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January 6, 2012

Warren 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 Warren 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

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

Warren School District  
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For The Year Ended June 30, 2011

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## Independent Auditors' Report

To The School Board  
Warren School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Warren School District, Vermont, as of and for the year ended June 30, 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 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 Warren School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of Warren School District, Vermont, as of June 30, 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 fund of Warren 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 Warren School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

## *Angolano & Company*

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

December 29, 2011

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

*Introduction*

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

*Financial Highlights*

- Government-wide assets totaled \$639,822 and government-wide liabilities totaled \$170,013.
- The District's general fund actual revenues were \$2,086,995, while the budgeted revenues were \$2,045,232, an increase of \$41,763. The increases in revenue were primarily from Special Education Reimbursement, \$34,833 and Schoolwide CFG Funds, \$6,258.
- The District's general fund actual expenditures were \$2,094,385, while the budgeted expenditures were \$2,077,142, a decrease of \$17,243 or .8%.
- Special Revenue Funds totaling \$29,116 are held in the District's accounts for various Federal, State and Private Grants.
- The Capital Project Fund represents the unspent balance on monies set aside for unanticipated and/or future building and technology needs. The total fund balance at June 30, 2011 was \$21,382 with the balance in the Maintenance Reserve Fund \$16,537 and the balance in the Technology Reserve Fund, \$4,870.
- The Enterprise Fund represents the food program and had an ending retained earnings balance of \$16,726.

*Overview of the Financial Statements*

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

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

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

The Statement of Activities presents information showing how the District net assets changed during the fiscal year. All changes in net assets are reported when the underlying

event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and inter-governmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include programs and services such as instruction, support services, and building operation and maintenance. The business-type activities of the District include the Food Service Program.

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

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

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

The District maintains four (4) governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Special Revenue, Capital Project and Debt Service. Individual fund data for the Proprietary and Fiduciary Funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 8-11.

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

Fiduciary Funds – Fiduciary Funds are those for which the District serves as a trustee for the benefit of others, such as scholarship and student activities funds. The District is

responsible for ensuring that assets in these funds are used for their intended purposes and cannot use these assets to finance the general operations of the District.

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

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

### **Government-Wide Financial Analysis**

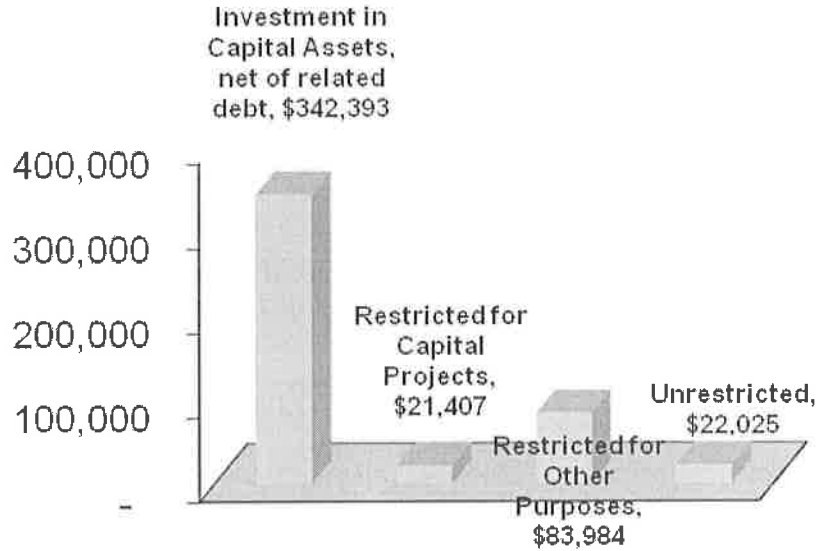
Our analysis of the District's major funds begins on Table 1. The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District's Board of Directors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

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

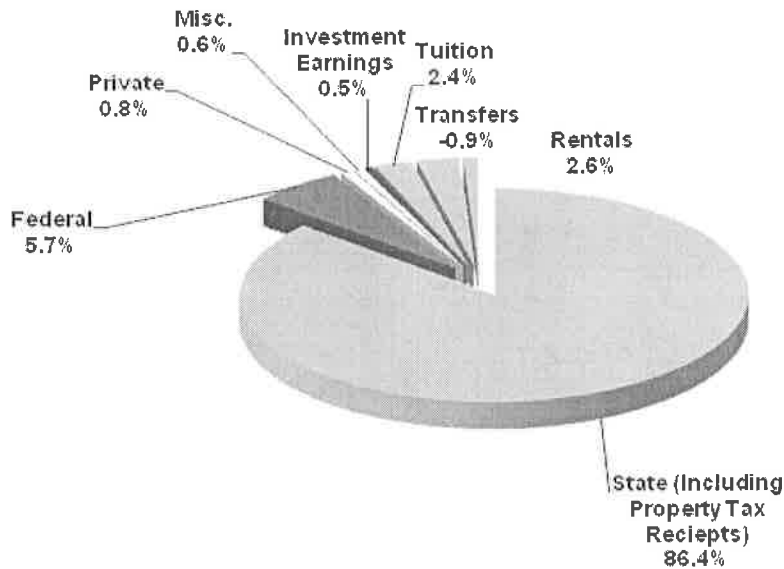
**Warren School District**  
**Statement of Net Assets and Fund Balance Reconciliation**  
**June 30, 2011**

	Summary of Financial Operations and Fund Balance	Governmental Activities Government-Wide	Difference
<b>ASSETS</b>			
<u>Current Assets:</u>			
Cash	95,315	95,315	-
Accounts Receivable:			
Other	1,040	1,040	-
Supervisory Union	89,651	89,651	-
Other LEA's	12,431	12,431	-
Due from Other Funds	2,387	2,387	-
<b>Total Current Assets</b>	<b>200,824</b>	<b>200,824</b>	<b>-</b>
<u>Non-current Assets:</u>			
<u>Capital Assets:</u>			
Building & Equipment, net of Accum. Depr.	-	438,998	(438,998)
<b>Total Non-current Assets</b>	<b>-</b>	<b>438,998</b>	<b>(438,998)</b>
<b>TOTAL ASSETS</b>	<b>200,824</b>	<b>639,822</b>	<b>(438,998)</b>
<b>LIABILITIES</b>			
<u>Current Liabilities:</u>			
Other	73,408	73,408	-
Capital Leases Payable	-	8,000	(8,000)
Notes Payable	-	59,100	(59,100)
Bonds Payable - Current	-	7,052	(7,052)
<b>Total Current Liabilities</b>	<b>73,408</b>	<b>147,560</b>	<b>(74,152)</b>
<u>Non-current Liabilities:</u>			
Bonds Payable	-	22,453	(22,453)
<b>Total Non-current Liabilities</b>	<b>-</b>	<b>22,453</b>	<b>(22,453)</b>
<b>TOTAL LIABILITIES</b>	<b>73,408</b>	<b>170,013</b>	<b>(96,605)</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, net of related Debt	-	342,393	(342,393)
Restricted for Capital Projects	21,407	21,407	-
Restricted for Other Purposes	7,709	83,984	(76,275)
Committed	76,275	-	76,275
Unrestricted	22,025	22,025	-
<b>TOTAL NET ASSETS</b>	<b>127,416</b>	<b>469,809</b>	<b>(342,393)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>200,824</b>	<b>639,822</b>	<b>(438,998)</b>

Government-Wide Net Assets - TABLE II

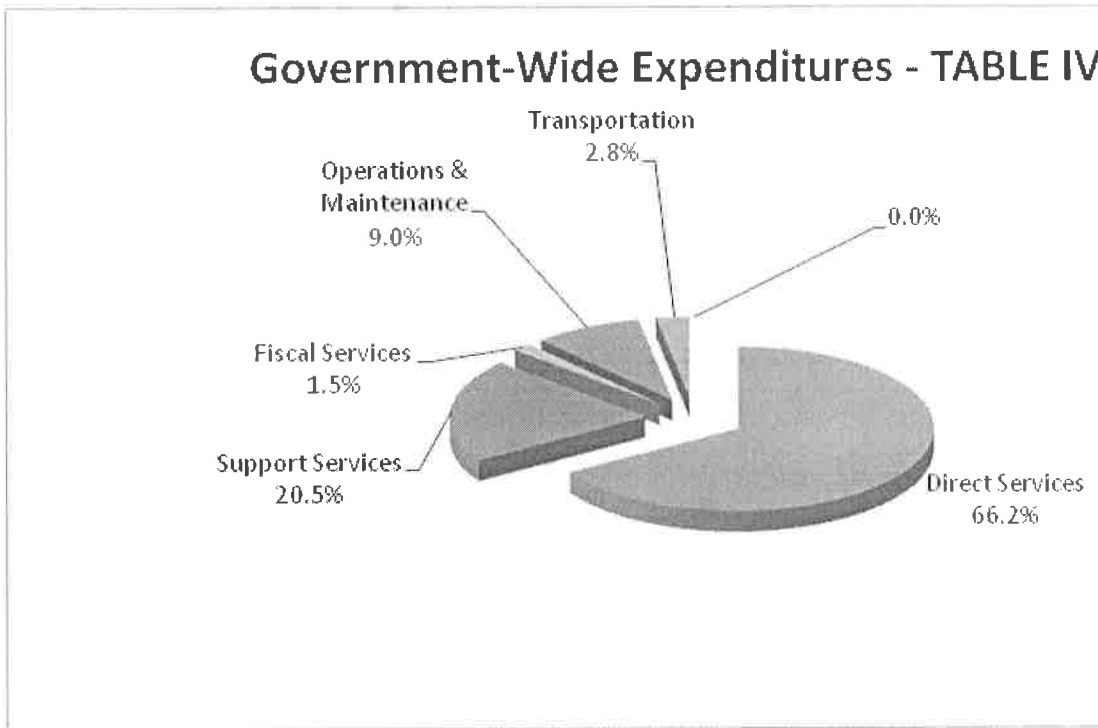


Government-Wide Revenues - TABLE III



Government-wide revenues consisted of \$1,830,077 in state revenue, which includes property tax, \$120,823 in federal revenue, \$17,197 in private revenues, \$10,749 in investment earnings, \$49,925 in tuition revenue, \$55,908 in rental, \$13,380 in miscellaneous revenues and \$19,889 in transfers out.

## Government-Wide Expenditures - TABLE IV



Government-wide expenses consist of \$1,369,820 in direct services, \$424,002 in support services, \$31,496 in fiscal services, \$185,283 in operations and maintenance, and \$57,459 in transportation, a total of \$2,068,060.

### *Governmental Activities:*

Governmental Activities revenues totaled \$2,078,170 and expenses totaled \$2,068,060 resulting in an increase in net assets of \$10,110.

### *Business Type Activities:*

Business Type Activities realized a \$15,972 increase in net assets.

**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>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash	95,315	170,735	120,914
Prepaid Expenses	-	14,943	4,934
Accounts Receivable:			
State	-	1,256	-
Supervisory Union	89,651	22,848	9,788
Other LEA's	12,431	-	9,878
Other	1,040	18,581	21,295
Due from Other Funds	2,387	-	4,695
<b>Total Current Assets</b>	<b><u>200,824</u></b>	<b><u>228,363</u></b>	<b><u>171,504</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Cash Overdraft	-	24,585	-
Accrued Expenses	-	2,995	599
Due to Other Funds	-	1,487	-
Accounts Payable - State	-	7,244	45,194
Accounts Payable - Other LEA's	-	605	-
Accounts Payable - Other	73,408	56,106	10,832
<b>Total Current Liabilities</b>	<b><u>73,408</u></b>	<b><u>93,022</u></b>	<b><u>56,625</u></b>
<b>NET ASSETS</b>			
Committed	76,275	91,039	68,535
Restricted	29,116	-	-
Unassigned	22,025	44,302	46,344
<b>TOTAL NET ASSETS</b>	<b><u>127,416</u></b>	<b><u>135,341</u></b>	<b><u>114,879</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>200,824</u></b>	<b><u>228,363</u></b>	<b><u>171,504</u></b>

*Governmental Fund Types:*

Fund balances in the Governmental Fund types decreased from \$135,341 to \$127,416 a decrease of \$7,925. This decrease was reflected in the General Fund by a decrease of \$34,860, an increase of \$17,197 in the Special Revenue Funds and by an increase of \$9,738 in the Capital Projects Funds.

The Capital Projects Fund ending fund balance of \$21,382 is reflective of funds set aside for future unspecified building and technology needs.

*Proprietary Fund Type:*

Food service programs are offered to the students for hot lunch and breakfast. This program had a retained earnings balance of \$ 16,726 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 also \$-0-.

**Capital Assets**

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

<b>Warren School District</b>		TABLE VI	
<b>Capital Assets</b>			
<b>June 30, 2011</b>			
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
<b>Governmental Activities:</b>			
<b>Land Improvements</b>	21,847	21,847	-
Buildings and Improvements	\$ 1,040,771	\$ 744,999	\$ 295,772
Vehicles	219,701	102,180	117,521
Furniture and Equipment	42,408	16,703	25,705
<b>Total</b>	<b>\$ 1,324,727</b>	<b>\$ 885,729</b>	<b>\$ 438,998</b>
<b>Business Type Activities:</b>			
Furniture and Equipment	\$ 19,900	\$ 6,927	\$ 12,973
<b>Total</b>	<b>\$ 1,344,627</b>	<b>\$ 892,656</b>	<b>\$ 451,971</b>

**Long-Term Debt**

The District had \$44,453 in long-term debt, defined as debt due and payable beyond one year, at June 30, 2011.

**Current Issues**

- The Warren Elementary School is experiencing a significant increase in student enrollment. The board is reviewing the projected enrollment in future years and considering building renovations to expand the number of classrooms.
- The long-term Warren Elementary School Principal has announced retirement in FY2012. A search for a new Principal is in process.
- The Warren Elementary School will likely need a roof replacement within the next five years.

*Current Issues (Continues)*

- 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 Warren School District associated with this legislation are unknown at this time.

*Contact for Further Information*

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

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

EXHIBIT I

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 95,315		\$ 95,315
Accounts Receivable - State		\$ 7,342	7,342
Accounts Receivable - Supervisory Union	89,651		89,651
Accounts Receivable - Other LEAs	12,431		12,431
Accounts Receivable - Other	1,040	1,339	2,379
Due From Other Funds	2,387		2,387
Inventory		673	673
Capital Assets, net (Note 4)	438,998	12,973	451,971
Total Assets	639,822	22,327	662,149
<b>LIABILITIES:</b>			
Accounts Payable - Other	73,408	3,214	76,622
Due To Other Funds		2,387	2,387
Capital Leases Payable (Note 7)	8,000		8,000
Long-Term Liabilities (Note 6):			
Due Within One Year	66,152		66,152
Due in More Than One Year	22,453	-	22,453
Total Liabilities	170,013	5,601	175,614
<b>NET ASSETS:</b>			
Investment in Capital Assets, net of related debt	342,393	12,973	355,366
Restricted for Capital Projects	21,407		21,407
Restricted for Other Purposes	83,984		83,984
Unrestricted	22,025	3,753	25,778
Total Net Assets	\$ 469,809	\$ 16,726	\$ 486,535

The accompanying notes are an integral part of these financial statements

Warren School District  
Statement of Activities  
Government-Wide  
For The Year Ended June 30, 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	\$ 1,417,273		\$ 47,453	\$ (1,369,820)		\$ (1,369,820)
Support Services:						
Student Services	151,869			(151,869)		(151,869)
Instructional Services	62,542			(62,542)		(62,542)
General Administrative Services	49,482			(49,482)		(49,482)
Area Administrative Services	152,653			(152,653)		(152,653)
Fiscal Services	31,496			(31,496)		(31,496)
Building Operations and Maintenance	185,283			(185,283)		(185,283)
Transportation	124,884		67,425	(57,459)		(57,459)
Other Support Services	7,456			(7,456)		(7,456)
Operation of Noninstructional Services:						
Food Services	90,640	\$ 86,723	-	-	\$ (3,917)	(3,917)
Total	<u>\$ 2,273,578</u>	<u>\$ 86,723</u>	<u>\$ 114,878</u>	(2,068,060)	(3,917)	(2,071,977)
General Revenues:						
Tuition				49,925		49,925
State Revenues not Restricted to Specific Programs				1,830,077		1,830,077
Federal Revenues not Restricted to Specific Programs				120,823		120,823
Private Revenues not Restricted to Specific Programs				17,197		17,197
Investment Earnings				10,749		10,749
Rentals				55,908		55,908
Miscellaneous				13,380		13,380
Transfers				(19,889)	19,889	-
Total General Revenues				<u>2,078,170</u>	<u>19,889</u>	<u>2,098,059</u>
Excess (Deficiency) of Revenues Over Expenses				10,110	15,972	26,082
Net Assets - Beginning				459,699	754	460,453
Net Assets - Ending				<u>\$ 469,809</u>	<u>\$ 16,726</u>	<u>\$ 486,535</u>

The accompanying notes are an integral part of these financial statements

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

EXHIBIT III

	Governmental Fund Types			Proprietary Fund Type	Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Capital Projects Fund	Enterprise Fund	
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash	\$ 78,778		\$ 16,537		\$ 95,315
Accounts Receivable - State				\$ 7,342	7,342
Accounts Receivable - Supervisory Union	82,833	\$ 6,818			89,651
Accounts Receivable - Other LEAs	12,431				12,431
Accounts Receivable - Other	1,040			1,339	2,379
Due From Other Funds		22,500	4,870		27,370
Inventory	-	-	-	673	673
Total Current Assets	<u>175,082</u>	<u>29,318</u>	<u>21,407</u>	<u>9,354</u>	<u>235,161</u>
<b>Other Assets:</b>					
Fixed Assets - net	-	-	-	12,973	12,973
Total Other Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,973</u>	<u>12,973</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 175,082</u></b>	<b><u>\$ 29,318</u></b>	<b><u>\$ 21,407</u></b>	<b><u>\$ 22,327</u></b>	<b><u>\$ 248,134</u></b>
<b>LIABILITIES AND FUND EQUITIES:</b>					
<b>Liabilities:</b>					
Accounts Payable - Other	\$ 73,206	\$ 202		\$ 3,214	\$ 76,622
Due to Other Funds	24,958	-	\$ 25	2,387	27,370
Total Liabilities	<u>98,164</u>	<u>202</u>	<u>25</u>	<u>5,601</u>	<u>103,992</u>
<b>Fund Equity:</b>					
<b>Fund Balances:</b>					
Unassigned	22,050		(25)		22,025
Committed	54,868		21,407		76,275
Restricted		29,116	-		29,116
Retained Earnings	-	-	-	16,726	16,726
Total Fund Equities	<u>76,918</u>	<u>29,116</u>	<u>21,382</u>	<u>16,726</u>	<u>144,142</u>
<b>TOTAL LIABILITIES AND FUND EQUITIES</b>	<b><u>\$ 175,082</u></b>	<b><u>\$ 29,318</u></b>	<b><u>\$ 21,407</u></b>	<b><u>\$ 22,327</u></b>	<b><u>\$ 248,134</u></b>

The accompanying notes are an integral part of these financial statements

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

Fund Balances – total governmental funds \$ 127,416

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	1,324,727
Less accumulated depreciation	(885,729)

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

Bonds Payable	(29,505)
Notes Payable	(59,100)
Capital Lease Obligations	<u>(8,000)</u>

Net Assets of Governmental Activities \$ 469,809

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

EXHIBIT IV

	Governmental Fund Types				Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
<b>REVENUES:</b>					
Tuition	\$ 49,925				\$ 49,925
Interest on Investments	10,708		\$ 41		10,749
Rental Income	55,908				55,908
Miscellaneous	579		100		679
Private/Local		\$ 41,392			41,392
State	1,835,002				1,835,002
Federal	<u>134,873</u>	<u>-</u>	<u>17,208</u>	<u>-</u>	<u>152,081</u>
<b>TOTAL REVENUES</b>	<u>2,086,995</u>	<u>41,392</u>	<u>17,349</u>	<u>\$ -</u>	<u>2,145,736</u>
<b>EXPENDITURES:</b>					
Direct Services	1,378,116	24,195			1,402,311
Support Services:					
Students	151,174				151,174
Instructional Staff	60,630				60,630
General Administration	49,482				49,482
Area Administration	152,479				152,479
Fiscal Services	31,496				31,496
Operation & Maintenance of Building	160,638		20,152		180,790
Transportation	102,914				102,914
Debt Service:					
Interest Charges				715	715
Principal Reduction				4,766	4,766
Other Outlays	<u>7,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,456</u>
<b>TOTAL EXPENDITURES</b>	<u>2,094,385</u>	<u>24,195</u>	<u>20,152</u>	<u>5,481</u>	<u>2,144,213</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(7,390)	17,197	(2,803)	(5,481)	1,523
<b>OTHER FINANCING SOURCES (USES):</b>					
Loan Proceeds			10,441		10,441
Transfers In			16,000	5,481	21,481
Transfers Out	<u>(27,470)</u>	<u>-</u>	<u>(13,900)</u>	<u>-</u>	<u>(41,370)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(34,860)	17,197	9,738	-	(7,925)
<b>FUND BALANCE, JULY 1, 2010</b>	<u>111,778</u>	<u>11,919</u>	<u>11,644</u>	<u>-</u>	<u>135,341</u>
<b>FUND BALANCE, JUNE 30, 2011</b>	<u>\$ 76,918</u>	<u>\$ 29,116</u>	<u>\$ 21,382</u>	<u>\$ -</u>	<u>\$ 127,416</u>

The accompanying notes are an integral part of these financial statements

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

Net Changes in fund Balances – total governmental funds \$ (7,925)

Amount reported for governmental activities in the Statement of  
 Activities are different because:

Governmental funds report capital outlays as expenditures. However,  
 in the Statement of Activities, the cost of those assets is  
 depreciated over their estimated useful lives:

Expenditures for capital assets	1
Less current year depreciation	(49,258)

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

Bond proceeds	(9,516)
Repayment of bonds	29,766
Repayment of notes	49,275
Capital lease proceeds	(8,000)
Repayment of capital lease obligation	<u>5,767</u>

Change in Net Assets of Governmental Funds \$ 10,110

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

EXHIBIT V

Operating Revenues:		
Sales	\$ 43,465	
Miscellaneous	<u>67</u>	
Total Operating Revenues		\$ 43,532
Operating Expenses:		
Salaries and Benefits	57,490	
Repairs and Maintenance	2,564	
Food and Supplies	23,948	
Commodities	5,711	
Depreciation	<u>927</u>	
Total Operating Expenses		<u>90,640</u>
Operating Income (Loss)		(47,108)
Non-Operating Revenue:		
State Sources:		
State Match	1,135	
Child Nutrition Breakfast	263	
Child Nutrition Other	254	
Federal Sources:		
Restricted Grants:		
School Breakfast Program	7,246	
School Lunch Program	28,782	
Commodities	<u>5,511</u>	
Total Non-Operating Revenue		<u>43,191</u>
Income (Loss) Before Transfers		(3,917)
Operating Transfers In (Out)		<u>19,889</u>
Net Income (Loss)		15,972
Retained Earnings, July 1, 2010		<u>754</u>
Retained Earnings, June 30, 2011		<u>\$ 16,726</u>

The accompanying notes are an integral part of these financial statements

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

EXHIBIT VI

Cash Flows From Operating Activities:		
Received From Customers	\$ 42,193	
Payments To Employees and Fringe Benefits	(57,490)	
Payments To Vendors and Supplies	<u>(31,848)</u>	
Net Cash Used By Operating Activities		\$ (47,145)
Cash Flows From Noncapital Financing Activities:		
State Aid Received	37,282	
Support From General Fund	<u>23,763</u>	
Net Cash Used By Noncapital Financing Activities		61,045
Cash Flows From Capital and Related Financing Activities:		
Purchase of Fixed Assets		(13,900)
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)		\$ (47,108)
Adjustments to Reconcile Net Income to Cash Provided (Used) By Operating Activities:		
Depreciation	\$ 927	
(Increase) Decrease in Accounts Receivable - Other	(1,339)	
Increase (Decrease) in Accounts Payable	<u>375</u>	
Total Adjustments		<u>(37)</u>
Net Cash Provided (Used) By Operating Activities		<u>\$ (47,145)</u>

The accompanying notes are an integral part of these financial statements

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

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

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

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

**Reporting Entity:**

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

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

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

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

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

Warren 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.
- Capital Project Fund – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.
- Debt Service Fund – The School District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Proprietary Fund Types:

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Accounting Policies:

Cash and Cash Equivalents:

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

Interfund Receivables and Payables:

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

Accounts Receivable:

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

Inventory:

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

Capital Assets:

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

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

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

depreciated using the straight line method over the estimated useful lives with a full year of depreciation taken in the year acquired and none taken in the year of disposal.

Long-term Debt:

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

Budgets:

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

Encumbrances:

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

Net Assets and Fund Balance:

Government -Wide Financial Statements:

When the School District incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used. Net assets on the Statement of Net Assets include the following:

Investment in Capital Assets, net of Related Debt – The component of net assets reports the difference between capital assets less both the accumulated depreciation and the outstanding

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

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

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.

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

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

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

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 \$95,315. 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)

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

Balances held in each area are as follows:

	Carrying Amount	Bank Balance
- Insured (FDIC) and/or (SIPC)	\$95,315	\$324,746
- Category 1	0	0

Warren 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 2	\$ 0	\$ 0
- Category 3	0	0
- Category 4	<u>0</u>	<u>135,352</u>
Total deposits	<u>\$95,315</u>	<u>\$460,098</u>

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

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

**NOTE 3 - INTERFUND RECEIVABLES**

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

Fund Financial Statements:	Receivable Fund	Payable Fund	Amount
Special Revenue Fund:			
Medicaid		General Fund	\$16,654
Roy Foundation		General Fund	4,746
Stars Grant		General Fund	1,100
Capital Projects Fund:			
Technology Fund		General Fund	4,870
General Fund		Capital Projects Fund:	
		Bus Fund	25
General Fund		Enterprise Fund:	
		Food Program	<u>2,387</u>
	Total		<u>\$29,782</u>

Warren 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
Governmental Type	Business Type	<u>\$ 2,387</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	\$ 21,847	\$ 0	\$ 0	\$ 21,847
Buildings	869,000	0	0	869,000
Building Improvements	82,356	0	0	82,356
Infrastructure	89,415	0	0	89,415
Furniture and Equipment	42,408	0	0	42,408
Vehicles	<u>219,701</u>	<u>0</u>	<u>0</u>	<u>219,701</u>
Total other capital assets at historical costs	<u>1,324,727</u>	<u>0</u>	<u>0</u>	<u>1,324,727</u>
Less accumulated depreciation:				
Land Improvements	21,847	0	0	21,847
Buildings	677,820	17,380	0	695,200
Building Improvements	40,794	2,318	0	43,112
Infrastructure	4,458	2,229	0	6,687
Furniture and Equipment	11,342	5,361	0	16,703
Vehicles	<u>80,210</u>	<u>21,970</u>	<u>0</u>	<u>102,180</u>
Total accum. depr.	<u>836,471</u>	<u>49,258</u>	<u>0</u>	<u>885,729</u>
Governmental activities Capital Assets, Net	<u>\$ 488,256</u>	<u>\$(49,258)</u>	<u>\$ 0</u>	<u>\$ 438,998</u>
Business -type activities:				
Furniture and Equipment	\$ 6,000	\$ 13,900	\$ 0	\$ 19,900
Less accum. Depr.	<u>6,000</u>	<u>927</u>	<u>0</u>	<u>6,927</u>
Business -type activities Capital Assets, Net	<u>\$ 0</u>	<u>\$ 12,973</u>	<u>\$ 0</u>	<u>\$ 12,973</u>

Warren 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	\$20,729
Support Services:	
Students	695
Instructional Staff	1,912
General Administration	0
Area Administration	174
Fiscal Services	0
Operation and Maintenance of Plant	3,778
Transportation	21,970
Other Support Services	<u>0</u>
Total governmental activities depreciation expense	<u>\$49,258</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:

Warren 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
Peoples United Bank, note payable, interest at 2.60 %, interest paid annually, principle of \$8,000 due on August 19, 2010. This note for \$8,000 is issued to refund a borrowing originally for \$53,500 on September 13, 2005, which was issued to purchase a school bus.	\$ 8,000	\$ 0	\$ 8,000	\$ 0
Peoples United Bank, note payable, interest at 2.50%, interest paid annually, principle of \$14,500 due on July 23, 2010. This note for \$14,500 is issued to refund a borrowing originally for \$72,258 on May 1, 2006, which was issued to purchase a bus.	14,500	0	14,500	0
Vermont Municipal Bond Bank, Water Planning note payable, interest at 0.00%, principle of \$2,355 due on March 1 <sup>st</sup> of each year until 2017, originally approved for \$12,700 on February 15, 2006 for water system planning; amended to \$11,775 on January 18, 2011.	12,700	(925)	11,775	0
Vermont Municipal Bond Bank, Water Implementation note payable, interest at 1.0% and administration fee of 2.0%. Principle, interest, and admin. fee due on September 1 <sup>st</sup> of each year until 2014; originally borrowed \$48,830 in May of 2008; amended to \$59,271 on November 15, 2010.	48,830	10,441	29,766	29,505

Warren 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
Peoples United Bank, current expense note payable, interest at 2.3%, interest paid annually, principle of \$59,100 due on October 1, 2011. This note for \$59,100 is issued to refund a borrowing originally for \$74,100 on October 13, 2009, which was issued to purchase a school bus.	<u>\$ 74,100</u>	<u>\$ 0</u>	<u>\$15,000</u>	<u>\$59,100</u>
Total Long-Term Debt	<u>\$158,130</u>	<u>\$ 9,516</u>	<u>\$79,041</u>	<u>\$88,605</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	\$66,152	\$2,244	\$68,396
2013	7,264	674	7,938
2014	7,482	455	7,937
2015	7,707	231	7,937
2016	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$88,605</u>	<u>\$3,604</u>	<u>\$92,209</u>

**NOTE 7 - CAPITAL LEASES**

On July 15, 2010 the School District entered into a non-cancellable lease agreement with Apple Financial Services for the lease of Mac computers. This lease agreement qualifies as a capital lease, for accounting purposes and thus, has been recorded at the present value of the future minimum lease payments at the inception of the lease in the general long-term debt account group. The total amount due is \$14,008, to be paid in yearly installments of \$4,669 over 3 years with a buyout at the end of \$1.00.

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

During the year ended June 30, 2012	\$4,669
2013	<u>4,669</u>
Total minimum lease payments	9,338

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

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

Less amount representing interest	<u>\$1,338</u>
Present value of minimum lease payments	<u>\$8,000</u>

Interest rate on the capitalized lease is approximately 10.910 percent.

**NOTE 8 – RESTRICTED, COMMITTED AND ASSIGNED FUND BALANCES (Fund Financial Statements)**

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

General Fund:

Reserved for FY12 Budget	<u>\$54,868</u>
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Special Revenue Funds:

Medicaid	\$23,270
Roy Foundation	4,746
Stars Grant	<u>1,100</u>
Total	<u>\$29,116</u>

Capital Projects Fund:

Building Reserve	\$16,537
Technology	<u>4,870</u>
Total	<u>\$21,407</u>

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

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

Net Assets Restricted For Capital Projects:

Building Reserve	\$16,537
Technology	<u>4,870</u>
Total	<u>\$21,407</u>

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

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

Net Assets Restricted For Other Purposes:

Reserved for FY12 Budget	\$54,868
Medicaid	23,270
Roy Foundation	4,746
Stars Grant	<u>1,100</u>
Total	<u>\$83,984</u>

**NOTE 10 – 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 \$16,000 were transferred from the General Fund to the Capital Projects Fund – Maintenance Reserve to supplement the fund.

Funds of \$5,989 were transferred from the General Fund to the Enterprise Fund – Food Program to supplement the fund.

**NOTE 11 - PENSIONS**

**VERMONT TEACHERS' RETIREMENT SYSTEM**

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

Required contributions to the system are made by the State of Vermont based upon a valuation report prepared by the System's actuary. TRS is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the 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 \$75,235.

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

**NOTE 11 – PENSIONS (CONTINUED)**

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

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 \$48,601 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees during the year was \$1,408,842, with \$972,024 of such amount related to employees covered by the retirement plan.

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

**VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

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

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%

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

**NOTE 11 – PENSIONS (CONTINUED)**

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

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 \$6,178 during the year. The School District contributed \$9,884 during the year. The School District's total payroll for all employees during the year was \$1,408,842, with \$247,104 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System.

**NOTE 12 - RISK MANAGEMENT**

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

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

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

To provide unemployment coverage, VSBIT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and to provide excess

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

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

reinsurance protection. Contributions are based on payroll expense and the previous two year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

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

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

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

**NOTE 13 - OPERATING LEASES**

On November 12, 2010 Warren School District entered into a lease agreement with Ikon Office Solutions for the lease of a photocopier . The total amount due is \$12,039, to be paid in annual installments of \$4,013 over three years. The following is a schedule of future minimum lease payments under this lease.

During the year ended June 30, 2012	\$4,013
2013	4,013

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

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

During the year ended June 30, 2014	\$1,672
Thereafter	<u>0</u>
Total	<u>\$9,698</u>

Total lease payments made this year including both the old expiring lease and the new lease were \$ 5,528.

**NOTE 14 - SUBSEQUENT EVENTS**

On July 1, 2011, the School District issued a revenue anticipation note in the amount of \$300,000 to T D Bank. The note carries interest at 1.79%. Principal and interest comes due on June 30, 2012.

**NOTE 15 - 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.

**NOTE 16 - RELATED PARTY**

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

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

**NOTE 16 - RELATED PARTY (CONTINUED)**

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

**NOTE 17 - CONTINGEN CY**

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

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

Warren School District  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
General Fund  
For The Year Ended June 30, 2011

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Tuition:				
Individuals		\$ -	\$ 2,240	\$ 2,240
Other LEAs		41,250	47,500	6,250
Summer School		-	185	185
Interest on Investments		5,000	10,708	5,708
Town Rental Income		55,658	55,658	-
Bus Rental		-	250	250
Miscellaneous		-	579	579
State:				
Education Spending Grant		1,621,513	1,569,373	(52,140)
Transportation Aid		39,230	29,925	(9,305)
Capital Debt Hold Harmless		8,270	4,966	(3,304)
Mainstream Block Grant		41,542	41,542	-
Intensive Reimbursement		149,919	184,752	34,833
Essential Early Education		16,853	4,444	(12,409)
Federal:				
ARRA Education Spending Grant		-	55,444	55,444
School Wide Program		25,000	31,258	6,258
IDEIA-B		23,997	24,600	603
Forest Revenue		17,000	23,571	6,571
<b>TOTAL REVENUES</b>		<u>2,045,232</u>	<u>2,086,995</u>	<u>41,763</u>
<b>EXPENDITURES:</b>				
Regular Instruction 1100:				
Salaries	110	477,704	472,253	5,451
Long-Term Substitute Salaries	110	-	7,009	(7,009)
Mentoring Salaries	110	-	2,250	(2,250)
Tutors	112	2,000	2,773	(773)
Aide Salaries	115	40,349	45,645	(5,296)
Temporary Salaries	120	12,500	10,049	2,451
Personal Days	125	-	1,404	(1,404)
Health Insurance	210	123,456	110,987	12,469
Section 125 Plan	211	660	445	215
Insurance Compensation	212	-	1,400	(1,400)
Social Security	220	40,740	40,033	707
Life Insurance	230	2,771	2,250	521
Retirement	240	2,017	1,618	399

The accompanying notes are an integral part of these financial statements

Warren School District  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
General Fund  
For The Year Ended June 30, 2011

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Workers Compensation	250	\$ 2,678	\$ 3,003	\$ (325)
Unemployment Compensation	260	200	372	(172)
Tuition Reimbursement	270	15,000	13,070	1,930
Dental Insurance	280	9,014	7,459	1,555
Purchased Services	330	1,590	1,717	(127)
Copier	410	7,500	8,907	(1,407)
Supplies	610	13,160	13,239	(79)
Books and Periodicals	640	8,360	4,741	3,619
Equipment	730	<u>4,000</u>	<u>914</u>	<u>3,086</u>
Subtotal		<u>763,699</u>	<u>751,538</u>	<u>12,161</u>
Early Education 1100:				
Salaries	110	43,375	45,449	(2,074)
Substitute Salaries	110	-	619	(619)
Aide Salaries	115	17,307	15,763	1,544
Personal Days	125	-	78	(78)
Health Insurance	210	11,232	10,387	845
Social Security	220	4,642	3,649	993
Life Insurance	230	276	311	(35)
Workers Compensation	250	1,090	358	732
Unemployment Compensation	260	40	44	(4)
Dental Insurance	280	419	733	(314)
Purchased Services	330	-	458	(458)
Supplies	610	600	967	(367)
Equipment	730	<u>250</u>	<u>-</u>	<u>250</u>
Subtotal		<u>79,231</u>	<u>78,816</u>	<u>415</u>
Art 1102:				
Salaries	110	18,944	19,400	(456)
Health Insurance	210	5,054	3,737	1,317
Social Security	220	1,445	976	469
Life Insurance	230	201	200	1
Workers Compensation	250	101	112	(11)
Unemployment Compensation	260	20	14	6
Dental Insurance	280	340	325	15
Supplies	610	<u>1,700</u>	<u>1,903</u>	<u>(203)</u>
Subtotal		<u>27,805</u>	<u>26,667</u>	<u>1,138</u>
Language Program 1106:				
Salaries	110	18,392	18,392	-
Personal Days	125	-	24	(24)

The accompanying notes are an integral part of these financial statements

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

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Insurance Compensation	212	\$ 337	\$ -	\$ 337
Social Security	220	1,407	1,409	(2)
Life Insurance	230	197	-	197
Workers Compensation	250	95	7	88
Unemployment Compensation	260	20	-	20
Supplies	610	800	1,026	(226)
Subtotal		<u>21,248</u>	<u>20,858</u>	<u>390</u>
Physical Education 1108:				
Salaries	110	29,748	29,748	-
Personal Days	125	-	105	(105)
Health Insurance	210	5,616	5,617	(1)
Social Security	220	2,276	2,284	(8)
Life Insurance	230	233	171	62
Workers Compensation	250	154	173	(19)
Unemployment Compensation	260	20	21	(1)
Dental Insurance	280	378	361	17
Supplies	610	800	1,047	(247)
Equipment	730	200	-	200
Subtotal		<u>39,425</u>	<u>39,527</u>	<u>(102)</u>
Music 1112:				
Salaries	110	22,391	22,391	-
Music Lessons	111	5,184	5,537	(353)
Personal Days	125	-	95	(95)
Health Insurance	210	6,776	6,743	33
Social Security	220	2,109	2,321	(212)
Life Insurance	230	210	109	101
Workers Compensation	250	116	158	(42)
Unemployment Compensation	260	20	20	-
Dental Insurance	280	502	416	86
Supplies	610	600	1,568	(968)
Equipment	730	500	90	410
Subtotal		<u>38,408</u>	<u>39,448</u>	<u>(1,040)</u>
Special Education 1200:				
Salaries	110	74,623	84,766	(10,143)
Tutor	112	2,000	3,431	(1,431)
Aide Salaries	115	99,133	122,324	(23,191)
Temporary Salaries	120	-	6,398	(6,398)
Personal Days	125	-	219	(219)

The accompanying notes are an integral part of these financial statements

Warren School District  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
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For The Year Ended June 30, 2011

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Health Insurance	210	\$ 50,910	\$ 58,622	\$ (7,712)
Insurance Compensation	212	-	139	(139)
Social Security	220	13,708	15,565	(1,857)
Life Insurance	230	-	452	(452)
Retirement	240	4,956	4,771	185
Workers Compensation	250	1,217	993	224
Unemployment Compensation	260	120	125	(5)
Tuition Reimbursement	270	-	9,499	(9,499)
Dental Insurance	280	1,514	3,597	(2,083)
Supplies	610	1,500	1,607	(107)
Books and Periodicals	640	100	617	(517)
Equipment	730	500	-	500
Subtotal		<u>250,281</u>	<u>313,125</u>	<u>(62,844)</u>
Essential Early Education 1200:				
Salaries	110	8,474	8,685	(211)
Aide Salaries	115	-	889	(889)
Health Insurance	210	1,807	2,352	(545)
Social Security	220	648	847	(199)
Life Insurance	230	44	44	-
Retirement	240	-	173	(173)
Workers Compensation	250	-	57	(57)
Unemployment Compensation	260	20	6	14
Dental Insurance	280	134	231	(97)
Purchased Services	332	1,050	-	1,050
Supplies	610	750	-	750
Subtotal		<u>12,927</u>	<u>13,284</u>	<u>(357)</u>
Compensatory Education 1250:				
Salaries	110	41,432	39,517	1,915
Aide Salaries	115	16,011	7,521	8,490
Personal Days	125	-	69	(69)
Health Insurance	210	8,381	11,479	(3,098)
Social Security	220	3,983	3,417	566
Life Insurance	230	-	223	(223)
Retirement	240	802	99	703
Workers Compensation	250	302	495	(193)
Unemployment Compensation	260	-	61	(61)
Dental Insurance	280	650	690	(40)
Subtotal		<u>71,561</u>	<u>63,571</u>	<u>7,990</u>

The accompanying notes are an integral part of these financial statements

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

	Object	Budget	Actual	Variance Favorable (Unfavorable)
School Wide Program 1270:				
Salaries	110	\$ 31,617	\$ 28,561	\$ 3,056
Insurance Compensation	212	307	385	(78)
Social Security	220	2,303	2,212	91
Life Insurance	230	-	124	(124)
Workers Compensation	250	122	-	122
Dental Insurance	280	522	-	522
Subtotal		<u>34,871</u>	<u>31,282</u>	<u>3,589</u>
Guidance Services 2120:				
Salaries	110	24,678	24,678	-
Personal Days	125	-	14	(14)
Insurance Compensation	212	279	-	279
Social Security	220	1,888	1,889	(1)
Life Insurance	230	217	-	217
Workers Compensation	250	128	144	(16)
Unemployment Compensation	260	20	18	2
Dental Insurance	280	168	-	168
Supplies	610	100	-	100
Subtotal		<u>27,478</u>	<u>26,743</u>	<u>735</u>
Health Services 2130:				
Salaries	110	17,861	14,796	3,065
Personal Days	125	-	84	(84)
Health Insurance	210	4,493	-	4,493
Social Security	220	1,366	1,138	228
Life Insurance	230	195	-	195
Workers Compensation	250	92	104	(12)
Unemployment Compensation	260	20	13	7
Dental Insurance	280	168	-	168
Supplies	610	750	25	725
Equipment	730	-	192	(192)
Subtotal		<u>24,945</u>	<u>16,352</u>	<u>8,593</u>
Psychological Services 2140:				
Evaluations	300	12,600	15,477	(2,877)
Subtotal		<u>12,600</u>	<u>15,477</u>	<u>(2,877)</u>
SPED Psychological Services 2140:				
Evaluations	300	1,000	-	1,000
Subtotal		<u>1,000</u>	<u>-</u>	<u>1,000</u>

The accompanying notes are an integral part of these financial statements

Warren School District  
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Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Special Education Speech 2150:				
Salaries	110	\$ 60,204	\$ 60,204	\$ -
Summer Services Salaries	112	-	1,213	(1,213)
Personal Days	125	-	140	(140)
Health Insurance	210	5,714	5,715	(1)
Social Security	220	4,606	4,643	(37)
Life Insurance	230	331	274	57
Workers Compensation	250	347	382	(35)
Unemployment Compensation	260	-	22	(22)
Dental Insurance	280	383	401	(18)
Supplies	610	750	1,568	(818)
Equipment	730	-	60	(60)
Subtotal		72,335	74,622	(2,287)
Occupational Therapy Services 2160:				
Professional Services	300	14,000	13,935	65
Subtotal		14,000	13,935	65
SPED Occupational Therapy Services 2160:				
Professional Services	300	1,000	-	1,000
Subtotal		1,000	-	1,000
Physical Therapy Services 2190:				
Professional Services	300	4,000	4,045	(45)
Subtotal		4,000	4,045	(45)
Improvement of Instruction 2210:				
Social Security	220	-	23	(23)
Inservice	320	750	340	410
Subtotal		750	363	387
Media Center 2220:				
Salaries	110	19,903	19,903	-
Assistant Salaries	115	5,184	3,362	1,822
Personal Days	125	-	48	(48)
Health Insurance	210	1,970	-	1,970
Insurance Compensation	212	280	280	-
Social Security	220	1,919	1,805	114
Life Insurance	230	202	100	102
Retirement	240	260	-	260
Workers Compensation	250	103	150	(47)
Unemployment Compensation	260	20	19	1

The accompanying notes are an integral part of these financial statements

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

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Dental Insurance	280	\$ -	\$ 422	\$ (422)
Repairs and Maintenance	430	1,000	1,415	(415)
Supplies	610	400	420	(20)
Books and Periodicals	640	3,700	3,606	94
Audio Visual Materials	650	750	-	750
Subtotal		<u>35,691</u>	<u>31,530</u>	<u>4,161</u>
Audio Visual/Technology 2223:				
Salaries	116	10,800	14,098	(3,298)
Health Insurance	210	3,284	-	3,284
Social Security	220	661	1,078	(417)
Retirement	240	540	-	540
Workers Compensation	250	-	61	(61)
Unemployment Compensation	260	-	8	(8)
Repairs and Maintenance	430	1,000	657	343
Supplies	610	-	30	(30)
Software	650	600	85	515
Equipment	730	10,000	12,720	(2,720)
Subtotal		<u>26,885</u>	<u>28,737</u>	<u>(1,852)</u>
Board of Education 2310:				
Salaries	110	600	1,350	(750)
Stipends	118	2,500	2,000	500
Social Security	220	46	295	(249)
Retirement	240	-	54	(54)
Board Expenses	310	-	500	(500)
Legal	360	4,500	3,639	861
Insurance	523	-	1,651	(1,651)
Postage	531	-	131	(131)
Advertising	540	2,500	1,350	1,150
Miscellaneous	550	1,200	452	748
Board Contingency	599	5,000	-	5,000
Dues and Fees	810	1,250	1,050	200
Subtotal		<u>17,596</u>	<u>12,472</u>	<u>5,124</u>
Supervisory Union Assessment 2321:				
Assessment	331	37,010	37,010	-
Subtotal		<u>37,010</u>	<u>37,010</u>	<u>-</u>
Administration 2400:				
Salaries	110	81,713	81,715	(2)

The accompanying notes are an integral part of these financial statements

Warren School District  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
General Fund  
For The Year Ended June 30, 2011

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Support Staff Salaries	111	\$ 39,437	\$ 40,226	\$ (789)
Health Insurance	210	12,911	14,468	(1,557)
Social Security	220	8,280	9,308	(1,028)
Life Insurance	230	277	563	(286)
Retirement	240	2,319	1,609	710
Workers Compensation	250	560	641	(81)
Unemployment Compensation	260	40	80	(40)
Dental Insurance	280	2,230	1,846	384
Postage	531	1,250	937	313
Supplies	610	300	557	(257)
Equipment	730	100	270	(170)
Dues and Fees	810	300	259	41
Subtotal		<u>149,717</u>	<u>152,479</u>	<u>(2,762)</u>
Fiscal Services 2521:				
Business Manager Assessment	331	7,342	7,432	(90)
Accounting Assessment	331	15,330	15,330	-
Audit	370	3,000	2,900	100
Arbitrage Interest	830	5,000	5,834	(834)
Subtotal		<u>30,672</u>	<u>31,496</u>	<u>(824)</u>
Building Maintenance & Operation 2600:				
Salaries	110	34,913	35,611	(698)
Assistant Salaries	111	14,820	15,154	(334)
Health Insurance	210	12,911	12,848	63
Social Security	220	3,805	3,883	(78)
Life Insurance	230	-	129	(129)
Retirement	240	2,487	1,425	1,062
Workers Compensation	250	1,997	287	1,710
Unemployment Compensation	260	118	36	82
Dental Insurance	280	1,115	746	369
Trash Removal	421	4,700	3,761	939
Repairs and Maintenance	430	26,539	28,802	(2,263)
Property Insurance	521	5,500	5,176	324
Telephone	530	1,900	2,083	(183)
Supplies	610	7,500	5,974	1,526
Electricity	622	23,000	22,559	441
Gas	623	2,000	2,445	(445)
Oil	624	24,375	14,151	10,224

The accompanying notes are an integral part of these financial statements

Warren School District  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
General Fund  
For The Year Ended June 30, 2011

Schedule 1

	Object	Budget	Actual	Variance Favorable (Unfavorable)
Equipment	730	\$ 3,461	\$ 5,568	\$ (2,107)
Subtotal		<u>171,141</u>	<u>160,638</u>	<u>10,503</u>
Transportation 2710:				
Salaries	110	26,204	25,265	939
Health Insurance	210	13,136	13,517	(381)
Social Security	220	1,725	1,828	(103)
Retirement	240	564	77	487
Workers Compensation	250	1,116	161	955
Unemployment Compensation	260	40	19	21
Dental Insurance	280	-	834	(834)
Repairs and Maintenance	430	10,000	12,353	(2,353)
Insurance	524	1,500	730	770
Fuel	626	16,800	8,366	8,434
Bus Purchase	730	38,018	37,500	518
Current Interest	830	<u>1,763</u>	<u>2,264</u>	<u>(501)</u>
Subtotal		<u>110,866</u>	<u>102,914</u>	<u>7,952</u>
Adjustments/Repayments to State 5210:				
Tuition	561	<u>-</u>	<u>7,456</u>	<u>(7,456)</u>
Subtotal		<u>-</u>	<u>7,456</u>	<u>(7,456)</u>
 TOTAL EXPENDITURES		 <u>2,077,142</u>	 <u>2,094,385</u>	 <u>(17,243)</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		 (31,910)	 (7,390)	 24,520
 OTHER FINANCING SOURCES (USES):				
Transfer To Capital Project Fund		(16,000)	(16,000)	-
Transfer To Debt Service Fund		-	(5,481)	(5,481)
Transfer To Enterprise Fund		<u>(9,000)</u>	<u>(5,989)</u>	<u>3,011</u>
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		 (56,910)	 (34,860)	 22,050
 FUND BALANCE, JULY 1, 2010		 <u>56,910</u>	 <u>111,778</u>	 <u>54,868</u>
 FUND BALANCE, JUNE 30, 2011		 <u>\$ -</u>	 <u>\$ 76,918</u>	 <u>\$ 76,918</u>

The accompanying notes are an integral part of these financial statements

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

Schedule 2

	Medicaid	Roy Foundation	Stars Grant	Totals
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Accounts Receivable - Supervisory Union	\$ 6,818			\$ 6,818
Due From Other Funds	<u>16,654</u>	<u>\$ 4,746</u>	<u>\$ 1,100</u>	<u>22,500</u>
Total Current Assets	<u>23,472</u>	<u>4,746</u>	<u>1,100</u>	<u>29,318</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 23,472</u></b>	<b><u>\$ 4,746</u></b>	<b><u>\$ 1,100</u></b>	<b><u>\$ 29,318</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts Payable - Other	<u>\$ 202</u>	<u>-</u>	<u>-</u>	<u>\$ 202</u>
Total Liabilities	<u>202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>202</u>
<b>Fund Balances:</b>				
Restricted	<u>23,270</u>	<u>4,746</u>	<u>1,100</u>	<u>29,116</u>
Total Fund Balances	<u>23,270</u>	<u>4,746</u>	<u>1,100</u>	<u>29,116</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b><u>\$ 23,472</u></b>	<b><u>\$ 4,746</u></b>	<b><u>\$ 1,100</u></b>	<b><u>\$ 29,318</u></b>

The accompanying notes are an integral part of these financial statements

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

Schedule 3

	Medicaid	Roy Foundation	Stars Grant	Totals
REVENUES:				
Private/Local	<u>\$ 32,292</u>	<u>\$ 8,000</u>	<u>\$ 1,100</u>	<u>\$ 41,392</u>
TOTAL REVENUES	<u>32,292</u>	<u>8,000</u>	<u>1,100</u>	<u>41,392</u>
EXPENDITURES:				
Direct Services	<u>19,128</u>	<u>5,067</u>	<u>-</u>	<u>24,195</u>
TOTAL EXPENDITURES	<u>19,128</u>	<u>5,067</u>	<u>-</u>	<u>24,195</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13,164	2,933	1,100	17,197
FUND BALANCES, JULY 1, 2010	<u>10,106</u>	<u>1,813</u>	<u>-</u>	<u>11,919</u>
FUND BALANCES, JUNE 30, 2011	<u>\$ 23,270</u>	<u>\$ 4,746</u>	<u>\$ 1,100</u>	<u>\$ 29,116</u>

The accompanying notes are an integral part of these financial statements

Warren School District  
 Combining Balance Sheet  
 Capital Projects  
 June 30, 2011

Schedule 4

	Bus Fund	Maintenance Reserve Fund	Technology Fund	Totals
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash		\$ 16,537		\$ 16,537
Due From Other Funds	-	-	\$ 4,870	4,870
Total Current Assets	<u>\$ -</u>	<u>16,537</u>	<u>4,870</u>	<u>21,407</u>
<b>TOTAL ASSETS</b>	<u><b>\$ -</b></u>	<u><b>\$ 16,537</b></u>	<u><b>\$ 4,870</b></u>	<u><b>\$ 21,407</b></u>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Due To Other Funds	\$ 25	-	-	\$ 25
Total Liabilities	<u>25</u>	<u>\$ -</u>	<u>\$ -</u>	<u>25</u>
<b>Fund Balances:</b>				
Unassigned	(25)			(25)
Committed	-	16,537	4,870	21,407
Total Fund Balances	<u>(25)</u>	<u>16,537</u>	<u>4,870</u>	<u>21,382</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<u><b>\$ -</b></u>	<u><b>\$ 16,537</b></u>	<u><b>\$ 4,870</b></u>	<u><b>\$ 21,407</b></u>

The accompanying notes are an integral part of these financial statements

Warren School District  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Capital Projects  
For The Year Ended June 30, 2011

Schedule 5

	Bus Fund	Maintenance Reserve Fund	Technolgy Fund	Water System Improvement	Energy Efficiency Grant	Totals
REVENUES:						
Investment Income		\$ 41				\$ 41
Miscellaneous				\$ 100		100
Federal	-	-	-	-	\$ 17,208	17,208
TOTAL REVENUES	<u>\$ -</u>	<u>41</u>	<u>\$ -</u>	<u>100</u>	<u>17,208</u>	<u>17,349</u>
EXPENDITURES:						
Operation and Maintenance of Building	-	16,844	-	-	3,308	20,152
TOTAL EXPENDITURES	<u>-</u>	<u>16,844</u>	<u>-</u>	<u>-</u>	<u>3,308</u>	<u>20,152</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(16,803)	-	100	13,900	(2,803)
OTHER FINANCING SOURCES (USES):						
Loan Proceeds				10,441		10,441
Transfers In		16,000				16,000
Transfers Out	-	-	-	-	(13,900)	(13,900)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	(803)	-	10,541	-	9,738
FUND BALANCES, JULY 1, 2010	<u>(25)</u>	<u>17,340</u>	<u>4,870</u>	<u>(10,541)</u>	<u>-</u>	<u>11,644</u>
FUND BALANCES, JUNE 30, 2011	<u>\$ (25)</u>	<u>\$ 16,537</u>	<u>\$ 4,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,382</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  
Warren School District

We have audited the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Warren School District, Vermont as of and for the year ended June 30, 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 Warren School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Warren School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Warren School District's internal control over financial reporting.

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

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

### Compliance and Other Matters

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

We noted certain matters that we reported to management of Warren 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  
Shelburne, Vermont  
Firm Registration Number 92-0000141

December 29, 2011



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To the School Board  
Warren School District

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

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

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

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 Warren 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 Warren School District.

Deficiencies :

Coding :

- When testing long-term debt it was noted that incorrect expense codes are being used when dealing with payments on leases. We expect this is happening because the leases are capital leases, with the option to buy the equipment at the end. Only equipment purchases should be coded to code 730, while all lease payments should be coded to code

440. We suggest making this change in the future so as to comply with State of VT standards.

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 (A), 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.

## *Angolano & Company*

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December 29, 2011



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August 24, 2011

To the School Board  
Warren School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Warren School District** for the year ended June 30, 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 Warren School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 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 8 and 9 to the financial statements as to how any surplus is to be used in future fiscal years.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

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

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's

auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Very truly yours,

*Angolano & Company*

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