

Audited Financial Statements

Fayston School District

June 30, 2016



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FAYSTON SCHOOL DISTRICT

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JUNE 30, 2016

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## INDEPENDENT AUDITORS' REPORT

School Board  
Fayston School District  
Fayston, Vermont

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fayston School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Fayston School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fayston School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 11 and 51 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fayston School District's basic financial statements. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the

basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2016, on our consideration of the Fayston School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fayston School District's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
September 23, 2016

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**(UNAUDITED)**

The following management's discussion and analysis of the Fayston School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the School District's financial statements.

**Financial Statement Overview**

The School District's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and pension schedules, and other supplementary information which includes combining and other schedules.

**Basic Financial Statements**

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements provide a broad view of the School District's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the School District's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have one column for the one type of School District activity. The type of activity presented for the School District is:

- *Governmental activities* – The activities in this section are mostly supported by intergovernmental revenues (federal and state grants). All of the School District's basic services are reported in governmental activities, which include regular education, special education & early essential education, school administration and building & grounds operations/maintenance.

### **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 School District, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the School District can be classified into one category: governmental funds.

*Governmental funds:* All of the basic services provided by the School District are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the School District's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the School District.

Because the focus of governmental funds is narrower than that of 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 the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The School District presents five columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's major funds are the general fund, the contingency reserve fund, the food service program fund, and the maintenance reserve fund. All other funds are shown as nonmajor and are combined in the "All Nonmajor Funds" column on these statements.

The general fund is the only fund for which the School District legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

### **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 the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund, a Schedule of Proportionate Share of the Net Pension Liability and a Schedule of Contributions.

### **Other Supplementary Information**

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

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

Our analysis below focuses on the net position, and changes in net position of the School District's governmental activities. The School District's total net position for governmental activities decreased by \$17,151 from \$848,941 to \$831,790.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for governmental activities to a balance of \$81,939 at the end of this year.

**Table 1  
Fayston School District  
Net Position  
June 30,**

	<b>2016</b>	<b>2015</b>
<b>Assets:</b>		
Current Assets	\$ 327,711	\$ 267,444
Capital Assets	628,213	666,435
Total Assets	955,924	933,879
<b>Deferred Outflows of Resources:</b>		
Deferred Outflows Related to Pensions	26,046	7,940
Total Deferred Outflows of Resources	26,046	7,940
<b>Liabilities:</b>		
Current Liabilities	101,638	55,277
Long-term Debt Outstanding	43,793	16,252
Total Liabilities	145,431	71,529
<b>Deferred Inflows of Resources:</b>		
Deferred Inflows Related to Pensions	4,749	21,349
Total Deferred Inflows of Resources	4,749	21,349
<b>Net Position:</b>		
Net Investment in Capital Assets	617,907	646,509
Restricted	111,944	161,152
Unrestricted (Deficit)	101,939	41,280
Total Net Position	\$ 831,790	\$ 848,941

**Revenues and Expenses**

The prior year comparatives have not been presented as there were several reclassifications in line items due to presentation of budget changes.

**Table 2**  
**Fayston School District**  
**Change in Net Position**  
**For the Year Ended June 30,**

	<b>2016</b>
<b>Revenues</b>	
<i>Program Revenues:</i>	
Charges for services	\$ 86,396
Operating grants and contributions	147,407
<i>General Revenues:</i>	
Grants and contributions not restricted to specific programs	1,723,542
Miscellaneous	70,577
<b>Total Revenues</b>	<b>2,027,922</b>
<b>Expenses</b>	
Regular education (grade K through 6)	656,235
English language learner services	6,015
Early education	47,160
Regular education - art, PE, french & music	96,593
Special education & early essential ed	267,688
Compensatory education/literacy education	45,227
Guidance services	25,751
School nurse	31,156
Health education	7,709
Improvement of instruction	177
Library/media, technology & tech integration	71,916
School board expense	12,184
School district treasurer	544
Washington West general assessment	42,095
School administration	153,038
Fiscal services	28,757
Building & grounds operations/maintenance	162,645
Transportation	46,307
Field trips transportation	437
On-behalf payments	129,241
Program expenditures	170,815
Interest on long-term debt	5,884
Unallocated depreciation	37,499
<b>Total Expenses</b>	<b>2,045,073</b>
 Change in Net Position	 (17,151)
 Net Position - July 1	 848,941
 Net Position - June 30	 \$ 831,790

## Financial Analysis of the School District's Fund Statements

*Governmental funds:* The financial reporting focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the School District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

**Table 3**  
**Fayston School District**  
**Fund Balances - Governmental Funds**  
**June 30,**

	<b>2016</b>	<b>2015 (Restated)</b>
Major Funds:		
General Fund:		
Nonspendable	\$ 11,760	\$ 11,040
Committed	56,564	51,171
Unassigned	31,604	45,524
Total General Fund	\$ 99,928	\$ 107,735
Contingency Reserve Fund:		
Committed	\$ 20,000	\$ -
Total Contingency Reserve Fund	\$ 20,000	\$ -
Food Service Program Fund:		
Nonspendable	\$ 4,547	\$ 4,547
Restricted	224	-
Unassigned	-	(476)
Total Food Service Program Fund	\$ 4,771	\$ 4,071
Maintenance Reserve Fund:		
Restricted	\$ 95,167	\$ 94,967
Total Maintenance Reserve Fund	\$ 95,167	\$ 94,967
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 16,553	\$ 15,014
Unassigned	(40)	-
Total Nonmajor Funds	\$ 16,513	\$ 15,014

The general fund total fund balance decreased by \$7,807 from the prior fiscal year. The contingency reserve fund total fund balance increased by \$20,000 from the prior fiscal year. The food service program fund total fund balance increased by \$700 from the prior fiscal year. The maintenance reserve fund total fund balance increased by \$200 from the prior fiscal year. Total nonmajor fund balances increased by \$1,499 from the prior fiscal year.

### **Budgetary Highlights**

There was no significant difference between the original and final budget for the general fund.

The general fund actual revenues were over budgeted revenues by \$27,587 primarily due to special education reimbursement.

The general fund actual expenditures were under budget by \$15,777. All expenditure categories were under budget with the exception of special education & early essential ed., school nurse, health educations, and school district treasurer.

### **Capital Asset and Long-Term Debt Activity**

#### **Capital Assets**

As of June 30, 2016, the School District's capital assets decreased by \$38,222. This decrease was the result of current year depreciation expense of \$38,222.

**Table 4  
Fayston School District  
Capital Assets (Net of Depreciation)  
June 30,**

	<b>2016</b>	<b>2015 (Restated)</b>
Land improvements	\$ 18,283	\$ 19,426
Buildings and improvements	580,408	606,083
Machinery and equipment	29,522	40,926
Total	\$ 628,213	\$ 666,435

#### **Debt**

At June 30, 2016, the School District had \$10,306 in a capital lease outstanding versus \$19,926 in the prior year. Other obligations include net pension liability. Refer to Note 6 of Notes to Financial Statements for more detailed information.

## **Currently Known Facts, Decisions, or Conditions**

### **Economic Factors and Next Year's Budgets and Rates**

The 2016-2017 budget could be severely impacted by the reduction of funding from the State. There is no indication of reduced funding from the State for 2016-2017 as of the date this report was issued.

The Fayston School District will no longer be operational as of June 30, 2017 in accordance with the Articles of Agreement forming the Harwood Unified Union School District, which becomes operational on July 1, 2017.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michelle J. Baker, Director of Finance & Operations, at Washington West Supervisory Union located at 340 Mad River Park, Suite 7, Waitsfield, VT 05673.

FAYSTON SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 292,687
Due from other governments	18,717
Prepaid items	11,760
Inventory	4,547
Total current assets	327,711
Noncurrent assets:	
Land improvements, net of accumulated depreciation	18,283
Buildings and improvements, net of accumulated depreciation	580,408
Machinery & equipment, net of accumulated depreciation	29,522
Total noncurrent assets	628,213
<b>TOTAL ASSETS</b>	<b>955,924</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	26,046
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>26,046</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 981,970</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 16,472
Accrued expenses	70,868
Due to other governments	3,992
Current portion of long-term obligations	10,306
Total current liabilities	101,638
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Net pension liability	43,793
Total noncurrent portion of long-term obligations	43,793
<b>TOTAL LIABILITIES</b>	<b>145,431</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	4,749
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,749</b>
<b>NET POSITION</b>	
Net investment in capital assets	617,907
Restricted: Special revenue funds	16,777
Capital projects funds	95,167
Unrestricted	101,939
<b>TOTAL NET POSITION</b>	<b>831,790</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 981,970</b>

See accompanying independent auditors' report and notes to financial statements.

FAYSTON SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities
Governmental activities:					
Regular education (grade K through 6)	\$ 656,235	\$ -	\$ -	\$ -	\$ (656,235)
English language learner services	6,015	-	-	-	(6,015)
Early education	47,160	-	-	-	(47,160)
Regular education - art, PE, french & music	96,593	-	-	-	(96,593)
Special education & early essential ed	267,688	-	-	-	(267,688)
Compensatory education/literacy education	45,227	-	-	-	(45,227)
Guidance services	25,751	-	-	-	(25,751)
School nurse	31,156	-	-	-	(31,156)
Health education	7,709	-	-	-	(7,709)
Improvement of instruction	177	-	-	-	(177)
Library/media, technology & tech integration	71,916	-	-	-	(71,916)
School board expense	12,184	-	-	-	(12,184)
School district treasurer	544	-	-	-	(544)
Washington West general assessment	42,095	-	-	-	(42,095)
School administration	153,038	-	-	-	(153,038)
Fiscal services	28,757	-	-	-	(28,757)
Building & grounds operations/maintenance	162,645	-	-	-	(162,645)
Transportation	46,307	-	18,166	-	(28,141)
Field trips transportation	437	-	-	-	(437)
On-behalf payments	129,241	-	129,241	-	-
Program expenditures	170,815	86,396	-	-	(84,419)
Interest on long-term debt	5,884	-	-	-	(5,884)
Unallocated depreciation*	37,499	-	-	-	(37,499)
Total governmental activities	<u>\$ 2,045,073</u>	<u>\$ 86,396</u>	<u>\$ 147,407</u>	<u>\$ -</u>	<u>(1,811,270)</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

STATEMENT B (CONTINUED)  
FAYSTON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(1,811,270)</u>
General revenues:	
Grants and contributions not restricted to specific programs	1,723,542
Miscellaneous	<u>70,577</u>
Total general revenues	<u>1,794,119</u>
Change in net position	(17,151)
NET POSITION - JULY 1, RESTATED	<u>848,941</u>
NET POSITION - JUNE 30	<u><u>\$ 831,790</u></u>

See accompanying independent auditors' report and notes to financial statements.

## FAYSTON SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	Contingency Reserve	Food Service Program	Maintenance Reserve	All Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 197,520	\$ -	\$ -	\$ 95,167	\$ -	\$ 292,687
Due from other governments	2,020	-	15,732	-	965	18,717
Due from other funds	15,344	20,000	-	-	16,688	52,032
Prepaid items	11,760	-	-	-	-	11,760
Inventory	-	-	4,547	-	-	4,547
<b>TOTAL ASSETS</b>	<b>\$ 226,644</b>	<b>\$ 20,000</b>	<b>\$ 20,279</b>	<b>\$ 95,167</b>	<b>\$ 17,653</b>	<b>\$ 379,743</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 15,168	\$ -	\$ 204	\$ -	\$ 1,100	\$ 16,472
Accrued expenses	70,868	-	-	-	-	70,868
Due to other governments	3,992	-	-	-	-	3,992
Due to other funds	36,688	-	15,304	-	40	52,032
<b>TOTAL LIABILITIES</b>	<b>126,716</b>	<b>-</b>	<b>15,508</b>	<b>-</b>	<b>1,140</b>	<b>143,364</b>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	11,760	-	4,547	-	-	16,307
Restricted	-	-	224	95,167	16,553	111,944
Committed	56,564	20,000	-	-	-	76,564
Assigned	-	-	-	-	-	-
Unassigned	31,604	-	-	-	(40)	31,564
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>99,928</b>	<b>20,000</b>	<b>4,771</b>	<b>95,167</b>	<b>16,513</b>	<b>236,379</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 226,644</b>	<b>\$ 20,000</b>	<b>\$ 20,279</b>	<b>\$ 95,167</b>	<b>\$ 17,653</b>	<b>\$ 379,743</b>

See accompanying independent auditors' report and notes to financial statements.

## FAYSTON SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016

	Total Governmental Funds
Total Fund Balances	\$ 236,379
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	628,213
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	26,046
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Capital leases payable	(10,306)
Net pension liability	(43,793)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(4,749)
Net position of governmental activities	\$ 831,790

See accompanying independent auditors' report and notes to financial statements.

## FAYSTON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Contingency Reserve	Food Service Program	Maintenance Reserve	All Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>						
Intergovernmental revenues	\$ 1,690,275	\$ -	\$ 44,412	\$ -	\$ 7,021	\$ 1,741,708
Charges for services	-	-	86,396	-	-	86,396
Interest income	8,030	-	2,914	200	19,383	30,527
State on-behalf payments	129,241	-	-	-	-	129,241
Miscellaneous	40,050	-	-	-	-	40,050
<b>TOTAL REVENUES</b>	<b>1,867,596</b>	<b>-</b>	<b>133,722</b>	<b>200</b>	<b>26,404</b>	<b>2,027,922</b>
<b>EXPENDITURES</b>						
Current:						
Regular education (grade K through 6)	653,094	-	-	-	-	653,094
English language learner services	6,015	-	-	-	-	6,015
Early education	47,160	-	-	-	-	47,160
Regular education - art, PE, french & music	96,593	-	-	-	-	96,593
Special education & early essential ed	267,688	-	-	-	-	267,688
Compensatory education/literacy education	45,227	-	-	-	-	45,227
Guidance services	25,751	-	-	-	-	25,751
School nurse	31,156	-	-	-	-	31,156
Health education	7,709	-	-	-	-	7,709
Improvement of instruction	177	-	-	-	-	177
Library/media, technology & tech integration	81,536	-	-	-	-	81,536
School board expense	12,184	-	-	-	-	12,184
School district treasurer	544	-	-	-	-	544
Washington West general assessment	42,095	-	-	-	-	42,095
School administration	153,038	-	-	-	-	153,038
Fiscal services	28,757	-	-	-	-	28,757
Building & grounds operations/maintenance	162,645	-	-	-	-	162,645
Transportation	46,307	-	-	-	-	46,307
Field trips transportation	437	-	-	-	-	437
State on-behalf payments	129,241	-	-	-	-	129,241
Program expenditures	-	-	144,135	-	25,957	170,092
Debt service:						
Interest	5,884	-	-	-	-	5,884
<b>TOTAL EXPENDITURES</b>	<b>1,843,238</b>	<b>-</b>	<b>144,135</b>	<b>-</b>	<b>25,957</b>	<b>2,013,330</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>24,358</b>	<b>-</b>	<b>(10,413)</b>	<b>200</b>	<b>447</b>	<b>14,592</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	20,000	11,113	20,000	3,168	54,281
Transfers (out)	(32,165)	-	-	(20,000)	(2,116)	(54,281)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(32,165)</b>	<b>20,000</b>	<b>11,113</b>	<b>-</b>	<b>1,052</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(7,807)</b>	<b>20,000</b>	<b>700</b>	<b>200</b>	<b>1,499</b>	<b>14,592</b>
<b>FUND BALANCES (DEFICITS) - JULY 1, RESTATED</b>	<b>107,735</b>	<b>-</b>	<b>4,071</b>	<b>94,967</b>	<b>15,014</b>	<b>221,787</b>
<b>FUND BALANCES (DEFICITS) - JUNE 30</b>	<b>\$ 99,928</b>	<b>\$ 20,000</b>	<b>\$ 4,771</b>	<b>\$ 95,167</b>	<b>\$ 16,513</b>	<b>\$ 236,379</b>

See accompanying independent auditors' report and notes to financial statements.

## FAYSTON SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 14,592</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets: Depreciation expense	<u>(38,222)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>18,106</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	<u>9,620</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>16,600</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds: Net pension liability	<u>(37,847)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (17,151)</u></u>

See accompanying independent auditors' report and notes to financial statements.

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Reporting Entity***

Fayston School District was incorporated under the laws in the State of Vermont. The School District operates under the Board of Directors-superintendent form of government and provides the following services: education, transportation, administration and other services.

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The School District's combined financial statements include all accounts and all operations of the School District. We have determined that the School District has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

***Implementation of New Accounting Standards***

During the year ended June 30, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 72, "*Fair Value Measurement and Application*". The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*". This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

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

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds).

Both the government-wide and fund financial statements categorize primary activities as governmental.

In the government-wide Statement of Net Position, the governmental activity column is (a) presented on a consolidated basis by column, and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The School District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions (instruction, administration, etc.). The functions are also supported by general government revenues (support from the School District, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The School District does not allocate indirect costs. All costs are charged directly to the corresponding departments.

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

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

The financial transactions of the School District are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the School District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the School District:

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

- a. The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Contingency Reserve Fund is used to accumulate funds to cover any unforeseen and unbudgeted emergency expenditures.
- c. The Food Service Program Fund is used to account for the operations of the School District's food service program.
- d. The Maintenance Reserve Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities or equipment.

Nonmajor Funds

- e. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The emphasis in fund financial statements is on the major funds in the governmental activity category. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**Budget**

The School District's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Vermont to the Vermont State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

Revenues per budgetary basis	\$1,738,355
Add: On-behalf payments	<u>129,241</u>
Total GAAP basis	<u>\$1,867,596</u>
Expenditures per budgetary basis	\$1,746,162
Add: On-behalf basis	<u>129,241</u>
Total GAAP basis	<u>\$1,875,403</u>

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the first half of the year the School District prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the participating towns was called for the purpose of adopting the proposed budget after public notice of the meeting was given.

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. The budget was adopted subsequent to passage by the inhabitants of the participating towns.
4. The School District does not adopt budgets for Special Revenue Funds.

**Deposits and Investments**

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the School District's policy to value investments at fair value. None of the School District's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The School District Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

Fayston School District has no formal investment policy but instead follows the State of Vermont Statutes.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

**Inventories**

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). Inventory of the School District consists of food and supplies in the Food Service Program Fund.

FAYSTON SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Interfund Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

**Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of Governmental Funds.

**Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2016.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

The School District does not have any infrastructure assets. The School District has not retroactively recorded infrastructure.

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated useful lives are as follows:

Land improvements	20 years
Buildings	20 - 50 years
Building improvements	10 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years

**Long-term Obligations**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of a capital lease payable and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) and the Vermont Municipal Employees' Retirement System (VMERS) Plans and additions to/deductions from the VSTRS and VMERS Plans' fiduciary net position have been determined on the same basis as they are reported by the VSTRS and VMERS Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

**Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the School District. The inhabitants of the School District through School District meetings are the highest level of decision-making authority of the School District. Commitments may be established, modified, or rescinded only through a School District meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the School Board.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School District meeting vote has provided otherwise in its commitment or assignment actions.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently has one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, deferred inflows related to pensions, which arises only under an accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the statement of net position. All items in this category are deferred and recognized as inflows of resources in the period that the amounts become available.

**Program Revenues**

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The School District does not utilize encumbrance accounting for its general fund.

**Use of Estimates**

During the preparation of the School District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The School District's investment policies, which follow state statutes, authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all School District funds.

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the School District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The School District does not have a policy covering custodial credit risk. However, the School District maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF. At June 30, 2016, the School District's cash balance of \$292,687 was comprised of bank balances of \$318,112. All of the bank deposits were either fully covered by federal depository insurance, and consequently were not exposed to custodial credit risk, or were collateralized by securities held by the financial institution in the School District's name.

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking account	\$ 75,000
Money market account	95,167
Sweep account	147,945
	<u>\$ 318,112</u>

**Investments:**

Custodial credit risk for investments is that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the School District does not have a policy for custodial credit risk for investments.

The School District had \$0 of investments at June 30, 2016.

Credit risk – Statutes for the State of Vermont authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The School District does not have an investment policy on credit risk.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2016 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 15,344	\$ 36,688
Contingency reserve	20,000	-
Food service program	-	15,304
Nonmajor special revenue funds	16,688	40
	<u>\$ 52,032</u>	<u>\$ 52,032</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	Balance 7/1/15 (Restated)	Additions	Disposals	Balance 6/30/16
<u>Governmental activities:</u>				
Depreciated assets:				
Land improvements	\$ 47,161	\$ -	\$ -	\$ 47,161
Buildings and improvements	1,295,434	-	-	1,295,434
Machinery and equipment	115,093	-	-	115,093
	<u>1,457,688</u>	-	-	<u>1,457,688</u>
Less: accumulated depreciation				
Land improvements	(27,735)	(1,143)	-	(28,878)
Buildings and improvements	(689,351)	(25,675)	-	(715,026)
Machinery and equipment	(74,167)	(11,404)	-	(85,571)
	<u>(791,253)</u>	<u>(38,222)</u>	-	<u>(829,475)</u>
Net capital assets	<u>\$ 666,435</u>	<u>\$ (38,222)</u>	<u>\$ -</u>	<u>\$ 628,213</u>
 <u>Current year depreciation:</u>				
School wide				\$ 37,499
Food service program				723
Total depreciation expense				<u>\$ 38,222</u>

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 5 - SHORT-TERM DEBT

On July 1, 2015, the School District issued a tax and revenue anticipation note to provide liquidity for governmental operations financed by property taxes. The tax and revenue anticipation note allowed principal draws up to \$500,000 at 1.19% interest with a maturity date of June 30, 2016.

Short-term debt activity for the year ended June 30, 2016, was as follows:

	Balance, 7/1/15	Additions	Reductions	Balance, 6/30/16
Tax anticipation note	\$ -	\$ 500,000	\$ (500,000)	\$ -
Totals	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ (500,000)</u>	<u>\$ -</u>

Interest expense for short-term debt activity during the year totaled \$5,884.

NOTE 6 - LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2016:

	Balance, 7/1/15	Additions	Deletions	Balance, 6/30/16	Current Portion
Capital lease payable	\$ 19,926	\$ -	\$ (9,620)	\$ 10,306	\$ 10,306
Net pension liability	5,946	207,755	(169,908)	43,793	-
	<u>\$ 25,872</u>	<u>\$ 207,755</u>	<u>\$ (179,528)</u>	<u>\$ 54,099</u>	<u>\$ 10,306</u>

A summary of the outstanding capital lease payable is as follows:

Capital lease payable to Apple, Inc., interest at a rate of 7.13%, annual installments of principal and interest of \$11,041. Maturity in July 2016	<u>\$ 10,306</u>
Total Capital Lease Payable	<u>\$ 10,306</u>

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 6 - LONG TERM DEBT (CONTINUED)

Future minimum payments under the non-cancelable lease is as follows:

Year Ending June 30:	
<u>2017</u>	\$ 11,041
Total minimum lease payment	<u>11,041</u>
Less amount representing interest	(735)
Present value of future minimum lease payments	<u><u>\$ 10,306</u></u>

NOTE 7 - OPERATING LEASE

On October 4, 2013, Fayston School District entered into an agreement with LEAF Capital Funding, LLC for the lease of one copier. Payments of \$2,484 are due annually. Terms under the initial lease are still in effect until a 90-day notice of termination is provided by either party to the lease agreement.

NOTE 8 - OVERSPENT APPROPRIATIONS

At June 30, 2016, the School District had the following overspent appropriations:

Special education and EEE	\$ 59,091
School nurse	8,312
Health education	1,316
School district treasurer	6
	<u><u>\$ 68,725</u></u>

NOTE 9 - NONSPENDABLE FUND BALANCES

At June 30, 2016, the School District had the following nonspendable fund balances:

General fund:	
Prepaid items	\$ 11,760
Food service program:	
Inventory	4,547
	<u><u>\$ 16,307</u></u>

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 10 - RESTRICTED FUND BALANCES

At June 30, 2016, the School District had the following restricted fund balances:

Food service program	\$ 224
Maintenance reserve	95,167
Nonmajor special revenue funds (Schedule E)	16,553
	<u>\$ 111,944</u>

NOTE 11 - COMMITTED FUND BALANCES

At June 30, 2016, the School District had the following committed fund balances:

General fund:	
Use of unassigned fund balance - FY 2017	\$ 56,564
Contingency reserve	20,000
	<u>\$ 76,564</u>

NOTE 12 - DEFICIT FUND BALANCES

At June 30, 2016, the School District had the following deficit fund balances:

Nonmajor special revenue funds:	
Girls On The Run	<u>\$ 40</u>

NOTE 13 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

**Plan Description**

All of the teachers employed by the School District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private School District teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2015, the retirement system consisted of 288 participating employers.

The plan was established effective July 1, 1947, and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the Secretary of Education (ex-officio); the State Treasurer (ex-officio), the Commissioner of Financial Regulation (ex-officio); two members and one alternate elected by active members of the System under rules adopted by the Board; and one retired member and one alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance & Management website at: [http://finance.vermont.gov/reports\\_and\\_publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr).

**Benefits Provided**

The VSTRS provides retirement, and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. There are two levels of contributions and benefits in the System: Group A-for public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A; and Group C- for public school teachers employed within the State of Vermont on or after July 1, 1990. Group C also includes those teachers hired prior to July 1, 1990 and were in Group B on July 1, 1990. When *Act 74* became effective on June 30, 2010, Group C was further bifurcated into Groups #1 and #2. Group #1 contains members who were at least 57 years of age or had at least 25 years of service, and Group #2 contains members who were less than 57 years of age and had less than 25 years of service.

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

<b>VSTRS</b>	<b>Group A</b>	<b>Group C – Group # 1</b>	<b>Group C – Group # 2</b>
Normal service retirement eligibility (no reduction)	Age 60 or 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula – normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC, 2.0% after attaining 20 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%, minimum of 1% after 12 months of normal retirement or age 65
Earl Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

Other post-employment benefits are available to all plan members include the following:

<b>VSTRS</b>	<b>Group A</b>	<b>Group C – Group # 1</b>	<b>Group C – Group # 2</b>
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pays full premium	Members pays full premium	Members pays full premium

**Contributions**

VSTRS 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. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the School District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan which approximates \$129,241 or 12.84% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

<b>VSTRS</b>	<b>Group A</b>	<b>Group C – Group # 1</b>	<b>Group C – Group # 2</b>
Employee Contributions	2.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

Employee contributions totaled \$51,636 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 covered under this plan was \$1,006,549 for the year ended June 30, 2016.

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

**Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. Employees of the School District other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year.

The general administration and responsibility for formulating administrative policy and procedures of the Retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Districts and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance & Management website at:

[http://finance.vermont.gov/reports\\_and\\_publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr).

**Benefits Provided**

The pension plan is divided into four membership groups:

- Group A – general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B & C – general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D – sworn police officers, firefighters and emergency medical personnel

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

The School District participates in Group A. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Normal service retirement eligibility	Age 65 with 5 years of service, or age 55 with 35 years of service	Age 62 with 5 years of service, or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 55 with 20 years of service
Early Retirement Eligibility	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

\*\* - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

Members of all groups may qualify for vested deferred allowance, disability allowances and death benefit allowance subject to meeting various eligibility requirements. Benefits are based on AFC and service.

**Contributions**

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

the financial integrity of the fund, and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Employee Contributions	2.5% of gross salary	4.75% of gross salary to 6/30/15; 4.875% of gross salary after 7/1/15	9.625% of gross salary to 12/31/14; 9.75% of gross salary to 6/30/15; 9.875% of gross salary after 7/1/15	11.125% of gross salary to 6/30/15; 11.35% of gross salary after 7/1/15
Employer Contributions	4% of gross salary	5.375% of gross salary to 6/30/15; 5.50% of gross salary after 7/1/15	6.875% of gross salary to 12/31/14; 7% of gross salary to 6/30/15; 7.125% of gross salary after 7/1/15	9.75% of gross salary to 6/30/15; 9.85% of gross salary after 7/1/15

Employee contributions are withheld pre income tax by the School District and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2016, and 2015 totaled \$4,675 and \$4,963, respectively. The School District contributed \$7,480 and \$7,940 for the years ended June 30, 2016 and 2015, respectively. The School District's total payroll for the year ended June 30, 2016 for all employees covered under this plan was \$187,005.

**Pension Liabilities**

*VSTRS Plan*

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2016. The State's portion of the collective net pension liability that was associated with the School District was as follows:

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

School District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the School District	<u>1,706,605</u>
Total	<u>\$ 1,706,605</u>

The State of Vermont's proportionate share of the net pension liability associated with the School District is equal to the collective net pension liability, actuarially measured as of June 30, 2015, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2015, the School District's proportion was 0.14383%, which was an increase of 0.00685% from its proportion measured as of June 30, 2014.

*VMERS Plan*

At June 30, 2016, the School District reported a liability of \$43,793 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liabilities were based on a projection of the School District's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2015, the School District's proportion was 0.0568% for VMERS, which was a decrease of 0.00835% from its proportion measured as of June 30, 2014 for VMERS.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2016, the School District recognized pension revenue of \$169,908 and expense of \$169,908 for support provided by the State of Vermont for the VSTRS plan. In the same period, the School District recognized pension expense of \$10,621 for the VMERS plan. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 1,384	\$ -
Changes of assumptions	-	-	8,722	-
Net difference between projected and actual earnings on pension plan investments	-	-	8,460	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-	4,749
Contributions subsequent to the measurement date	-	-	7,480	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,046</u>	<u>\$ 4,749</u>

\$7,480 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS	VMERS
Year ended June 30:		
2016	\$ -	\$ 2,267
2017	-	2,267
2018	-	2,267
2019	-	7,017
2020	-	-
2021	-	-
Thereafter	-	-

**Significant Actuarial Assumptions and Methods**

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five-year period ending June 30, 2010:

*Investment Rate of Return:* For both plans, a select-and-ultimate interest rate set is used, specified below. The interest rate is restarted every year:

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

*Salary Increases:* Representative values of the assumed annual rates of future salary increases for the VSTRS plan are as follows:

Age	Annual Rate of Salary Increase
25	8.40%
30	7.05%
35	6.15%
40	5.45%
45	4.95%
50	4.60%
55	4.35%
60	4.25%
64	4.25%

Salary increases for the VMERS plan are 5.00% per year, including inflation.

*Deaths After Retirement:* For the VSTRS plan, the 1995 Buck Mortality Tables are used, with a three-year set-back for males and one-year for females, for retirees, terminated vested members and beneficiaries; the RP-2000 Disabled Life Table with projection to 2016 using Scale AA for disabled retirees. The tables used contain a margin to reflect anticipated mortality improvement after the valuation date.

Mortality rates for active participants in the VMERS plan were based on 50% of the probabilities in the 1995 Buck Mortality Tables for males and females, non-disabled retirees and terminated vested participants were based on the 1995 Buck Mortality Tables with no set-back for males and a one-year set-back for females, disabled retirees were based on the RP-2000 Disabled Life Tables, and the 1995 Buck Mortality Tables for males and females was applied to beneficiaries.

*Inflation:* the separately stated assumptions for investment return, salary increases and cost of living adjustments for both plans are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

*Spouse's Age:* For both plans, husbands are assumed to be three years older than their wives.

*Cost-of-Living Adjustments:* For the VSTRS plan, adjustments are assumed to occur on January 1 following one year of retirement at the rate of 3% per annum for Group A members and 1.5% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement).

Cost-of-Living adjustments to benefits of terminated vested and retired participants were assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D of the VMERS plan.

*Actuarial Cost Method:* For both plans is the Entry Age Normal – Level Percentage of Pay.

A smoothing *asset valuation method* was used for funding purposes in both plans, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

The *long-term expected rate of return* on both plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	31.50%	8.61%
Fixed income	33.00%	1.91%
Alternative	15.50%	6.93%
Multi-strategy	20.00%	4.88%
Total	100.00%	

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.95% for the VSTRS plan and 7.95% for the VMERS plan. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.95% for the VSTRS plan and 7.95% for the VMERS plan, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.95%) or 1 percentage point higher (7.95%) than the current rate:

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.95%	7.95%	8.95%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.95%	7.95%	8.95%
School District's proportionate share of the net pension liability	\$ 87,473	\$ 43,793	\$ 7,176

**Pension Plan Fiduciary Net Position**

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the VSTRS and VMERS or their participating employers. VSTRS and VMERS do not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance & Management website at: [http://finance.vermont.gov/reports\\_and\\_publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr)

NOTE 14 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance or participates in a public entity and self-insured risk pool.

Based on the coverage provided by the insurance purchased, the School District is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2016. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

In addition, the School District is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker 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 School Districts. The Trusts are not licensed

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 14 - RISK MANAGEMENT (CONTINUED)

insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

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

To provide unemployment coverage, VSBIT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and to provide excess reinsurance protections. 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 member 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 and 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 member assessed their proportionate share of the deficit.

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 15 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the School District's financial position.

The School District participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the School District's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 16 - RELATED ORGANIZATION

On behalf of Fayston School District, Washington West Supervisory Union entered into a transportation agreement with First Student through June 30, 2018. Annually, Washington West Supervisory Union charges the School District an assessment for their share of the transportation expenditure.

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.

NOTE 17 – SUBSEQUENT EVENTS

On July 1, 2016, the District issued a tax anticipation note to provide liquidity for governmental operations financed by property taxes. The tax anticipation note allows principal draws of up to \$500,000 with interest at 1.35% per annum and will mature on June 30, 2017.

On June 7, 2016 the voters in all of the School Districts of the Washington West Supervisory Union (WWSU) voted to approve forming a Unified District, to be known as the Harwood Unified Union School District. The new governance structure will become fully operational on July 1, 2017. During the year of transition, a newly formed board will begin working on the budget for the 2017-2018 fiscal year. A single budget for the operations of a coordinated PK-12 system will be presented to voters on Town Meeting Day in March of 2017. On July 1, 2017, the seven boards of WWSU will be replaced

FAYSTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 17 - SUBSEQUENT EVENTS (CONTINUED)

with one 14-member board overseeing the unified district, with one blended tax rate adjusted for Common Level Appraisal in each Town.

NOTE 18 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the School District's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 19 - RESTATEMENT

The beginning fund balance of the food service program fund and the net position of the governmental activities have been restated as of July 1, 2015. These balances were restated to correct the presentation of the food service program from a proprietary fund type to a governmental fund type. The restatement to the food service fund balance and the governmental activities net position was \$4,071.

The beginning net position of the governmental activities was restated by \$12,027 and results from the restatement presented in the preceding paragraph as well as increases in accumulated depreciation of \$10,105 and net capital assets, related to the reclassification of the Food Service Program Fund as a special revenue fund, of \$18,061. The beginning accumulated depreciation and Food Service Program Fund capital assets and associated accumulated depreciation were restated to reflect their actual balances at the beginning of the year.

## Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information

## FAYSTON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 107,735	\$ 107,735	\$ 107,735	\$ -
Resources (Inflows):				
Intergovernmental:				
State support	1,483,531	1,483,531	1,483,531	-
Other	178,737	178,737	206,744	28,007
Interest income	8,500	8,500	8,030	(470)
Miscellaneous	40,000	40,000	40,050	50
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>1,818,503</u>	<u>1,818,503</u>	<u>1,846,090</u>	<u>27,587</u>
Charges to Appropriations (Outflows):				
Current:				
Regular education (grade K through 6)	681,419	681,419	653,094	28,325
English language learner services	6,500	6,500	6,015	485
Early education	58,080	58,080	47,160	10,920
Regular education - art, PE, french & music	100,662	100,662	96,593	4,069
Special education & early essential ed	208,597	208,597	267,688	(59,091)
Compensatory education/literacy education	45,457	45,457	45,227	230
Guidance services	25,882	25,882	25,751	131
School nurse	22,844	22,844	31,156	(8,312)
Health education	6,393	6,393	7,709	(1,316)
Improvement of instruction	1,500	1,500	177	1,323
Library/media, technology & tech integration	88,199	88,199	81,536	6,663
School board expense	13,454	13,454	12,184	1,270
School district treasurer	538	538	544	(6)
Washington West general assessment	42,095	42,095	42,095	-
School administration	159,354	159,354	153,038	6,316
Fiscal services	29,627	29,627	28,757	870
Building & grounds operations/maintenance	180,339	180,339	162,645	17,694
Transportation	48,999	48,999	46,307	2,692
Field trips transportation	500	500	437	63
Debt service:				
Interest	9,000	9,000	5,884	3,116
Transfers to other funds	32,500	32,500	32,165	335
Total Charges to Appropriations	<u>1,761,939</u>	<u>1,761,939</u>	<u>1,746,162</u>	<u>15,777</u>
Budgetary Fund Balance, June 30	<u>\$ 56,564</u>	<u>\$ 56,564</u>	<u>\$ 99,928</u>	<u>\$ 43,364</u>
Utilization of committed fund balance	<u>\$ 51,171</u>	<u>\$ 51,171</u>	<u>\$ -</u>	<u>\$ (51,171)</u>

See accompanying independent auditors' report and notes to financial statements.

## FAYSTON SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST 10 FISCAL YEARS\*

	<u>2016</u>	<u>2015</u>
<u>VSTRS:</u>		
Proportion of the net pension liability	0.00%	0.00%
Proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	<u>1,706,605</u>	<u>1,312,844</u>
Total	<u>\$ 1,706,605</u>	<u>\$ 1,312,844</u>
Covered-employee payroll	\$ 1,006,549	\$ 817,555
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.22%	64.02%
<u>VMERS:</u>		
Proportion of the net pension liability	0.03%	0.03%
Proportionate share of the net pension liability	\$ 43,793	\$ 5,946
Covered-employee payroll	\$ 187,005	\$ 198,504
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.42%	3.00%
Plan fiduciary net position as a percentage of the total pension liability	87.42%	98.32%

\* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

## FAYSTON SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS\*

	<u>2016</u>	<u>2015</u>
<u>VSTRS:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,006,549	\$ 817,555
Contributions as a percentage of covered- employee payroll	0.00%	0.00%
<u>VMERS:</u>		
Contractually required contribution	\$ 7,480	\$ 7,940
Contributions in relation to the contractually required contribution	<u>(7,480)</u>	<u>(7,940)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 187,005	\$ 198,504
Contributions as a percentage of covered- employee payroll	4.00%	4.00%

\* The amounts presented for each fiscal year were determined as of June 30,  
and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

FAYSTON SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016

**Changes of Assumptions**

The discount rate used to measure the net pension liability was lowered from 8.15% to 7.95%, due to the adoption by the Board of Trustees of a 7.95% expected future rate of return on assets for funding purposes.

## Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues
- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet – Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

## FAYSTON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND REVENUES  
 FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Intergovernmental revenues:				
State support	\$ 1,483,531	\$ 1,483,531	\$ 1,483,531	\$ -
Transportation aid	17,095	17,095	18,166	1,071
Mainstream Block Grant	37,549	37,549	37,549	-
SPED Reimbursement	56,105	56,105	78,258	22,153
IDEA B Revenue	11,350	11,350	6,903	(4,447)
IDEA B-Preschool Revenue	1,200	1,200	-	(1,200)
Erate	-	-	1,103	1,103
Essential Early Education	3,390	3,390	12,717	9,327
Small schools	52,048	52,048	52,048	-
Interest income	8,500	8,500	8,030	(470)
Miscellaneous:				
Other receipts	40,000	40,000	40,050	50
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>\$ 1,710,768</u>	<u>\$ 1,710,768</u>	<u>\$ 1,738,355</u>	<u>\$ 27,587</u>

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE B

FAYSTON SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Regular education (grade K through 6 classroom) -				
Salaries	\$ 454,277	\$ 454,277	\$ 446,701	\$ 7,576
Benefits & staff development	192,443	192,443	182,632	9,811
Services, materials and equipment	34,699	34,699	23,761	10,938
	<u>681,419</u>	<u>681,419</u>	<u>653,094</u>	<u>28,325</u>
English language learner services -				
Services, materials and equipment	6,500	6,500	6,015	485
	<u>6,500</u>	<u>6,500</u>	<u>6,015</u>	<u>485</u>
Early education (pre kindergarten) -				
Salaries	20,659	20,659	20,689	(30)
Benefits & staff development	3,421	3,421	1,842	1,579
Contracted pre-kindergarten (Act 166)	34,000	34,000	24,629	9,371
	<u>58,080</u>	<u>58,080</u>	<u>47,160</u>	<u>10,920</u>
Regular education - art, PE, french, & music -				
Salaries	79,350	79,350	77,657	1,693
Benefits & staff development	17,412	17,412	15,991	1,421
Services, materials and equipment	3,900	3,900	2,945	955
	<u>100,662</u>	<u>100,662</u>	<u>96,593</u>	<u>4,069</u>
Special education & essential early ed (eligible & ineligible for reimbursement) -				
Salaries	141,765	141,765	186,450	(44,685)
Benefits & staff development	44,642	44,642	61,083	(16,441)
Spec.. Ed. contracted services	19,540	19,540	18,631	909
Materials and equipment	2,650	2,650	1,524	1,126
	<u>208,597</u>	<u>208,597</u>	<u>267,688</u>	<u>(59,091)</u>
Compensatory education/literacy education -				
Salaries	40,043	40,043	41,178	(1,135)
Benefits & staff development	5,414	5,414	4,049	1,365
	<u>45,457</u>	<u>45,457</u>	<u>45,227</u>	<u>230</u>
Guidance services -				
Salaries	20,421	20,421	20,751	(330)
Benefits & staff development	5,211	5,211	4,886	325
Contracted services & supplies	250	250	114	136
	<u>25,882</u>	<u>25,882</u>	<u>25,751</u>	<u>131</u>
School nurse -				
Salaries	18,842	18,842	20,440	(1,598)
Benefits & staff development	2,302	2,302	9,797	(7,495)
Contracted services & supplies	1,700	1,700	919	781
	<u>22,844</u>	<u>22,844</u>	<u>31,156</u>	<u>(8,312)</u>
Health education -				
Salaries	5,687	5,687	5,249	438
Benefits & staff development	706	706	2,460	(1,754)
	<u>6,393</u>	<u>6,393</u>	<u>7,709</u>	<u>(1,316)</u>
Improvement of instruction -				
In-service	1,500	1,500	177	1,323
	<u>1,500</u>	<u>1,500</u>	<u>177</u>	<u>1,323</u>

SCHEDULE B (CONTINUED)  
 FAYSTON SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Library/media, technology & tech integration -				
Salaries	34,939	34,939	35,042	(103)
Benefits & staff development	9,635	9,635	5,039	4,596
Contracted services	11,500	11,500	12,432	(932)
Materials, internet & equipment	32,125	32,125	29,023	3,102
	<u>88,199</u>	<u>88,199</u>	<u>81,536</u>	<u>6,663</u>
School board expense -				
Board reimbursement	3,750	3,750	3,750	-
Board secretary	1,125	1,125	975	150
Benefits	429	429	413	16
Legal expense	2,500	2,500	245	2,255
Liability insurance expense	2,300	2,300	1,949	351
Board printing/advertising	750	750	721	29
VSBA dues	1,200	1,200	984	216
Other	1,400	1,400	3,147	(1,747)
	<u>13,454</u>	<u>13,454</u>	<u>12,184</u>	<u>1,270</u>
School district treasurer	<u>538</u>	<u>538</u>	<u>544</u>	<u>(6)</u>
Washington West general assessment	<u>42,095</u>	<u>42,095</u>	<u>42,095</u>	<u>-</u>
School administration -				
Salaries	123,406	123,406	122,300	1,106
Benefits & staff development	31,848	31,848	27,088	4,760
Postage, supplies & equipment	4,100	4,100	3,650	450
	<u>159,354</u>	<u>159,354</u>	<u>153,038</u>	<u>6,316</u>
Fiscal services -				
WWSU fiscal service assessment	25,027	25,027	25,027	-
Banking services	900	900	30	870
Audit	3,700	3,700	3,700	-
	<u>29,627</u>	<u>29,627</u>	<u>28,757</u>	<u>870</u>
Buildings & grounds operations/maintenance -				
Salaries	50,711	50,711	51,531	(820)
Benefits & staff development	25,128	25,128	20,019	5,109
Building supplies, utilities & operations	104,500	104,500	91,095	13,405
	<u>180,339</u>	<u>180,339</u>	<u>162,645</u>	<u>17,694</u>
Transportation (WWSU transportation assessment) -	<u>48,999</u>	<u>48,999</u>	<u>46,307</u>	<u>2,692</u>
Field trips transportation	<u>500</u>	<u>500</u>	<u>437</u>	<u>63</u>
Debt service -				
Short-term interest (TAN)	9,000	9,000	5,884	3,116
	<u>9,000</u>	<u>9,000</u>	<u>5,884</u>	<u>3,116</u>
Transfers to other funds -				
Food service program fund	12,500	12,500	11,113	1,387
Contingency reserve fund	20,000	20,000	20,000	-
Special revenue funds	-	-	1,052	(1,052)
	<u>32,500</u>	<u>32,500</u>	<u>32,165</u>	<u>335</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 1,761,939</u>	<u>\$ 1,761,939</u>	<u>\$ 1,746,162</u>	<u>\$ 15,777</u>

See accompanying independent auditors' report and notes to financial statements.

## FAYSTON SCHOOL DISTRICT

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Due from other governments	\$ 965	\$ 965
Due from other funds	16,688	16,688
<b>TOTAL ASSETS</b>	<u>\$ 17,653</u>	<u>\$ 17,653</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,100	\$ 1,100
Due to other funds	40	40
<b>TOTAL LIABILITIES</b>	<u>1,140</u>	<u>1,140</u>
<b>FUND BALANCES (DEFICITS)</b>		
Nonspendable	-	-
Restricted	16,553	16,553
Committed	-	-
Assigned	-	-
Unassigned	(40)	(40)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>16,513</u>	<u>16,513</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 17,653</u>	<u>\$ 17,653</u>

See accompanying independent auditors' report and notes to financial statements.

## FAYSTON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES		
Intergovernmental	\$ 7,021	\$ 7,021
Other income	19,383	19,383
TOTAL REVENUES	<u>26,404</u>	<u>26,404</u>
EXPENDITURES		
Capital outlay	-	-
Other	25,957	25,957
TOTAL EXPENDITURES	<u>25,957</u>	<u>25,957</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>447</u>	<u>447</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	3,168	3,168
Transfers (out)	(2,116)	(2,116)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,052</u>	<u>1,052</u>
NET CHANGE IN FUND BALANCES	1,499	1,499
FUND BALANCES (DEFICITS) - JULY 1	<u>15,014</u>	<u>15,014</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 16,513</u>	<u>\$ 16,513</u>

See accompanying independent auditors' report and notes to financial statements.

## Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

FAYSTON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2016

	Exxon Mobile Grant	Medicaid	Community Assistance Grant	Book Fair	Winter Sports Program
<b>ASSETS</b>					
Due from other governments	\$ -	\$ 965	\$ -	\$ -	\$ -
Due from other funds	-	4,007	174	1,892	2,473
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 4,972</b>	<b>\$ 174</b>	<b>\$ 1,892</b>	<b>\$ 2,473</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICITS)</b>					
Nonspendable	-	-	-	-	-
Restricted	-	4,972	174	1,892	2,473
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>-</b>	<b>4,972</b>	<b>174</b>	<b>1,892</b>	<b>2,473</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ -</b>	<b>\$ 4,972</b>	<b>\$ 174</b>	<b>\$ 1,892</b>	<b>\$ 2,473</b>

FAYSTON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2016

	School Garden	Girls On The Run	STEM	VT Rural Partnership	Clay Workshop	Vase Small Equipment Grant
<b>ASSETS</b>						
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	166	-	2,073	2,674	-	31
<b>TOTAL ASSETS</b>	<b>\$ 166</b>	<b>\$ -</b>	<b>\$ 2,073</b>	<b>\$ 2,674</b>	<b>\$ -</b>	<b>\$ 31</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	40	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>40</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	-	-	-	-	-	-
Restricted	166	-	2,073	2,674	-	31
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	(40)	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>166</b>	<b>(40)</b>	<b>2,073</b>	<b>2,674</b>	<b>-</b>	<b>31</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 166</b>	<b>\$ -</b>	<b>\$ 2,073</b>	<b>\$ 2,674</b>	<b>\$ -</b>	<b>\$ 31</b>

FAYSTON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2016

	Student Field Trips	Boston Museum Of Science Trip	Montreal Trip	PK Reading Loft	Spirit	Total
<b>ASSETS</b>						
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 965
Due from other funds	-	-	2,996	-	202	16,688
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,996</b>	<b>\$ -</b>	<b>\$ 202</b>	<b>\$ 17,653</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 1,100	\$ -	\$ -	\$ 1,100
Due to other funds	-	-	-	-	-	40
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>1,100</b>	<b>-</b>	<b>-</b>	<b>1,140</b>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	-	-	-	-	-	\$ -
Restricted	-	-	1,896	-	202	16,553
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(40)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>-</b>	<b>-</b>	<b>1,896</b>	<b>-</b>	<b>202</b>	<b>16,513</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,996</b>	<b>\$ -</b>	<b>\$ 202</b>	<b>\$ 17,653</b>

See accompanying independent auditors' report and note to financial statements.

FAYSTON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Exxon Mobile Grant	Medicaid	Community Assistance Grant	Book Fair	Winter Sports Program
REVENUES					
Intergovernmental	\$ -	\$ 7,021	\$ -	\$ -	\$ -
Other income	-	-	-	1,100	2,405
TOTAL REVENUES	<u>-</u>	<u>7,021</u>	<u>-</u>	<u>1,100</u>	<u>2,405</u>
EXPENDITURES					
Other	8	6,389	-	1,085	2,018
TOTAL EXPENDITURES	<u>8</u>	<u>6,389</u>	<u>-</u>	<u>1,085</u>	<u>2,018</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8)</u>	<u>632</u>	<u>-</u>	<u>15</u>	<u>387</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	(2,116)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,116)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(2,124)	632	-	15	387
FUND BALANCES (DEFICITS) - JULY 1	<u>2,124</u>	<u>4,340</u>	<u>174</u>	<u>1,877</u>	<u>2,086</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>	<u>\$ 4,972</u>	<u>\$ 174</u>	<u>\$ 1,892</u>	<u>\$ 2,473</u>

FAYSTON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	School Garden	Girls On The Run	STEM	VT Rural Partnership	Clay Workshop	Vase Small Equipment Grant
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	80	500	2,300	619	-
TOTAL REVENUES	-	80	500	2,300	619	-
EXPENDITURES						
Other	-	767	543	2,214	619	-
TOTAL EXPENDITURES	-	767	543	2,214	619	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(687)	(43)	86	-	-
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	2,116	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	2,116	-	-	-
NET CHANGE IN FUND BALANCES	-	(687)	2,073	86	-	-
FUND BALANCES (DEFICITS) - JULY 1	166	647	-	2,588	-	31
FUND BALANCES (DEFICITS) - JUNE 30	\$ 166	\$ (40)	\$ 2,073	\$ 2,674	\$ -	\$ 31

FAYSTON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Student Field Trips	Boston Museum Of Science Trip	Montreal Trip	PK Reading Loft	Spirit	Total
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,021
Other income	1,373	754	9,378	426	448	19,383
TOTAL REVENUES	<u>1,373</u>	<u>754</u>	<u>9,378</u>	<u>426</u>	<u>448</u>	<u>26,404</u>
EXPENDITURES						
Capital outlay	-	-	-	-	-	-
Other	1,555	1,624	8,347	536	252	25,957
TOTAL EXPENDITURES	<u>1,555</u>	<u>1,624</u>	<u>8,347</u>	<u>536</u>	<u>252</u>	<u>25,957</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(182)</u>	<u>(870)</u>	<u>1,031</u>	<u>(110)</u>	<u>196</u>	<u>447</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	182	870	-	-	-	3,168
Transfers (out)	-	-	-	-	-	(2,116)
TOTAL OTHER FINANCING SOURCES (USES)	<u>182</u>	<u>870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,052</u>
NET CHANGE IN FUND BALANCES	-	-	1,031	(110)	196	1,499
FUND BALANCES (DEFICITS) - JULY 1	<u>-</u>	<u>-</u>	<u>865</u>	<u>110</u>	<u>6</u>	<u>15,014</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,896</u>	<u>\$ -</u>	<u>\$ 202</u>	<u>\$ 16,513</u>

See accompanying independent auditors' report and notes to financial statements.

## General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

FAYSTON SCHOOL DISTRICT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
 JUNE 30, 2016

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
School wide	\$ -	\$ 1,342,595	\$ 83,417	\$ -	\$ 1,426,012
Food service program	-	-	31,676	-	31,676
Total General Capital Assets	-	1,342,595	115,093	-	1,457,688
Less: Accumulated Depreciation	-	(743,904)	(85,571)	-	(829,475)
Net General Capital Assets	<u>\$ -</u>	<u>\$ 598,691</u>	<u>\$ 29,522</u>	<u>\$ -</u>	<u>\$ 628,213</u>

See accompanying independent auditors' report and notes to financial statements.

FAYSTON SCHOOL DISTRICT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2016

	General Capital Assets 7/1/15	Additions	Deletions	General Capital Assets 6/30/16
School-wide	\$ 1,426,012	\$ -	\$ -	\$ 1,426,012
Food service program	31,676	-	-	31,676
Total General Capital Assets	1,457,688	-	-	1,457,688
Less: Accumulated Depreciation	(791,253)	(38,222)	-	(829,475)
Net General Capital Assets	<u>\$ 666,435</u>	<u>\$ (38,222)</u>	<u>\$ -</u>	<u>\$ 628,213</u>

See accompanying independent auditors' report and notes to financial statements.



*Proven Expertise and Integrity*

INDEPENDENT AUDITORS' 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

School Board  
Fayston School District  
Fayston, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fayston School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Fayston School District's basic financial statements, and have issued our report thereon dated September 23, 2016.

Internal Control Over Financial Reporting

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
September 23, 2016