insurance	230	-	149	(149)
Dental Insurance	280	-	13	(13)
Subtotal		<u>-</u>	<u>32,498</u>	<u>(32,498)</u>
Guidance Services 2120:				
Salaries	110	25,048	25,048	-
Personal Days	125	-	84	(84)
Insurance Compensation	212	280	-	280
Social Security	220	1,916	1,923	(7)
Life Insurance	230	218	-	218
Workers Compensation	250	130	158	(28)
Unemployment Compensation	260	56	17	39
Dental Insurance	280	160	-	160
Supplies	610	100	-	100
Subtotal		<u>27,908</u>	<u>27,230</u>	<u>678</u>
Health Services 2130:				
Salaries	110	15,018	15,018	-
Temporary Salaries	120	-	80	(80)
Personal Days	125	-	84	(84)
Health Insurance	210	4,695	-	4,695
Social Security	220	1,149	1,161	(12)
Life Insurance	230	186	-	186
Workers Compensation	250	78	95	(17)
Unemployment Compensation	260	56	10	46
Dental Insurance	280	160	-	160
Supplies	610	750	357	393
Equipment	730	-	202	(202)
Subtotal		<u>22,092</u>	<u>17,007</u>	<u>5,085</u>
SPED Psychological Services 2140:				
Evaluations	300	<u>12,600</u>	<u>15,406</u>	<u>(2,806)</u>
Subtotal		<u>12,600</u>	<u>15,406</u>	<u>(2,806)</u>
EEE Psychological Services 2140:				
Evaluations	300	<u>1,050</u>	<u>396</u>	<u>654</u>
Subtotal		<u>1,050</u>	<u>396</u>	<u>654</u>
Special Education Speech 2150:				
Salaries	110	62,621	61,107	1,514
Summer Services Salaries	112	-	701	(701)

The accompanying notes are an integral part of these financial statements

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

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Personal Days	125	\$ -	\$ 70	\$ (70)
Health Insurance	210	5,971	5,891	80
Social Security	220	4,791	4,665	126
Life Insurance	230	338	299	39
Workers Compensation	250	323	416	(93)
Unemployment Compensation	260	-	21	(21)
Tuition Reimbursement	270	-	617	(617)
Dental Insurance	280	401	420	(19)
Evaluations	300	-	225	(225)
Supplies	610	750	1,456	(706)
Subtotal		<u>75,195</u>	<u>75,888</u>	<u>(693)</u>
SPED Occupational Therapy Services 2160:				
Professional Services	300	<u>16,000</u>	<u>11,356</u>	<u>4,644</u>
Subtotal		<u>16,000</u>	<u>11,356</u>	<u>4,644</u>
EEE Occupational Therapy Services 2160:				
Professional Services	300	<u>2,000</u>	<u>510</u>	<u>1,490</u>
Subtotal		<u>2,000</u>	<u>510</u>	<u>1,490</u>
Physical Therapy Services 2190:				
Professional Services	300	<u>2,000</u>	<u>3,195</u>	<u>(1,195)</u>
Subtotal		<u>2,000</u>	<u>3,195</u>	<u>(1,195)</u>
EEE Physical Therapy Services 2190:				
Professional Services	300	<u>-</u>	<u>30</u>	<u>(30)</u>
Subtotal		<u>-</u>	<u>30</u>	<u>(30)</u>
Improvement of Instruction 2210:				
Inservice	320	<u>750</u>	<u>-</u>	<u>750</u>
Subtotal		<u>750</u>	<u>-</u>	<u>750</u>
Media Center 2220:				
Salaries	110	20,202	20,468	(266)
Assistant Salaries	115	5,184	3,478	1,706
Personal Days	125	-	48	(48)
Health Insurance	210	2,059	-	2,059
Insurance Compensation	212	280	280	-
Social Security	220	1,942	1,857	85
Life Insurance	230	203	108	95
Retirement	240	259	-	259
Workers Compensation	250	104	159	(55)
Unemployment Compensation	260	56	17	39

The accompanying notes are an integral part of these financial statements



Warren School District  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
General Fund  
For The Year Ended June 30, 2012

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Dental Insurance	280	\$ -	\$ 301	\$ (301)
Repairs and Maintenance	430	1,000	1,442	(442)
Supplies	610	400	450	(50)
Books and Periodicals	640	3,700	4,065	(365)
Audio Visual Materials	650	750	-	750
Subtotal		<u>36,139</u>	<u>32,673</u>	<u>3,466</u>
Audio Visual/Technology 2223:				
Salaries	116	13,376	15,280	(1,904)
Social Security	220	793	1,162	(369)
Retirement	240	669	-	669
Workers Compensation	250	-	84	(84)
Unemployment Compensation	260	-	9	(9)
Dental Insurance	280	-	133	(133)
Repairs and Maintenance	430	1,000	932	68
Supplies	610	-	985	(985)
Software	650	600	-	600
Equipment	730	12,041	12,741	(700)
Subtotal		<u>28,479</u>	<u>31,326</u>	<u>(2,847)</u>
Board of Education 2310:				
Salaries	110	600	1,000	(400)
Stipends	118	2,500	2,500	-
Social Security	220	46	268	(222)
Legal	360	4,500	228	4,272
Insurance	523	-	1,965	(1,965)
Postage	531	-	142	(142)
Advertising	540	2,500	1,439	1,061
Miscellaneous	550	1,200	3,765	(2,565)
Dues and Fees	810	1,250	120	1,130
Subtotal		<u>12,596</u>	<u>11,427</u>	<u>1,169</u>
Supervisory Union Assessment 2321:				
Assessment	331	47,143	47,143	-
Subtotal		<u>47,143</u>	<u>47,143</u>	<u>-</u>
Administration 2400:				
Salaries	110	82,532	82,941	(409)
Support Staff Salaries	111	40,628	40,628	-
Temporary Salaries	120	-	560	(560)
Health Insurance	210	26,981	28,641	(1,660)

The accompanying notes are an integral part of these financial statements

Warren School District  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
General Fund  
For The Year Ended June 30, 2012

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Social Security	220	\$ 9,422	\$ 9,342	\$ 80
Life Insurance	230	670	560	110
Retirement	240	2,032	1,625	407
Workers Compensation	250	636	776	(140)
Unemployment Compensation	260	112	83	29
Professional Development	270	-	38	(38)
Dental Insurance	280	2,134	2,007	127
Postage	531	1,250	563	687
Supplies	610	300	43	257
Equipment	730	100	-	100
Dues and Fees	810	300	1,040	(740)
Subtotal		<u>167,097</u>	<u>168,847</u>	<u>(1,750)</u>
Fiscal Services 2521:				
Business Manager Assessment	331	9,037	9,037	-
Accounting Assessment	331	19,004	19,004	-
Audit	370	3,000	2,900	100
Current Interest	830	6,000	5,340	660
Bank Analysis Fees	890	-	249	(249)
Subtotal		<u>37,041</u>	<u>36,530</u>	<u>511</u>
Building Maintenance & Operation 2600:				
Salaries	110	35,967	35,967	-
Assistant Salaries	111	15,268	14,090	1,178
Health Insurance	210	13,490	13,234	256
Social Security	220	3,919	3,830	89
Life Insurance	230	-	143	(143)
Retirement	240	2,562	1,441	1,121
Workers Compensation	250	2,059	319	1,740
Unemployment Compensation	260	120	35	85
Dental Insurance	280	1,067	783	284
Trash Removal	421	4,700	1,852	2,848
Repairs and Maintenance	430	28,500	28,971	(471)
Property Insurance	521	5,500	4,958	542
Telephone	530	1,900	3,627	(1,727)
Supplies	610	8,000	5,858	2,142
Electricity	622	23,000	23,739	(739)
Gas	623	2,000	1,802	198
Oil	624	24,375	19,954	4,421

The accompanying notes are an integral part of these financial statements

Warren School District  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
General Fund  
For The Year Ended June 30, 2012

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Equipment	730	\$ 1,500	\$ 1,092	\$ 408
Subtotal		<u>173,927</u>	<u>161,695</u>	<u>12,232</u>
Transportation 2710:				
Salaries	110	27,071	27,620	(549)
Health Insurance	210	13,726	12,382	1,344
Social Security	220	1,830	2,086	(256)
Retirement	240	598	20	578
Workers Compensation	250	1,153	168	985
Unemployment Compensation	260	40	18	22
Dental Insurance	280	-	876	(876)
Repairs and Maintenance	430	10,000	20,894	(10,894)
Insurance	524	800	745	55
Fuel	626	15,400	12,633	2,767
Bus Purchase	730	15,000	15,000	-
Current Interest	830	<u>1,135</u>	<u>1,356</u>	<u>(221)</u>
Subtotal		<u>86,753</u>	<u>93,798</u>	<u>(7,045)</u>
Adjustments/Repayments to State 5210:				
Tuition	561	<u>-</u>	<u>400</u>	<u>(400)</u>
Subtotal		<u>-</u>	<u>400</u>	<u>(400)</u>
TOTAL EXPENDITURES		<u>2,091,451</u>	<u>2,068,910</u>	<u>22,541</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		(8,930)	36,564	45,494
OTHER FINANCING SOURCES (USES):				
Transfer To Capital Project Fund		(29,000)	(29,000)	-
Transfer To Debt Service Fund		(7,938)	(7,938)	-
Transfer To Enterprise Fund		<u>(9,000)</u>	<u>(5,487)</u>	<u>3,513</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		(54,868)	(5,861)	49,007
FUND BALANCE, JULY 1, 2011		<u>54,868</u>	<u>76,918</u>	<u>22,050</u>
FUND BALANCE, JUNE 30, 2012		<u>\$ -</u>	<u>\$ 71,057</u>	<u>\$ 71,057</u>

The accompanying notes are an integral part of these financial statements

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

Schedule 2

	Medicaid	Roy Foundation	Technology Fund	Totals
<b>ASSETS:</b>				
Current Assets:				
Accounts Receivable - Supervisory Union	\$ 1,231			\$ 1,231
Due From Other Funds	<u>16,017</u>	<u>\$ 5,283</u>	<u>\$ 3,522</u>	<u>24,822</u>
Total Current Assets	<u>17,248</u>	<u>5,283</u>	<u>3,522</u>	<u>26,053</u>
 TOTAL ASSETS	 <u>\$ 17,248</u>	 <u>\$ 5,283</u>	 <u>\$ 3,522</u>	 <u>\$ 26,053</u>
 <b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts Payable - Other	<u>-</u>	<u>\$ 989</u>	<u>-</u>	<u>\$ 989</u>
Total Liabilities	<u>\$ -</u>	<u>989</u>	<u>\$ -</u>	<u>989</u>
 Fund Balances:				
Restricted	<u>17,248</u>	<u>4,294</u>	<u>3,522</u>	<u>25,064</u>
Total Fund Balances	<u>17,248</u>	<u>4,294</u>	<u>3,522</u>	<u>25,064</u>
 TOTAL LIABILITIES & FUND BALANCES	 <u>\$ 17,248</u>	 <u>\$ 5,283</u>	 <u>\$ 3,522</u>	 <u>\$ 26,053</u>

The accompanying notes are an integral part of these financial statements

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

Schedule 3

	Medicaid	Roy Foundation	Technology Fund	Stars Grant	Totals
REVENUES:					
Private/Local	<u>\$ 15,790</u>	<u>\$ 7,500</u>	<u>-</u>	<u>-</u>	<u>\$ 23,290</u>
TOTAL REVENUES	<u>15,790</u>	<u>7,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>23,290</u>
EXPENDITURES:					
Direct Services	21,812	7,952		1,100	30,864
Support Services:					
Instructional Staff	<u>-</u>	<u>-</u>	<u>1,348</u>	<u>-</u>	<u>1,348</u>
TOTAL EXPENDITURES	<u>21,812</u>	<u>7,952</u>	<u>1,348</u>	<u>1,100</u>	<u>32,212</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,022)	(452)	(1,348)	(1,100)	(8,922)
FUND BALANCES, JULY 1, 2011	<u>23,270</u>	<u>4,746</u>	<u>4,870</u>	<u>1,100</u>	<u>33,986</u>
FUND BALANCES, JUNE 30, 2012	<u>\$ 17,248</u>	<u>\$ 4,294</u>	<u>\$ 3,522</u>	<u>\$ -</u>	<u>\$ 25,064</u>

The accompanying notes are an integral part of these financial statements

Warren School District  
Combining Balance Sheet  
Capital Projects  
June 30, 2012

Schedule 4

	Maintenance Reserve Fund	Totals
ASSETS:		
Current Assets:		
Cash	\$ 25,655	\$ 25,655
Total Current Assets	<u>25,655</u>	<u>25,655</u>
 TOTAL ASSETS	 <u>\$ 25,655</u>	 <u>\$ 25,655</u>
 LIABILITIES AND FUND BALANCES:		
Liabilities:		
Due To Other Funds	\$ 9,270	\$ 9,270
Total Liabilities	<u>9,270</u>	<u>9,270</u>
 Fund Balances:		
Committed	<u>16,385</u>	<u>16,385</u>
Total Fund Balances	<u>16,385</u>	<u>16,385</u>
 TOTAL LIABILITIES & FUND BALANCES	 <u>\$ 25,655</u>	 <u>\$ 25,655</u>

The accompanying notes are an integral part of these financial statements

Warren School District  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Capital Projects  
For The Year Ended June 30, 2012

Schedule 5

	Bus Fund	Maintenance Reserve Fund	Totals
REVENUES:			
Investment Income	<u>-</u>	<u>\$ 50</u>	<u>\$ 50</u>
TOTAL REVENUES	<u>\$ -</u>	<u>50</u>	<u>50</u>
EXPENDITURES:			
Operation and Maintenance of Building	<u>-</u>	<u>29,202</u>	<u>29,202</u>
TOTAL EXPENDITURES	<u>-</u>	<u>29,202</u>	<u>29,202</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(29,152)	(29,152)
OTHER FINANCING SOURCES (USES):			
Transfers In	<u>25</u>	<u>29,000</u>	<u>29,025</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	25	(152)	(127)
FUND BALANCES, JULY 1, 2011	<u>(25)</u>	<u>16,537</u>	<u>16,512</u>
FUND BALANCES, JUNE 30, 2012	<u>\$ -</u>	<u>\$ 16,385</u>	<u>\$ 16,385</u>

The accompanying notes are an integral part of these financial statements



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

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

[www.angolanoandcompany.com](http://www.angolanoandcompany.com)

**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  
Warren School District

We have audited the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Warren School District, Vermont as of and for the year ended June 30, 2012, which collectively comprise the entity's basic financial statements and have issued our report thereon dated February 6, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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



### Compliance and Other Matters

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

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

***Angolano & Company***

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

February 6, 2013



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

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

[www.angolanoandcompany.com](http://www.angolanoandcompany.com)

To the School Board  
Warren School District

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

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

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

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

*Angolano & Company*

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

February 6, 2013



August 24, 2012

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

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

[www.angolanoandcompany.com](http://www.angolanoandcompany.com)

To the School Board  
Warren 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 **Warren School District** for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 29, 2012. 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 Warren School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

The disclosure of Fund Balances and Net Assets in Notes 8 and 9 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 Warren School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Angolano & Company*

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