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January 6, 2012

Fayston School District
Att: Michelle Baker, Bus. Mgr.
1673 Main Street, Ste. A
Waitsfield, VT 05673

Dear Michelle:

I have electronically forwarded the final financial statements for Fayston School District as of and for the year ended June 30, 2011. 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

Fayston School District
Financial Statements
For The Year Ended June 30, 2011

Fayston School District
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For The Year Ended June 30, 2011

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Independent Auditors' Report

To The School Board
Fayston School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Fayston School District, Vermont, as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the School District's nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of Fayston School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of Fayston School District, Vermont, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary fund of Fayston School District, as of June 30, 2011, and the respective changes in

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011 on our consideration of Fayston School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming 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

December 29, 2011

FAYSTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

Introduction

The discussion and analysis of The Fayston School District's ("the District") financial performance provides a narrative introduction and overview of the District's financial activities for the fiscal year ending June 30, 2011 (FY 11). The District is organized under the guidance of the Board of Directors to provide public education for Fayston.

Financial Highlights

- Government-wide assets totaled \$1,003,547 and government-wide liabilities totaled \$180,402.
- The District's general fund actual revenues were \$1,587,610 while the budgeted revenues were \$1,623,828, a decrease of \$36,218, which resulted primarily from \$28,457 less special education expenditure reimbursement. See Schedule 1.
- The District's general fund actual expenditures were \$1,494,253 while the budgeted expenditures were \$1,607,773, a decrease of \$113,520.
- Special Revenue Funds with fund balances totaling \$29,883 are held in the District's accounts for the Maintenance Reserve Fund and various Federal, State and Private Grants.
- The Enterprise Fund represents the food program and had an ending retained earnings balance of \$33,163.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-30.

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

Government-Wide Financial Analysis

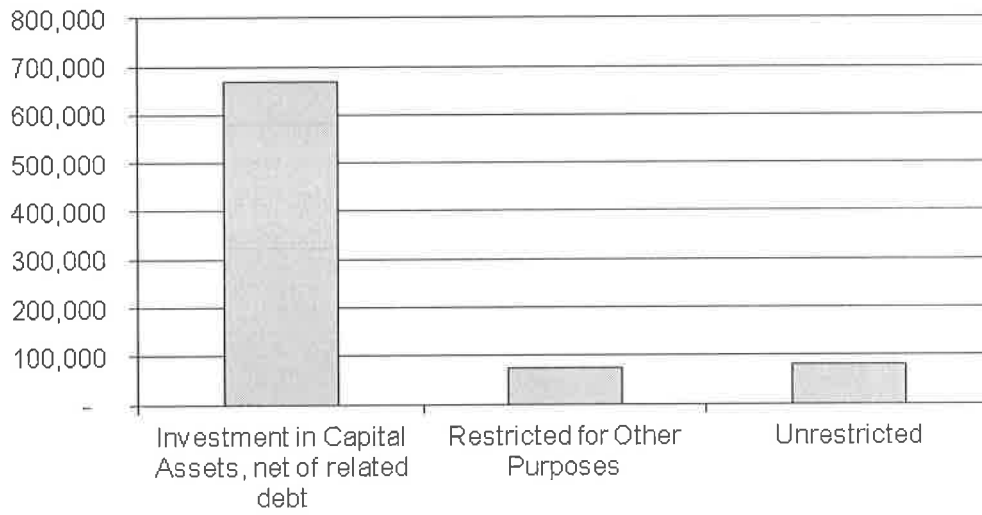
Our analysis of the District's major funds begins on Table 1. The fund financial statements provide detailed information about the most significant funds -- not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District's Board of Directors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

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

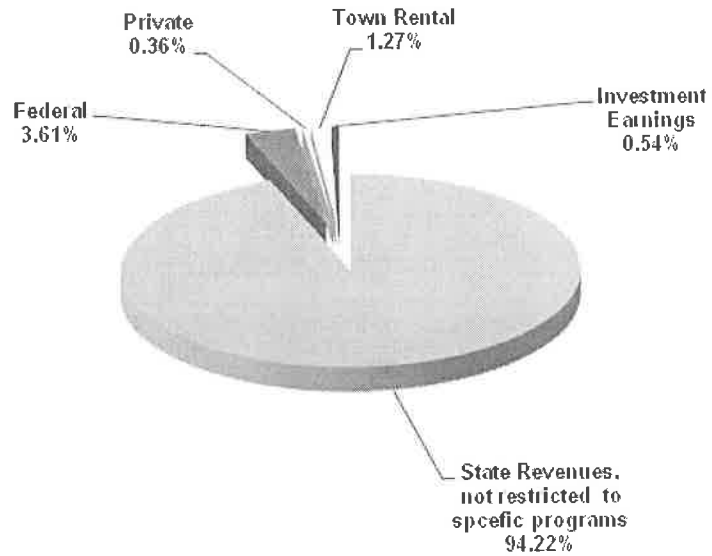
Fayston School District
Statement of Net Assets and Fund Balance Reconciliation
June 30, 2011

	Summary of Financial Operations and <u>Fund Balance</u>	Governmental Activities <u>Government-Wide</u>	<u>Difference</u>
ASSETS:			
<u>Current Assets:</u>			
Cash	271,060	271,060	-
Accounts Receivable:			
Supervisory Union	651	651	-
Other LEAs	3,375	3,375	-
Total Current Assets	<u>275,086</u>	<u>275,086</u>	<u>-</u>
<u>Non-current Assets:</u>			
<u>Capital Assets:</u>			
Buildings & Equipment, net of Accum. Depr.	-	728,461	(728,461)
Total Non-current Assets	<u>-</u>	<u>728,461</u>	<u>(728,461)</u>
TOTAL ASSETS	<u>275,086</u>	<u>1,003,547</u>	<u>(728,461)</u>
LIABILITIES:			
<u>Current Liabilities:</u>			
Accounts Payable - State	20,440	20,440	-
Accounts Payable - Other	87,926	87,926	-
Accrued Expenses	811	811	-
Due to Other Funds	11,225	11,225	-
Current Portion of Long-Term Obligations	-	30,000	(30,000)
Total Current Liabilities	<u>120,402</u>	<u>150,402</u>	<u>(30,000)</u>
<u>Non-current Liabilities</u>			
Bonds Payable	-	30,000	(30,000)
Total Non-current Liabilities	<u>-</u>	<u>30,000</u>	<u>(30,000)</u>
TOTAL LIABILITIES	<u>120,402</u>	<u>180,402</u>	<u>(60,000)</u>
NET ASSETS			
Investment in Capital Assets, net of related Debt	-	668,461	(668,461)
Restricted for Other Purposes	29,883	74,403	(44,520)
Committed	44,520	-	44,520
Unrestricted	80,281	80,281	-
TOTAL NET ASSETS	<u>154,684</u>	<u>823,145</u>	<u>(668,461)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>275,086</u>	<u>1,003,547</u>	<u>(728,461)</u>

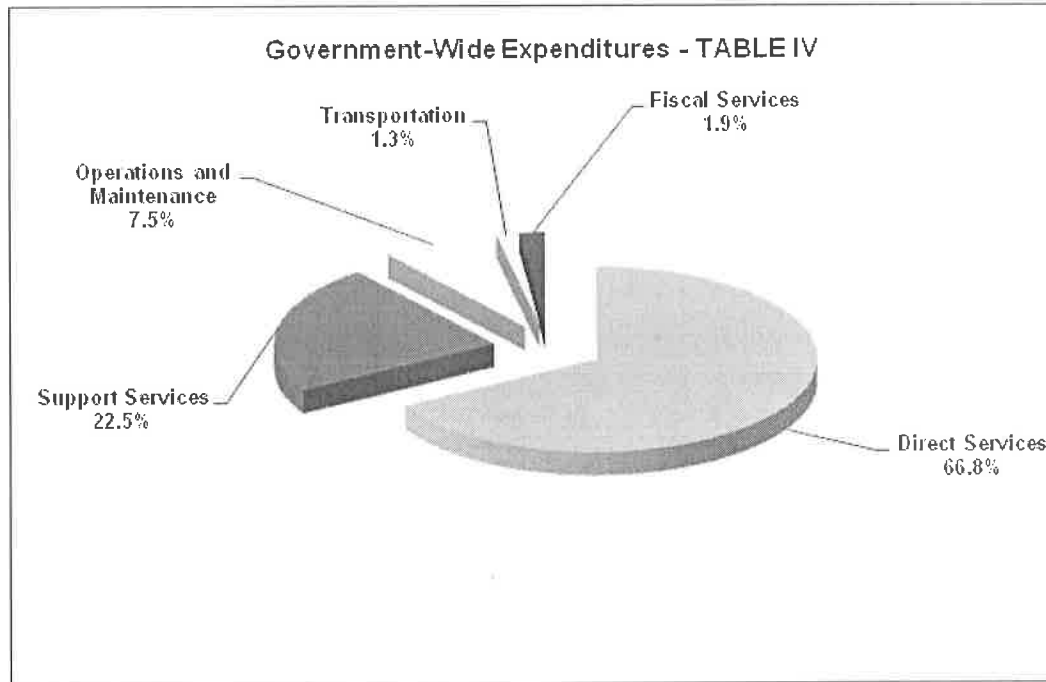
Government-Wide Net Assets - TABLE II



Government-Wide Revenues - TABLE III



Government-wide revenues consisted of \$1,484,431 in state revenue, \$56,882 in federal revenue, \$20,000 in town rental, \$5,703 in private revenues \$8,486 in investment earnings and offsetting transfers of \$21,676.



Government-wide expenses consist of \$1,010,924 in direct services, \$341,117 in support services, \$114,139 in operations and maintenance, \$19,390 in transportation and \$28,732 in fiscal services for a total of \$1,514,302.

Governmental Activities:

Governmental Activities revenues totaled \$1,553,826 and expenses net of program revenues were \$1,514,302 resulting in an increase in net assets of \$39,524.

Business Type Activities:

Business Type Activities realized an increase in net assets of \$21,789.

Fund Financial Analysis

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

Governmental Fund Types:

Fund balances in the Governmental Fund types increased from \$141,512 to \$154,684, an increase of \$13,172. This increase was reflected in the General Fund by an increase of \$44,785 and a decrease of \$31,613 in the Special Revenue Fund.

Proprietary Fund Type:

Food service programs are offered to the students for hot lunch and breakfast. Beginning in FY05, the program agreed to provide food service to the Waitsfield School District. This program recognized a net profit of \$113 during the past year and had a retained earnings balance of \$33,163 as of June 30, 2011.

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 \$1,618.

Capital Assets

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

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

Fayston School District Capital Assets June 30, 2010			
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
Governmental Activities:			
Land Improvements	24,307	24,307	
Buildings and Improvements	\$ 1,295,434	\$ 586,912	\$ 708,522
Furniture and Equipment	45,362	25,423	19,939
Total	<u>\$ 1,365,103</u>	<u>\$ 636,642</u>	<u>\$ 728,461</u>
Business Type Activities:			
Furniture and Equipment	\$ 31,676	\$ 10,059	\$ 21,617
Total	<u>\$ 1,396,779</u>	<u>\$ 646,701</u>	<u>\$ 750,078</u>

Long-Term Debt

The District has one category of long-term debt, defined as debt due and payable beyond one year. At June 30, 2011, the District had \$60,000 in outstanding principal and interest. Bond principal and interest are being paid from the General Fund. The final payment of the bond will be made in FY13.

Current Issues

- Fayston is a community experiencing decreasing student enrollment.
- Fayston may see the loss of revenue from the Small Schools Grant over the next few years.
- Act 153 requires special education, compensatory and remedial services to be provided by the Supervisory Union by July 1, 2013. The SU does not currently believe centralizing all special education services at the SU level will result in

financial savings for the overall SU. In addition, no implementation guidance or instructions to apply for a waiver has been received from the VT DOE regarding the new legislation. The financial effects on the Fayston School District associated with this legislation are unknown at this time.

Contact for Further Information

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

Fayston School District
Statement of Net Assets
Government-Wide
June 30, 2011

EXHIBIT I

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 271,060		\$ 271,060
Accounts Receivable - Supervisory Union	651		651
Accounts Receivable - Other LEAs	3,375		3,375
Accounts Receivable - Other		\$ 3,126	3,126
Due From Other Funds		11,225	11,225
Inventory		1,842	1,842
Capital Assets, net (Note 4)	<u>728,461</u>	<u>21,617</u>	<u>750,078</u>
Total Assets	<u>1,003,547</u>	<u>37,810</u>	<u>1,041,357</u>
LIABILITIES:			
Accounts Payable - State	20,440		20,440
Accounts Payable - Other	87,926	2,506	90,432
Accrued Expenses	811		811
Due To Other Funds	11,225		11,225
Deferred Revenue		2,141	2,141
Long-Term Liabilities (Note 6):			
Due Within One Year	30,000		30,000
Due in More Than One Year	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Total Liabilities	<u>180,402</u>	<u>4,647</u>	<u>185,049</u>
NET ASSETS:			
Investment in Capital Assets, net of related debt	668,461	21,617	690,078
Restricted for Other Purposes	74,403		74,403
Unrestricted	<u>80,281</u>	<u>11,546</u>	<u>91,827</u>
Total Net Assets	<u>\$ 823,145</u>	<u>\$ 33,163</u>	<u>\$ 856,308</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Statement of Activities
Government-Wide
For The Year Ended June 30, 2011

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	\$ 1,025,612		\$ 14,688	\$ (1,010,924)		\$ (1,010,924)
Support Services:						
Student Services	82,216			(82,216)		(82,216)
Instructional Services	58,053			(58,053)		(58,053)
General Administrative Services	49,531			(49,531)		(49,531)
Area Administrative Services	151,317			(151,317)		(151,317)
Fiscal Services	28,732			(28,732)		(28,732)
Building Operations and Maintenance	114,139			(114,139)		(114,139)
Transportation	38,229		18,839	(19,390)		(19,390)
Other Support Services	98		98	-		-
Operation of Noninstructional Services:						
Food Services	<u>118,786</u>	<u>\$ 118,899</u>	<u>-</u>	<u>-</u>	<u>\$ 113</u>	<u>113</u>
Total	<u>\$ 1,666,713</u>	<u>\$ 118,899</u>	<u>\$ 33,625</u>	<u>(1,514,302)</u>	<u>113</u>	<u>(1,514,189)</u>
General Revenues:						
State Revenues not Restricted to Specific Programs				1,484,431		1,484,431
Federal Revenues not Restricted to Specific Programs				56,882		56,882
Private Revenues not Restricted to Specific Programs				5,703		5,703
Investment Earnings				8,486		8,486
Rentals				20,000		20,000
Transfers				<u>(21,676)</u>	<u>21,676</u>	<u>-</u>
Total General Revenues				<u>1,553,826</u>	<u>21,676</u>	<u>1,575,502</u>
Excess (Deficiency) of Revenues Over Expenses				39,524	21,789	61,313
Net Assets - Beginning				<u>783,621</u>	<u>11,374</u>	<u>794,995</u>
Net Assets - Ending				<u>\$ 823,145</u>	<u>\$ 33,163</u>	<u>\$ 856,308</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
 Combined Balance Sheet
 All Fund Types - Fund Base
 June 30, 2011

EXHIBIT III

	Governmental Fund Types		Proprietary Fund Type	Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Enterprise Fund	
ASSETS:				
Current Assets:				
Cash	\$ 230,630	\$ 40,430		\$ 271,060
Accounts Receivable - Supervisory Union	105	546		651
Accounts Receivable - Other LEAs	3,375			3,375
Accounts Receivable - Other			\$ 3,126	3,126
Due From Other Funds		9,026	11,225	20,251
Inventory	-	-	1,842	1,842
Total Current Assets	<u>234,110</u>	<u>50,002</u>	<u>16,193</u>	<u>300,305</u>
Other Assets:				
Fixed Assets - Net	-	-	21,617	21,617
Total Other Assets	<u>-</u>	<u>-</u>	<u>21,617</u>	<u>21,617</u>
TOTAL ASSETS	<u>\$ 234,110</u>	<u>\$ 50,002</u>	<u>\$ 37,810</u>	<u>\$ 321,922</u>
LIABILITIES AND FUND EQUITIES:				
Liabilities:				
Accounts Payable - State	\$ 20,440			\$ 20,440
Accounts Payable - Other	67,807	\$ 20,119	\$ 2,506	90,432
Accrued Expenses	811			811
Due To Other Funds	20,251			20,251
Deferred Revenue	-	-	2,141	2,141
Total Liabilities	<u>109,309</u>	<u>20,119</u>	<u>4,647</u>	<u>134,075</u>
Fund Equity:				
Fund Balances:				
Unassigned	80,281			80,281
Committed	44,520			44,520
Restricted		29,883		29,883
Retained Earnings	-	-	33,163	33,163
Total Fund Equities	<u>124,801</u>	<u>29,883</u>	<u>33,163</u>	<u>187,847</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$ 234,110</u>	<u>\$ 50,002</u>	<u>\$ 37,810</u>	<u>\$ 321,922</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2011

Fund Balances – total governmental funds \$ 154,684

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

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

Governmental capital assets	1,365,103
Less accumulated depreciation	(636,642)

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

Bonds Payable	<u>(60,000)</u>
---------------	-----------------

Net Assets of Governmental Activities \$ 823,145

Fayston School District
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances
 All Governmental Fund Types - Fund Base
 For The Year Ended June 30, 2011

EXHIBIT IV

	Governmental Fund Types			Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Debt Service Fund	
REVENUES:				
Interest on Investments	\$ 8,378	\$ 108		\$ 8,486
Town Rental	20,000			20,000
Private/Local		21,409		21,409
State	1,502,350			1,502,350
Federal	<u>56,882</u>	<u>-</u>	<u>-</u>	<u>56,882</u>
 TOTAL REVENUES	 <u>1,587,610</u>	 <u>21,517</u>	 <u>\$ -</u>	 <u>1,609,127</u>
EXPENDITURES:				
Direct Services	951,173	44,089		995,262
Support Services:				
Students	82,094			82,094
Instructional Staff	64,232			64,232
General Administration	49,531			49,531
Area Administration	151,195			151,195
Fiscal Services	28,732			28,732
Operation & Maintenance of Building	129,987			129,987
Transportation	37,309	920		38,229
Food Services		98		98
Debt Service:				
Interest Charges			4,919	4,919
Principal Retirement	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
 TOTAL EXPENDITURES	 <u>1,494,253</u>	 <u>45,107</u>	 <u>34,919</u>	 <u>1,574,279</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 93,357	 (23,590)	 (34,919)	 34,848
OTHER FINANCING SOURCES (USES):				
Transfers In		13,653	34,919	48,572
Transfers Out	<u>(48,572)</u>	<u>(21,676)</u>	<u>-</u>	<u>(70,248)</u>
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 44,785	 (31,613)	 -	 13,172
 FUND BALANCE, JULY 1, 2010	 <u>80,016</u>	 <u>61,496</u>	 <u>-</u>	 <u>141,512</u>
 FUND BALANCE, JUNE 30, 2011	 <u>\$ 124,801</u>	 <u>\$ 29,883</u>	 <u>\$ -</u>	 <u>\$ 154,684</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For The Year Ended June 30, 2011

Net Changes in fund Balances – total governmental funds	\$ 13,172
<p>Amount reported for governmental activities in the Statement of Activities are different because:</p>	
<p style="padding-left: 40px;">Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:</p>	
Expenditures for capital assets	27,405
Less current year depreciation	(31,053)
<p style="padding-left: 40px;">Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>	
Repayment of bonds	<u>30,000</u>
Change in Net Assets of Governmental Funds	<u>\$ 39,524</u>

Fayston School District
 Statement of Revenues, Expenditures and
 Changes in Retained Earnings
 Proprietary Fund Type - Enterprise Fund
 Food Program
 For The Year Ended June 30, 2011

EXHIBIT V

Operating Revenues:		
Sales	<u>\$ 79,872</u>	
Total Operating Revenues		\$ 79,872
Operating Expenses:		
Salaries and Benefits	67,138	
Repairs and Maintenance	1,385	
Travel	1,283	
Food and Supplies	38,582	
Commodities	7,876	
Equipment	1,132	
Depreciation	<u>1,390</u>	
Total Operating Expenses		<u>118,786</u>
Operating Income (Loss)		(38,914)
Non-Operating Revenue:		
State Sources:		
Restricted Grants:		
Lunch Match	1,380	
Child Nutrition Breakfast	341	
Child Nutrition Other	220	
Federal Sources:		
Restricted Grants:		
National School Lunch Program	21,754	
National School Breakfast Program	8,097	
Commodities	<u>7,235</u>	
Total Non-Operating Revenue		<u>39,027</u>
Income (Loss) Before Transfers		113
Operating Transfers In (Out)		<u>21,676</u>
Net Income (Loss)		21,789
Retained Earnings, July 1, 2010		<u>11,374</u>
Retained Earnings, June 30, 2011		<u>\$ 33,163</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
 Statement of Cash Flows
 Proprietary Fund Type - Enterprise Fund
 Food Program
 For The Year Ended June 30, 2011

EXHIBIT VI

Cash Flows From Operating Activities:		
Received From Customers	\$ 76,870	
Payments To Employees and Fringe Benefits	(67,138)	
Payments To Vendors and Supplies	<u>(48,515)</u>	
Net Cash Used By Operating Activities		\$ (38,783)
Cash Flows From Noncapital Financing Activities:		
State Aid Received	39,027	
Support From General Fund	<u>21,432</u>	
Net Cash Used By Noncapital Financing Activities		60,459
Cash Flows From Capital and Related Financing Activities:		
Fixed Asset Purchases		(21,676)
Cash Flows From Investing Activities:		
None		<u>-</u>
Net Increase (Decrease) in Cash		-
Cash, July 1, 2010		<u>-</u>
Cash, June 30, 2011		<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities:		
Cash Provided From Operating Activities:		
Operating Income (Loss)		\$ (38,914)
Adjustments to Reconcile Net Income to Cash Provided (Used) By Operating Activities:		
Depreciation	\$ 1,390	
(Increase) Decrease in Accounts Receivable - Other	(3,002)	
Increase (Decrease) in Accts Payable - Other	<u>1,743</u>	
Total Adjustments		<u>131</u>
Net Cash Provided (Used) By Operating Activities		<u>\$ (38,783)</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Notes to Financial Statements
For The Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity:

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

Government -Wide and Fund Financial Statements:

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

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Governmental Fund Types:

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

Proprietary Fund Types:

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

Fiduciary Funds (Agency Funds):

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Other Accounting Policies:

Cash and Cash Equivalents:

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

Interfund Receivables and Payables:

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

Accounts Receivable:

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

Inventory:

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

Capital Assets:

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-term Debt:

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

Budgets:

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

Encumbrances:

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

Net Assets and Fund Balance:

Government -Wide Financial Statements:

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Fund Based Financial Statements:

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

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

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

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Function and Object Codes:

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

Memorandum Only Columns:

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

NOTE 2 - CASH AND REPURCHASE AGREEMENTS

Cash deposits with financial institutions at June 30th amounted to \$271,060. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

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

These four levels of risk are as follows:

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

Balances held in each area are as follows:

	Carrying Amount	Bank Balance
- Insured (FDIC) and/or (SIPC)	\$271,060	\$275,030
- Category 1	0	0
- Category 2	0	0

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

NOTE 2 - CASH AND REPURCHASE AGREEMENTS (CONTINUED)

	Carrying Amount	Bank Balance
- Category 3	\$ 0	\$254,011
- Category 4	<u>0</u>	<u>0</u>
Total deposits	<u>\$271,060</u>	<u>\$429,041</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.

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

NOTE 3 - INTERFUND RECEIVABLES

In compliance with GASB 1300.109 School District does not maintain separate bank accounts for each fund, unless it is required by law, or grant agreement. The composition of amounts due to and from other funds as of June 30, 2011 is as follows:

Fund Financial Statements:	Payable Fund	Amount
Receivable Fund		
Special Revenue Fund:		
Medicaid	General Fund	\$ 4,183
Community Assistance	General Fund	174
Garden Fund	General Fund	421
Book Fair	General Fund	180
Winter Sports Program	General Fund	1,843
Exxon Mobil Grant	General Fund	136
Four Winds	General Fund	381
2011 6 th Grade	General Fund	1,059
2012 6 th Grade	General Fund	649
Enterprise Fund:		
Food Program	General Fund	<u>11,225</u>
Total		<u>\$20,251</u>

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

NOTE 3 - INTERFUND RECEIVABLES (CONTINUED)

Government -Wide Financial Statements:		
Receivable Fund	Payable Fund	Amount
Business Type	Governmental Type	<u>\$11,225</u>

NOTE 4 – CAPITAL ASSETS

Capital activity for the School District for the year ended June 30, 2011 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets:				
Land Improvements	\$ 24,307	\$ 0	\$ 0	\$ 24,307
Buildings	61,989	0	0	61,989
Building Improvements	1,214,454	18,991	0	1,233,445
Furniture and Equipment	<u>36,948</u>	<u>8,414</u>	<u>0</u>	<u>45,362</u>
Total other capital assets at historical costs	<u>1,337,698</u>	<u>27,405</u>	<u>0</u>	<u>1,365,103</u>
Less accumulated depreciation:				
Land Improvements	23,092	1,215	0	24,307
Buildings	60,749	1,240	0	61,989
Building Improvements	499,971	24,952	0	524,923
Furniture and Equipment	<u>21,777</u>	<u>3,646</u>	<u>0</u>	<u>25,423</u>
Total accum. depr.	<u>605,589</u>	<u>31,053</u>	<u>0</u>	<u>636,642</u>
Governmental activities Capital Assets, Net	<u>\$ 732,109</u>	<u>\$ (3,648)</u>	<u>\$ 0</u>	<u>\$ 728,461</u>
Business-type activities:				
Building Improvements	\$ 0	\$21,676	\$ 0	\$ 21,676
Furniture and Equipment	10,000	0	0	10,000
Less accum. Depr.	<u>8,669</u>	<u>1,390</u>	<u>0</u>	<u>10,059</u>
Business-type activities Capital Assets, Net	<u>\$ 1,331</u>	<u>\$20,286</u>	<u>\$ 0</u>	<u>\$ 21,617</u>

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities:	
Direct Services	\$26,415
Support Services:	
Students	24
Instructional Staff	1,792
General Administration	0
Area Administration	24
Fiscal Services	0
Operation and Maintenance of Plant	2,798
Transportation	0
Other Support Services	<u>0</u>
Total governmental activities depreciation expense	<u>\$31,053</u>

NOTE 5 - SICK LEAVE

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

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

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:

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

NOTE 6 - LONG-TERM DEBT (CONTINUED)

	Balance July 1, 2010	Borrowings	Retirements	Balance June 30, 2011
Vermont Municipal Bond Bank, bond payable, interest at 5.809% interest paid semi-annually, principal of \$35,000 due on December 1 st of each year until 2009, then \$30,000 due on December 1 st of each year until 2012, originally borrowed \$410,000 on September 8, 1998 for an addition	<u>\$90,000</u>	<u>\$ 0</u>	<u>\$30,000</u>	<u>\$60,000</u>

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

	Principal	Interest	Total
During the year ended June 30, 2012	\$30,000	\$2,952	\$32,952
2013	30,000	271	30,271
Thereafter	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$60,000</u>	<u>\$3,223</u>	<u>\$63,223</u>

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

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

General Fund:

Fiscal 11-12 Budget \$44,520

Special Revenue Funds:

Medicaid	\$ 4,729
Community Assistance	174
Maintenance Reserve	20,365
School Garden	367
Exxon Mobil Grant	136
Four Winds	381

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

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

Special Revenue Funds (continued):

2011 6 th Grade	\$ 1,059
2012 6 th Grade	649
Book Fair	180
Winter Sports Program	<u>1,843</u>
Total	<u>\$29,883</u>

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

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

Net Assets Restricted For Other Purposes:

Fiscal 11-12 Budget	\$44,520
Medicaid	4,729
Community Assistance	174
Maintenance Reserve	20,365
School Garden	367
Exxon Mobil Grant	136
Four Winds	381
2011 6 th Grade	1,059
2012 6 th Grade	649
Book Fair	180
Winter Sports Program	<u>1,843</u>
Total	<u>\$74,403</u>

NOTE 9 – TRANSFERS IN THE FUND BASED FINANCIAL STATEMENTS

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

Funds of \$13,631 were transferred from the General Fund to the Special Revenue Fund's Maintenance Reserve for the purpose of having funds for future expenditures.

Funds of 21,676 were transferred from the Special Revenue Fund's Maintenance Reserve to the Enterprise Fund's Food Program for the purpose of paying for renovations.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

NOTE 10 - PENSIONS

VERMONT TEACHERS' RETIREMENT SYSTEM

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

Required contributions to the system are made by the State of Vermont based upon a valuation report prepared by the System's actuary. TRS is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. TRS is funded through state and employee contributions and the School District has no legal obligation for paying benefits. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan as required by Government Accounting Standards Board (GASB) Statement 24 to be 7.74% or approximately \$53,122.

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 \$34,317 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 \$985,616, with \$686,334 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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

NOTE 10 – PENSIONS (CONTINUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

are three levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. The School District participates in Group A. Normal retirement for Group A members is age 65 and the completion of 5 years of creditable service, or age 55 and completion of 35 years of creditable service. Normal retirement for Group B members is age 62 and the completion of 5 years of creditable service, or age 55 and completion of 30 years of creditable service. Normal retirement for Group C and D members is age 55 and the completion of 5 years of creditable service. A member may receive reduced benefits at age 55 if they have 5 years of service and have made contributions for at least 2.5 years.

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

	Group A	Group B	Group C	Group D
Employees' Contributions (% of gross wages)	2.5%	4.5%	9.0%	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 \$4,652 during the year. The School District contributed \$7,442 during the year. The School District's total payroll for all employees during the year was \$985,616, with \$186,058 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System.

NOTE 11 - RISK MANAGEMENT

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

In addition, Fayston School District is a member of Vermont School Boards Association (Association). The Association has set up two insurance Trust; Vermont School Board

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

NOTE 11 - RISK MANAGEMENT (CONTINUED)

Insurance Trust, Inc. (VSBIT) for Workers Compensation , Multi-Line Intermunicipal School Program, and Unemployment Compensation Program, and the Vermont Education Health Initiative (VEHI) for Medical Benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont school districts and is owned by the participating districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

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

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

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

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

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

NOTE 11 - RISK MANAGEMENT (CONTINUED)

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

NOTE 12 - OPERATING LEASES

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

During the year ended June 30, 2012	\$1,938
2013	<u>1,938</u>
Total	<u>\$3,876</u>

Total lease payments made this year were \$1,938.

NOTE 13 - SUBSEQUENT EVENTS

On July 1, 2011 the School District borrowed \$195,000 from Merchants Bank in a Revenue Anticipation Note at 1.75%. The interest and principal are due at maturity on June 30, 2012.

NOTE 14 - COMMITMENTS

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, 2011 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Fayston School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2011

NOTE 15 - RELATED PARTY

Washington West Supervisory Union, on behalf of the School District, entered an agreement with First Student, Inc. for contracted bus transportation services through June 30, 2012. The contract has a fee schedule for the various trips and contingencies. The minimum cost to the School District for the year ended June 30, 2012 is \$34,938.

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. In addition, Washington West Supervisory Union assesses the school district for various charges related to operations and bus contracts. Separate financial statements on Washington West Supervisory Union are available from Washington West Supervisory Union.

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

NOTE 16 - CONTINGENCY

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.

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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Interest on Investments		\$ 12,500	\$ 8,378	\$ (4,122)
Town Rental		20,000	20,000	-
State:				
Education Spending Grant		1,422,186	1,373,746	(48,440)
Smalls Schools Grant		15,163	15,163	-
Transportation Reimbursement		17,286	17,919	633
Mainstream Block Grant		39,770	39,770	-
Intensive Reimbursement		72,423	43,966	(28,457)
Essential Early Education		6,000	11,786	5,786
Federal:				
ARRA Education Spending Grant		-	48,533	48,533
IDEA-B		18,500	6,349	(12,151)
IDEA-B Preschool		-	1,000	1,000
ARRA IDEA-B Preschool		-	1,000	1,000
		<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES		<u>1,623,828</u>	<u>1,587,610</u>	<u>(36,218)</u>
EXPENDITURES:				
Regular Instruction 1100:				
Salaries	110	367,219	346,134	21,085
Long-Term Substitute Salaries	110	-	25,699	(25,699)
Aide Salaries	115	41,678	46,782	(5,104)
Temporary Salaries	120	15,000	16,631	(1,631)
Personal Days	125	-	908	(908)
Health Insurance	210	106,301	99,836	6,465
Section 125	211	-	475	(475)
Social Security	220	32,428	31,243	1,185
Life Insurance	230	2,000	1,711	289
Retirement	240	1,667	1,414	253
Workers Compensation	250	2,116	2,551	(435)
Unemployment Compensation	260	225	559	(334)
Tuition Reimbursement	270	19,000	6,689	12,311
Dental Insurance	280	6,671	5,550	1,121
Purchased Services	330	-	653	(653)
Occupational Therapy	330	-	211	(211)
Testing Services	332	500	3,319	(2,819)
Copier	410	5,000	3,598	1,402
Equipment Repair	430	500	-	500

The accompanying notes are an integral part of these financial statements

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

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Travel	580	\$ 2,500	\$ 218	\$ 2,282
Supplies	610	13,000	10,042	2,958
Books and Periodicals	640	11,500	9,856	1,644
Enrichment Program	650	3,500	3,880	(380)
Equipment	730	3,000	4,331	(1,331)
Principals Fund	800	1,500	1,046	454
Subtotal		<u>635,305</u>	<u>623,336</u>	<u>11,969</u>
Early Education 1100:				
Salaries	110	13,395	13,395	-
Aide Salaries	115	6,201	7,269	(1,068)
Health Insurance	210	4,625	4,414	211
Social Security	220	1,499	1,520	(21)
Life Insurance	230	135	69	66
Workers Compensation	250	101	118	(17)
Unemployment Compensation	260	36	26	10
Dental Insurance	280	338	319	19
Purchased Services	330	27,234	27,234	-
Subtotal		<u>53,564</u>	<u>54,364</u>	<u>(800)</u>
ESL 1101:				
Purchased Services	330	13,000	325	12,675
Subtotal		<u>13,000</u>	<u>325</u>	<u>12,675</u>
Art 1102:				
Salaries	110	16,348	15,057	1,291
Long-Term Substitute Salaries	110	-	3,602	(3,602)
Personal Days	125	-	14	(14)
Insurance Compensation	212	443	280	163
Social Security	220	1,251	1,450	(199)
Life Insurance	230	144	94	50
Workers Compensation	250	85	101	(16)
Unemployment Compensation	260	20	22	(2)
Supplies	610	1,250	327	923
Subtotal		<u>19,541</u>	<u>20,947</u>	<u>(1,406)</u>
Foreign Language 1106:				
Salaries	110	19,392	19,392	-
Personal Days	125	-	32	(32)
Insurance Compensation	212	474	280	194
Social Security	220	1,483	1,507	(24)

The accompanying notes are an integral part of these financial statements

Fayston School District
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	Object	Budget	Actual	Variance Favorable (Unfavorable)
Life Insurance	230	\$ 154	\$ 147	\$ 7
Workers Compensation	250	100	117	(17)
Unemployment Compensation	260	20	26	(6)
Supplies	610	300	70	230
Subtotal		21,923	21,571	352
Physical Education 1108:				
Salaries	110	15,307	14,944	363
Wellness Club Facilities	116	2,091	959	1,132
Health Insurance	210	6,039	6,621	(582)
Social Security	220	1,171	355	816
Life Insurance	230	141	140	1
Workers Compensation	250	79	92	(13)
Unemployment Compensation	260	20	20	-
Dental Insurance	280	450	479	(29)
Supplies	610	500	486	14
Subtotal		25,798	24,096	1,702
Music 1112:				
Salaries	110	21,045	21,045	-
Health Insurance	210	6,096	5,885	211
Social Security	220	1,610	1,485	125
Life Insurance	230	160	101	59
Workers Compensation	250	109	127	(18)
Unemployment Compensation	260	20	28	(8)
Dental Insurance	280	450	410	40
Supplies	610	1,000	471	529
Subtotal		30,490	29,552	938
Special Education 1200:				
Salaries	110	31,103	41,471	(10,368)
Tutor	112	2,000	712	1,288
Aide Salaries	115	70,452	50,162	20,290
Temporary Salaries	120	-	36	(36)
Personal Days	125	-	222	(222)
Health Insurance	210	24,128	9,433	14,695
Insurance Compensation	212	350	-	350
Social Security	220	7,922	6,843	1,079
Life Insurance	230	192	167	25
Retirement	240	2,819	1,615	1,204
Workers Compensation	250	526	625	(99)

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	Object	Budget	Actual	Variance Favorable (Unfavorable)
Unemployment Compensation	260	\$ 116	\$ 137	\$ (21)
Tuition Reimbursement	270	3,499	1,375	2,124
Dental Insurance	280	254	320	(66)
Summer Services	334	1,250	-	1,250
Travel	580	-	9	(9)
Supplies	610	1,500	901	599
Equipment	730	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Subtotal		<u>147,111</u>	<u>115,028</u>	<u>32,083</u>
Essential Early Education Program 1200:				
Salaries	110	8,584	5,561	3,023
Health Insurance	210	2,290	4,556	(2,266)
Social Security	220	657	193	464
Life Insurance	230	119	33	86
Workers Compensation	250	44	52	(8)
Unemployment Compensation	260	3	11	(8)
Dental Insurance	280	169	357	(188)
Supplies	610	<u>500</u>	<u>-</u>	<u>500</u>
Subtotal		<u>12,366</u>	<u>10,763</u>	<u>1,603</u>
Compensatory Education 1250:				
Salaries	110	45,775	45,775	-
Health Insurance	210	1,018	-	1,018
Insurance Compensation	212	-	560	(560)
Social Security	220	3,502	3,434	68
Life Insurance	230	237	233	4
Workers Compensation	250	237	276	(39)
Unemployment Compensation	260	20	61	(41)
Dental Insurance	280	<u>900</u>	<u>852</u>	<u>48</u>
Subtotal		<u>51,689</u>	<u>51,191</u>	<u>498</u>
Guidance Services 2120:				
Salaries	110	18,576	16,348	2,228
Personal Days	125	-	84	(84)
Insurance Compensation	212	464	280	184
Social Security	220	1,421	1,278	143
Life Insurance	230	151	273	(122)
Workers Compensation	250	96	113	(17)
Unemployment Compensation	260	20	25	(5)

The accompanying notes are an integral part of these financial statements

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	Object	Budget	Actual	Variance Favorable (Unfavorable)
Supplies	610	\$ 500	\$ 232	\$ 268
Subtotal		<u>21,228</u>	<u>18,633</u>	<u>2,595</u>
Health Services 2130:				
Salaries	110	13,410	14,162	(752)
Personal Days	125	-	70	(70)
Insurance Compensation	212	344	-	344
Social Security	220	1,026	1,089	(63)
Life Insurance	230	135	(21)	156
Workers Compensation	250	69	81	(12)
Unemployment Compensation	260	20	18	2
Dental Insurance	280	229	-	229
Repairs and Maintenance	430	250	156	94
Supplies	610	<u>700</u>	<u>724</u>	<u>(24)</u>
Subtotal		<u>16,183</u>	<u>16,279</u>	<u>(96)</u>
Preschool Physical Therapy Services 2140:				
Contracted Services	330	<u>-</u>	<u>222</u>	<u>(222)</u>
Subtotal		<u>-</u>	<u>222</u>	<u>(222)</u>
SPED Physical Therapy Services 2140:				
Contracted Services	330	<u>8,000</u>	<u>6,352</u>	<u>1,648</u>
Subtotal		<u>8,000</u>	<u>6,352</u>	<u>1,648</u>
EEE Physical Therapy Services 2140:				
Contracted Services	330	<u>1,000</u>	<u>3,713</u>	<u>(2,713)</u>
Subtotal		<u>1,000</u>	<u>3,713</u>	<u>(2,713)</u>
Special Education Speech 2150:				
Salaries	110	30,559	22,791	7,768
Summer Salaries	112	-	835	(835)
Personal Days	125	-	126	(126)
Health Insurance	210	8,511	2,076	6,435
Social Security	220	2,338	1,277	1,061
Life Insurance	230	189	104	85
Workers Compensation	250	158	183	(25)
Unemployment Compensation	260	20	41	(21)
Dental Insurance	280	619	282	337
Summer Services	330	-	403	(403)
Supplies	610	750	998	(248)

The accompanying notes are an integral part of these financial statements

Fayston School District
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	Object	Budget	Actual	Variance Favorable (Unfavorable)
Testing Materials	611	\$ 200	\$ 150	\$ 50
Subtotal		<u>43,344</u>	<u>29,266</u>	<u>14,078</u>
EEE Speech Services 2150:				
Contracted Services	330	-	438	(438)
Subtotal		<u>-</u>	<u>438</u>	<u>(438)</u>
SPED Occupational Therapy Services 2160:				
Contracted Services	330	6,550	3,071	3,479
Subtotal		<u>6,550</u>	<u>3,071</u>	<u>3,479</u>
EEE Occupational Therapy Services 2160:				
Contracted Services	330	1,000	2,496	(1,496)
Subtotal		<u>1,000</u>	<u>2,496</u>	<u>(1,496)</u>
SPED Physical Therapy Services 2190:				
Contracted Services	330	500	105	395
Subtotal		<u>500</u>	<u>105</u>	<u>395</u>
EEE Physical Therapy Services 2190:				
Contracted Services	330	-	1,519	(1,519)
Subtotal		<u>-</u>	<u>1,519</u>	<u>(1,519)</u>
Improvement of Instruction 2210:				
Inservice	320	3,000	-	3,000
Subtotal		<u>3,000</u>	<u>-</u>	<u>3,000</u>
Media Center 2220:				
Salaries	110	17,860	17,860	-
Personal Days	125	-	14	(14)
Health Insurance	210	6,065	5,885	180
Social Security	220	1,366	701	665
Life Insurance	230	148	142	6
Workers Compensation	250	92	108	(16)
Unemployment Compensation	260	20	24	(4)
Dental Insurance	280	450	426	24
Equipment Maintenance	430	400	-	400
Supplies	610	600	630	(30)
Books and Periodicals	640	3,500	3,550	(50)
Audio Visual Materials	650	900	1,234	(334)
Subtotal		<u>31,401</u>	<u>30,574</u>	<u>827</u>
Audio Visual/Technology 2223:				
Salaries	116	5,000	4,500	500

The accompanying notes are an integral part of these financial statements

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	Object	Budget	Actual	Variance Favorable (Unfavorable)
Social Security	220	\$ 383	\$ 344	\$ 39
Unemployment Compensation	260	4	-	4
Purchased Services	330	2,000	498	1,502
Equipment Repair	430	2,000	248	1,752
Internet Connection	530	2,200	1,569	631
Supplies	610	1,500	1,873	(373)
Software	650	1,000	1,735	(735)
Equipment	730	<u>7,000</u>	<u>9,465</u>	<u>(2,465)</u>
Subtotal		<u>21,087</u>	<u>20,232</u>	<u>855</u>
Technology Integration 2229:				
Salaries	110	13,000	12,313	687
Personal Days	125	-	70	(70)
Social Security	220	995	947	48
Retirement	240	67	-	67
Workers Compensation	250	-	79	(79)
Unemployment Compensation	260	<u>20</u>	<u>17</u>	<u>3</u>
Subtotal		<u>14,082</u>	<u>13,426</u>	<u>656</u>
Board of Education 2310:				
Board Stipend	118	3,750	3,750	-
Social Security	220	-	312	(312)
Retirement	240	-	3	(3)
Legal	360	5,000	3,582	1,418
Insurance	523	-	1,391	(1,391)
Advertising	540	2,750	1,497	1,253
Miscellaneous	550	1,400	1,388	12
Dues and Fees	810	<u>1,250</u>	<u>1,235</u>	<u>15</u>
Subtotal		<u>14,150</u>	<u>13,158</u>	<u>992</u>
District Treasurer 2313:				
Salaries	110	500	500	-
Social Security	220	-	38	(38)
Subtotal		<u>500</u>	<u>538</u>	<u>(38)</u>
Assessment 2321:				
Supervisory Union Assessment	331	<u>35,835</u>	<u>35,835</u>	-
Subtotal		<u>35,835</u>	<u>35,835</u>	-
Administration 2400:				
Salaries	110	70,980	75,000	(4,020)
Support Staff Salaries	111	30,307	35,187	(4,880)

The accompanying notes are an integral part of these financial statements

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	Object	Budget	Actual	Variance Favorable (Unfavorable)
Temporary Salaries	120	\$ 1,000	\$ 560	\$ 440
Substitute Coordinator Salaries	123	500	500	-
Health Insurance	210	17,880	23,634	(5,754)
Social Security	220	8,169	7,960	209
Life Insurance	230	419	408	11
Retirement	240	1,212	1,398	(186)
Workers Compensation	250	524	619	(95)
Unemployment Compensation	260	40	136	(96)
Professional Development	270	2,500	1,179	1,321
Dental Insurance	280	423	1,100	(677)
Repairs and Maintenance	430	-	359	(359)
Postage	531	1,250	1,860	(610)
Travel	580	1,500	320	1,180
Supplies	610	300	300	-
Dues and Fees	810	750	675	75
Subtotal		137,754	151,195	(13,441)
Fiscal Services 2520:				
Business Manager Assessment	331	7,196	7,196	-
Accounting Assessment	331	14,843	14,844	(1)
Audit	370	2,900	2,900	-
Current Interest	830	10,500	3,792	6,708
Subtotal		35,439	28,732	6,707
Building Maintenance & Operation 2600:				
Salaries	110	41,411	36,940	4,471
Assistant Salaries	111	-	5,967	(5,967)
Insurance Compensation	212	700	-	700
Social Security	220	3,221	3,282	(61)
Retirement	240	1,657	1,478	179
Workers Compensation	250	1,695	240	1,455
Unemployment Compensation	260	34	55	(21)
Trash Removal	421	3,150	2,752	398
Snow Removal	422	2,900	1,915	985
Grounds Maintenance	424	3,000	1,840	1,160
Equipment Repair	430	20,000	20,420	(420)
Capital/Building Repair	435	6,500	9,777	(3,277)
Water Testing	460	1,000	884	116
Property Insurance	521	5,192	4,394	798
Telephone	530	4,000	2,850	1,150

The accompanying notes are an integral part of these financial statements

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	Object	Budget	Actual	Variance Favorable (Unfavorable)
Travel	580	\$ 250	\$ -	\$ 250
Supplies	610	8,000	5,717	2,283
Electricity	622	20,160	14,284	5,876
Oil	624	35,388	16,680	18,708
Equipment	730	1,000	512	488
Subtotal		<u>159,258</u>	<u>129,987</u>	<u>29,271</u>
Transportation 2710:				
Contracted Transportation	519	44,175	34,964	9,211
Subtotal		<u>44,175</u>	<u>34,964</u>	<u>9,211</u>
Co-Curricular Transportation 2720:				
Field Trips	519	2,500	2,345	155
Subtotal		<u>2,500</u>	<u>2,345</u>	<u>155</u>
 TOTAL EXPENDITURES		 <u>1,607,773</u>	 <u>1,494,253</u>	 <u>113,520</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		 16,055	 93,357	 77,302
 OTHER FINANCING SOURCES (USES):				
Transfer to Special Revenue Fund		(13,631)	(13,653)	(22)
Transfer to Enterprise Fund		(3,000)	-	3,000
Transfer to Debt Service Fund		<u>(34,919)</u>	<u>(34,919)</u>	<u>-</u>
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		 (35,495)	 44,785	 80,280
 FUND BALANCE, JULY 1, 2010		 <u>35,495</u>	 <u>80,016</u>	 <u>44,521</u>
 FUND BALANCE, JUNE 30, 2011		 <u>\$ -</u>	 <u>\$ 124,801</u>	 <u>\$ 124,801</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Balance Sheet
Special Revenue Funds
June 30, 2011

Schedule 2
(page 1 of 2)

	Medicaid	Community Assistance Grant	Maintenance Reserve	School Garden	Book Fair	Winter Sports Program	Subtotals
ASSETS:							
Current Assets:							
Cash			\$ 40,430				\$ 40,430
Accounts Receivable - Supervisory Union	\$ 546						546
Due From Other Funds	<u>4,183</u>	<u>\$ 174</u>	<u>-</u>	<u>\$ 421</u>	<u>\$ 180</u>	<u>\$ 1,843</u>	<u>6,801</u>
Total Current Assets	<u>4,729</u>	<u>174</u>	<u>40,430</u>	<u>421</u>	<u>180</u>	<u>1,843</u>	<u>47,777</u>
TOTAL ASSETS	<u>\$ 4,729</u>	<u>\$ 174</u>	<u>\$ 40,430</u>	<u>\$ 421</u>	<u>\$ 180</u>	<u>\$ 1,843</u>	<u>\$ 47,777</u>
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts Payable - Other	<u>-</u>	<u>-</u>	<u>\$ 20,065</u>	<u>\$ 54</u>	<u>-</u>	<u>-</u>	<u>\$ 20,119</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>20,065</u>	<u>54</u>	<u>\$ -</u>	<u>\$ -</u>	<u>20,119</u>
Fund Balances:							
Restricted	<u>4,729</u>	<u>174</u>	<u>20,365</u>	<u>367</u>	<u>180</u>	<u>1,843</u>	<u>27,658</u>
Total Fund Balances	<u>4,729</u>	<u>174</u>	<u>20,365</u>	<u>367</u>	<u>180</u>	<u>1,843</u>	<u>27,658</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 4,729</u>	<u>\$ 174</u>	<u>\$ 40,430</u>	<u>\$ 421</u>	<u>\$ 180</u>	<u>\$ 1,843</u>	<u>\$ 47,777</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Balance Sheet
Special Revenue Funds
June 30, 2011

Schedule 2
(page 2 of 2)

	Exxon Mobil Grant	Four Winds	2011 6th Grade	2012 6th Grade	Subtotals	Totals
ASSETS:						
Current Assets:						
Cash					\$ -	\$ 40,430
Accounts Receivable - Supervisory Union					-	546
Due From Other Funds	\$ 136	\$ 381	\$ 1,059	\$ 649	2,225	9,026
Total Current Assets	<u>136</u>	<u>381</u>	<u>1,059</u>	<u>649</u>	<u>2,225</u>	<u>50,002</u>
TOTAL ASSETS	\$ 136	\$ 381	\$ 1,059	\$ 649	\$ 2,225	\$ 50,002
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable - Other	-	-	-	-	-	\$ 20,119
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>20,119</u>
Fund Balances:						
Restricted	<u>136</u>	<u>381</u>	<u>1,059</u>	<u>649</u>	<u>2,225</u>	<u>29,883</u>
Total Fund Balances	<u>136</u>	<u>381</u>	<u>1,059</u>	<u>649</u>	<u>2,225</u>	<u>29,883</u>
TOTAL LIABILITIES & FUND BALANCES	\$ 136	\$ 381	\$ 1,059	\$ 649	\$ 2,225	\$ 50,002

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
Special Revenue Funds
For The Year Ended June 30, 2011

Schedule 3
(page 1 of 2)

	Medicaid	Community Assistance Grant	Maintenance Reserve	School Garden	Book Fair	Library Donations	Winter Sports Program	Subtotals
REVENUES:								
Investment Income			\$ 108					\$ 108
Private/Local	\$ 3,360	-	-	\$ 216	\$ 2,288	-	\$ 1,800	\$ 7,664
TOTAL REVENUES	<u>3,360</u>	<u>\$ -</u>	<u>108</u>	<u>216</u>	<u>2,288</u>	<u>\$ -</u>	<u>1,800</u>	<u>7,772</u>
EXPENDITURES:								
Direct Services			28,768		2,365		2,356	33,489
Transportation Services								-
Food Services	-	-	-	98	-	-	-	98
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>28,768</u>	<u>98</u>	<u>2,365</u>	<u>-</u>	<u>2,356</u>	<u>33,587</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,360	-	(28,660)	118	(77)	-	(556)	(25,815)
OTHER FINANCING SOURCES (USES):								
Transfers In			13,631			22		13,653
Transfers Out	-	-	(21,676)	-	-	-	-	(21,676)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	3,360	-	(36,705)	118	(77)	22	(556)	(33,838)
FUND BALANCES, JULY 1, 2010	<u>1,369</u>	<u>174</u>	<u>57,070</u>	<u>249</u>	<u>257</u>	<u>(22)</u>	<u>2,399</u>	<u>61,496</u>
FUND BALANCES, JUNE 30, 2011	<u>\$ 4,729</u>	<u>\$ 174</u>	<u>\$ 20,365</u>	<u>\$ 367</u>	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ 1,843</u>	<u>\$ 27,658</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
Special Revenue Funds
For The Year Ended June 30, 2011

Schedule 3
(page 2 of 2)

	Exxon Mobil Grant	Four Winds	2011 6th Grade	2012 6th Grade	Student Field Trips	Subtotals	Totals
REVENUES:							
Investment Income						\$ -	\$ 108
Private/Local	\$ 750	\$ 381	\$ 11,045	\$ 649	\$ 920	13,745	21,409
TOTAL REVENUES	<u>750</u>	<u>381</u>	<u>11,045</u>	<u>649</u>	<u>920</u>	<u>13,745</u>	<u>21,517</u>
EXPENDITURES:							
Direct Services	614		9,986			10,600	44,089
Transportation Services					920	920	920
Food Services	-	-	-	-	-	-	98
TOTAL EXPENDITURES	<u>614</u>	<u>-</u>	<u>9,986</u>	<u>-</u>	<u>920</u>	<u>11,520</u>	<u>45,107</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	136	381	1,059	649	-	2,225	(23,590)
OTHER FINANCING SOURCES (USES):							
Transfers In						-	13,653
Transfers Out	-	-	-	-	-	-	(21,676)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	136	381	1,059	649	-	2,225	(31,613)
FUND BALANCES, JULY 1, 2010	-	-	-	-	-	-	61,496
FUND BALANCES, JUNE 30, 2011	<u>\$ 136</u>	<u>\$ 381</u>	<u>\$ 1,059</u>	<u>\$ 649</u>	<u>\$ -</u>	<u>\$ 2,225</u>	<u>\$ 29,883</u>

The accompanying notes are an integral part of these financial statements

Fayston School District
Statement of Changes in Assets and Liabilities
Fiduciary Fund Type - Agency Fund
Principal's Discretionary Fund
For The Year Ended June 30, 2011

Schedule 4

	Balance July 1, 2010	Receipts	Disbursements	Balance June 30, 2011
Assets:				
Cash	\$ <u>1,618</u>	\$ <u>-</u>	\$ <u>1,618</u>	\$ <u>-</u>
 Total Assets	 \$ <u>1,618</u>	 \$ <u>-</u>	 \$ <u>1,618</u>	 \$ <u>-</u>
Liabilities:				
Amount Held for Agency Fund	\$ <u>1,618</u>	\$ <u>-</u>	\$ <u>1,618</u>	\$ <u>-</u>
 Total Liabilities	 \$ <u>1,618</u>	 \$ <u>-</u>	 \$ <u>1,618</u>	 \$ <u>-</u>

The accompanying notes are an integral part of these financial statements



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

To the School Board
Fayston School District

We have audited the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Fayston School District, Vermont as of and for the year ended June 30, 2011, which collectively comprise the entity's basic financial statements and have issued our report thereon dated December 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Fayston School District in a separate letter dated December 29, 2011.

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

Angolano & Company

Angolano & Company
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December 29, 2011



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To the School Board
Fayston School District

In planning and performing our audit of the financial statements of Fayston School District as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Fayston School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fayston School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fayston School District's internal control.

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

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

In addition, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the Fayston School District's internal control in our report dated December 29, 2011. This letter does not affect our report dated December 29, 2011 in the financial statements of Fayston School District.

Other Matters and Suggestions:

Transaction Testing:

- During transaction testing it was noted that:
 - 1) 8% items sampled were paid from either faxed invoices or photo copied invoices with no documentation on the fax or photocopy as to why it was used. Using a fax or photocopy instead of an original invoice could result in making duplicate payments for one expenditure. We recommend paying expenditures using original

invoices as supporting documentation. For instances where a fax or photocopy is used we recommend writing an explanation on the fax or photocopy explaining why it was used instead of the original invoice.

Bank Reconciliations:

- When testing bank reconciliations it was noted that the TD Bank statement displayed Washington West Supervisory Union's (WWSU) name on the face of the statement. This could result in WWSU having title and rights to ownership of the assets within this account. We recommend that the account with TD Bank be changed to reflect Fayston School District's name and identification number to ensure the School District's proper ownership of assets within that account.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various personnel within Fayston School District, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

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December 29, 2011



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August 24, 2011

To the School Board
Fayston School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Fayston School District** for the year ended June 30, 2011. 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 August 24, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fayston School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2011. 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 estimate affecting the financial statements was:

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.

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

The disclosure of Fund Balances and Net Assets in Notes 7 and 8 to the financial statements as to how any surplus is to be used in future fiscal years.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

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

Very truly yours,

Angolano & Company

Angolano & Company,
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