Middlesex School District
Financial Statements
For The Year Ended June 30, 2014

ANGOLANO & COMPANY
Certified Public Accountants
PO Box 639
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Middlesex School District
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For The Year Ended June 30, 2014

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Middlesex School District
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INDEPENDENT AUDITOR'S REPORT

To the School Board
Middlesex School District, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Middlesex School District, Vermont, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively compromise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Middlesex School District, Vermont, as of June 30, 2014, 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 pensions and other post-employment benefit information on pages 6, 38-45, and 27-28 and 31-33 respectively, 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 Middlesex School District, Vermont's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2014, on our consideration of the Middlesex School District, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Middlesex School District, Vermont's internal control over financial reporting and compliance.

Angolano & Company

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

October 20, 2014

Introduction

This discussion and analysis of Middlesex School District's financial performance provides a narrative introduction and overview of the school District's financial activities for the fiscal year ending June 30, 2014 (FY 14). This document should be used in conjunction with the financial statements contained in the audit. The Management's Discussion and Analysis is an audit requirement under Governmental Accounting Standards Board Statement #34 (GASB34).

Financial Highlights

Balance Sheet

- The District's financial status decreased during the past year. Government-wide net assets changed favorably by $115,458 from $547,044 to $662,502.
- Government-wide assets totaled $812,695 and government-wide liabilities totaled $150,193.
- More detailed Balance Sheet Information can be found on Figure I on page 6D.

Operations

- The District's Elementary School general fund actual revenues were $2,547,131 while the budgeted revenues were $2,575,355, an unfavorable variance of $28,224.
- The District's Elementary School general fund actual expenditures were$2,475,173, while budgeted expenditures were $2,575,355, a favorable variance of $100,182.
- More detailed Elementary School information can be found on Figure IV on page 6F.

Other Funds

- The Capital Project Fund represents the reserve accounts for a computer replacement and building repair fund. The ending fund balance for the computer replacement fund was $5,000, while the building repair fund was $8,146.
- The Enterprise Fund represents the food program. The cumulative operating retained earnings at year-end had a balance of $15,833. The investment in net fixed assets was $738 for a total of $16,570.
- Agency Funds totaling $8,638 are held in the District's accounts for various student activities and projects.
- There are currently no Expendable Trust Funds.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The District maintains four (4) governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Capital Project and Debt Service. Individual fund data for the Proprietary and Fiduciary Funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 7-8.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-37.

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

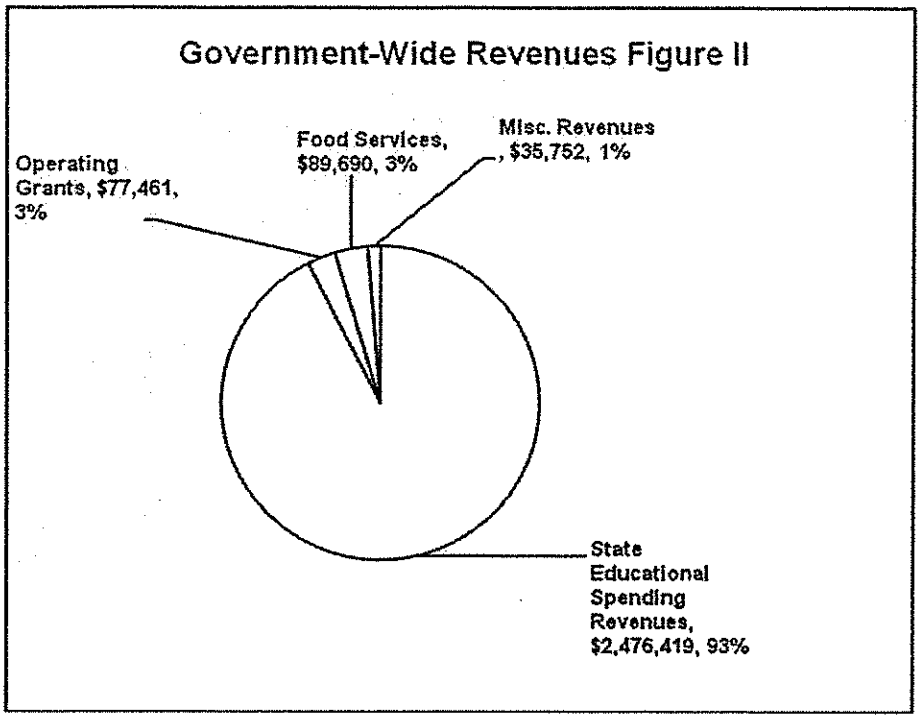
Government-Wide Financial Analysis

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

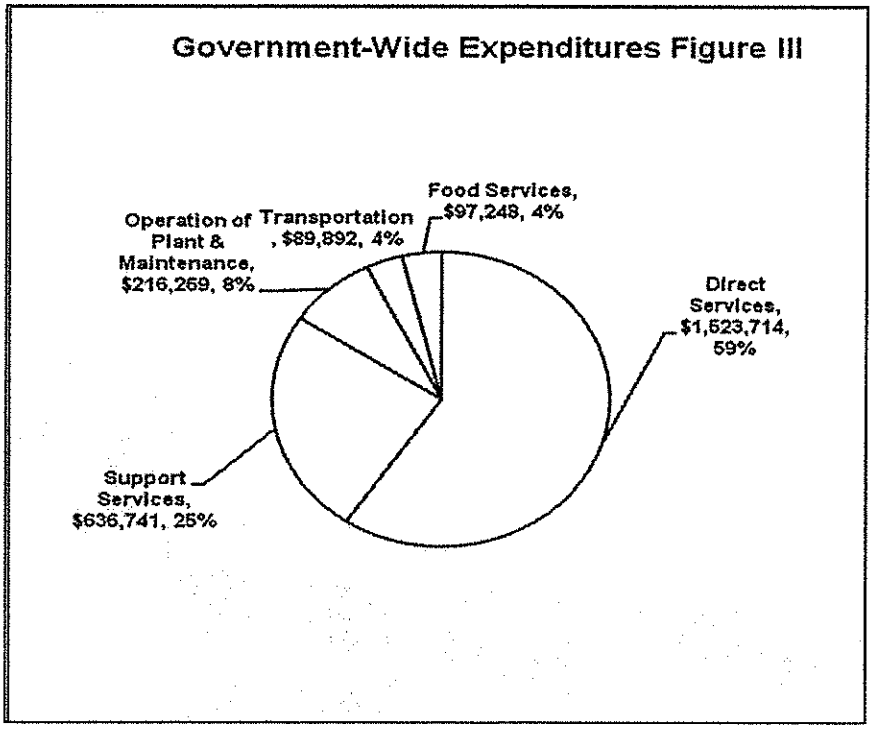
Amounts reported for governmental activities in this statement of net assets differ from the summary of financial operations because: capital (non-current) assets used in governmental activities are not financial resources and therefore, are deferred in the funds; non-current liabilities, consisting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

Middlesex School District-Figure I
Statement of Net Assets-Government-Wide
June 30, 2014

	Governmental & Business Activities		Difference
	As of June 30, 2013	As of June 30, 2014	Increase(Decrease)
ASSETS			
Current Assets:			
Cash	$11,883	$148,803	$136,920
Accounts Receivable:			
Due From Other Funds	$2,424	$12,256	$9,832
Intergovernmental & Other	$2,168	$7,395	$5,227
State	$42,443	$61	($42,382)
Prepaid Expenses	$0	$0	$0
Inventories	$171	$442	$271
Total Current Assets	**$59,089**	**$168,957**	**$109,868**
Non-Current Assets:			
Capital Assets:			
Land & Other Assets not being depreciated	$6,531	$6,531	$0
Building & Equipment, net of Acc. Depreciation	$647,405	$637,207	($10,198)
Total Non-Current Assets	**$653,936**	**$643,738**	**($10,198)**
TOTAL ASSETS	**$713,025**	**$812,695**	**$99,670**
LIABILITIES			
Current Liabilities:			
Accounts Payable	$2,359	$5,652	$3,293
Accrued Expenses	$3,196	$4,116	$920
Retirement Payable	$20,522	$10,261	($10,261)
Due To Other Funds	$11,634	$20,944	$9,310
Deferred Revenue	$2,347	$1,092	($1,255)
Current Portion of Long-Term Debt	$16,099	$18,994	$2,895
Total Current Liabilities	**$56,157**	**$61,059**	**$4,902**
Non-Current Liabilities:			
Non-Current Portion of Long-Term Debt:			
Bonds Payable & Other Payables	$109,824	$89,134	($20,690)
Total Non-Current Liabilities	**$109,824**	**$89,134**	**($20,690)**
TOTAL LIABILITIES	**$165,981**	**$150,193**	**($15,788)**
NET ASSETS			
Investment in Capital Asset, net of Related Debt	$528,013	$535,610	$7,597
Restricted Capital Projects & Other	$0	$8,146	$8,146
Restricted Other Purposes	$40,333	$117,291	$76,958
Unrestricted	($21,302)	$1,455	$22,757
TOTAL NET ASSETS	**$547,044**	**$662,502**	**$115,458**
TOTAL LIABILITIES & NET ASSETS	**$713,025**	**$812,695**	**$99,670**



The total of Government-wide Revenues is $2,679,322.



The total of Government-wide Expenses is $2,563,864.

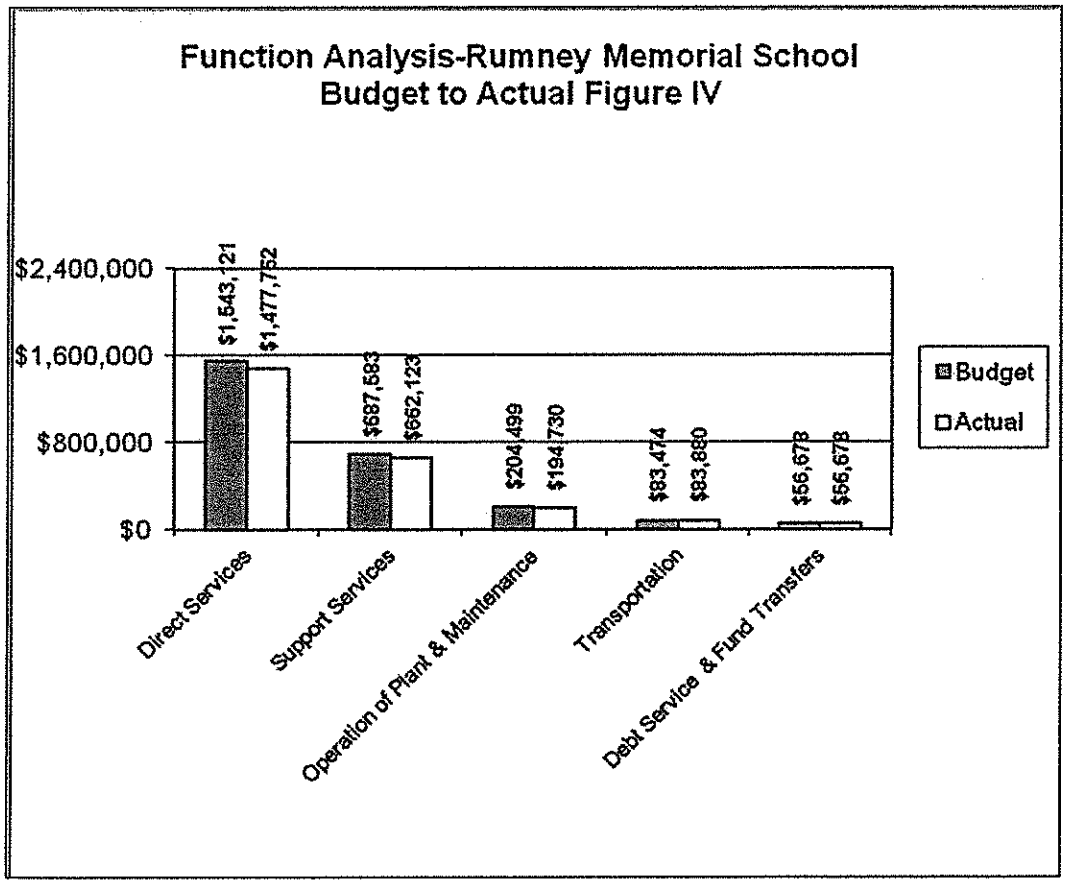
The net increase in Governmental-wide Net Assets totaled $115,458.

Business-type activities (food program) realized an increase in net assets of $13,142, primarily attributable to additional support from the general fund.

Fund Based Financial Analysis

- Governmental Fund Types:

  General Fund actual revenues were $2,547,131 and actual expenditures were $2,475,173. However, revenues were $28,224 below budget amounts and were largely attributable to special education revenues. Expenses were $100,182 less than budget which was largely attributable to additional costs for Special Education.



- Capital Project Fund ending fund balance of $13,146 is reflective of funds available for a computer replacement fund $5,000 and building improvement fund $8,146.

- Proprietary Fund Type:
  Food service programs are offered to the students for hot lunch and breakfast. This program recognized net operating loss of $4,890 during the past year and had a retained earnings balance of $3,428 at the end of the year.

- Fiduciary Fund Types:

  Agency funds of $8,638 were being held at the end of the year for student activities and projects. The prior year balance was $9,210 for similar accounts.

  There are currently no Expendable Trust Funds.

Capital Assets

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

Figure V summarizes the state of the District's capital assets.

Middlesex School District-Figure V
Capital Assets
June 30, 2014

	Cost	Accumulated Depreciation	Net Value
Governmental Activities:			
Land & Site work & Construction	$6,875	$1,032	$5,843
Building and Improvement	$1,195,846	$620,013	$575,833
Furniture and Equipment	$124,085	$62,761	$61,324
Vehicles	$0	$0	$0
Total	**$1,326,806**	**$683,806**	**$643,000**
Business Type activities:			
Building and Improvements	$8,643	$8,643	$0
Furniture and Equipment	$23,245	$22,507	$738
Total	**$31,888**	**$31,150**	**$738**
Grand Total	**$1,358,694**	**$714,956**	**$643,738**

Long-Term Debt

The District has two categories of debt an underground storage tank loan and a water loan. At the end of the fiscal year, the District had $134,075 in outstanding principal and interest. The Water Project note is included in this total and during FY14 part of the loan was foregiven. Loan principal and interest are being paid from the General Fund. .

Current & Subsequent Issues

- The Teachers Union contract has been settled for FY 13-16.
- The WCSU transportation contract was awarded to First Student, Inc. for FY13-15. It is a 3 year contract with the option to extend 2 additional years.
- There has been an unanticipated significant increase in heating fuel oil costs and gasoline for student transportation.
- Rumney completed a feasibility study for a Construction Project.

Contact for Further Information

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Lori Bibeau, Business Administrator, Washington Central Supervisory Union, 1130 Gallison Hill Road, Montpelier, Vermont 05602 or at 802-229-0553.

Middlesex School District
District-Wide Statement of Net Position
June 30, 2014

EXHIBIT I

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 148,803		$ 148,803
Due From Other Funds		$ 12,256	12,256
Accounts Receivable - State	61		61
Accounts Receivable - Other LEAs		1,518	1,518
Accounts Receivable - Other	3,169	2,708	5,877
Inventory		442	442
Capital Assets, net	643,000	738	643,738
TOTAL ASSETS	$ 795,033	$ 17,662	$ 812,695
LIABILITIES			
Due To Other Funds	$ 20,944		$ 20,944
Accounts Payable	5,652		5,652
Accrued Expenses	4,116		4,116
Retirement Incentive Payable	10,261		10,261
Long-Term Liabilities:			
Due Within 1 Year	18,994		18,994
Due in More Than 1 Year	89,134	-	89,134
TOTAL LIABILITIES	149,101	$ -	149,101
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenues	-	1,092	1,092
TOTAL DEFERRED INFLOWS OF RESOURCES	-	1,092	1,092
NET POSITION			
Net Investment in Capital Assets	534,872	738	535,610
Restrcited For:			
Capital Projects	8,146		8,146
Other Purposes	117,291		117,291
Unrestricted (Deficit)	(14,377)	15,832	1,455
TOTAL NET POSITION	645,932	16,570	662,502
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 795,033	$ 17,662	$ 812,695

The accompanying notes are an integral part of these financial statements

Middlesex School District
District-Wide Statement of Activities
For The Year Ended June 30, 2014

EXHIBIT II

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Governmental Activities:							
Direct Services	$ 1,523,714		$ 35,332		$ (1,488,382)		$ (1,488,382)
Support Services:							
Student Services	152,921				(152,921)		(152,921)
Instructional Staff Services	153,295				(153,295)		(153,295)
General Administrative Services	57,312				(57,312)		(57,312)
Area Administrative Services	202,693				(202,693)		(202,693)
Fiscal Services	61,851				(61,851)		(61,851)
Building Operations and Maintenance	216,269				(216,269)		(216,269)
Transportation	89,892		34,960		(54,932)		(54,932)
Other Support Services	8,669	-	7,169	-	(1,500)		(1,500)
Total Governmental Activities	2,466,616	-	77,461	-	(2,389,155)		(2,389,155)
Business-Type Activities:							
Food Service	97,248	89,690	-	-		(7,558)	(7,558)
Total Business-Type Activities	97,248	89,690	-	-		(7,558)	(7,558)
General Revenues:							
State Revenues not Restricted to Specific Programs					2,476,419		2,476,419
Private Revenues not Restricted to Specific Programs					3,100		3,100
Investment Earnings					27,953		27,953
Rentals					115		115
Miscellaneous					4,584		4,584
Transfers					(20,700)	20,700	-
Total General Revenues					2,491,471	20,700	2,512,171
Change in Net Position					102,316	13,142	115,458
Net Position - Beginning of Year					543,616	3,428	547,044
Net Position - Ending of Year					$ 645,932	$ 16,570	$ 662,502

The accompanying notes are an integral part of these financial statements

EXHIBIT III

Middlesex School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2014

	Governmental Fund Type			Proprietary Fund Type	Fiduciary Fund	Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Capital Project Fund	Enterprise Fund	Agency Fund	
ASSETS:						
Current Assets:						
Cash	$ 148,803					$ 148,803
Due From Other Funds		$ 5,103	$ 8,146	$ 12,256	$ 8,688	34,193
Accounts Receivable - State	61					61
Accounts Receivable - Supervisory Union				1,518		1,518
Accounts Receivable - Other	3,169			2,708		5,877
Inventory	-	-	-	442	-	442
Total Current Assets	152,033	5,103	8,146	16,924	8,688	190,894
Other Assets:						
Fixed Assets - net	-	-	-	738	-	738
Total Other Assets	-	-	-	738	-	738
TOTAL ASSETS	$ 152,033	$ 5,103	$ 8,146	$ 17,662	$ 8,688	$ 191,632
LIABILITIES & FUND EQUITY:						
Liabilities:						
Due To Other Funds	$ 34,193					$ 34,193
Accounts Payable - Other	5,549	$ 103			$ 50	5,702
Deferred Revenue				$ 1,092		1,092
Amount Held for Agency Funds	-	-	-	-	8,638	8,638
Total Liabilities	39,742	103	$ -	1,092	8,688	49,625
Fund Equity:						
Fund Balances:						
Committed	112,291	5,000	8,146			125,437
Retained Earnings	-	-	-	16,570	-	16,570
Total Fund Equity	112,291	5,000	8,146	16,570	-	142,007
TOTAL LIABILITIES & FUND EQUITY	$ 152,033	$ 5,103	$ 8,146	$ 17,662	$ 8,688	$ 191,632

The accompanying notes are an integral part of these financial statements

Middlesex School District
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2014

Fund Balances – total governmental funds	$ 125,437
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Governmental capital assets	1,313,006
Less accumulated depreciation	(670,006)
Bonds payable and contractual obligations have not been included in the governmental fund financial statements.	
Notes Payable	(108,128)
Accrued liabilities have not been reflected in the governmental fund financial statements:	
Vested Vacation Payable	(4,116)
Retirement Incentive Payable	(10,261)
Net Assets of Governmental Activities	$ 645,932

Middlesex School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For The Year Ended June 30, 2014

EXHIBIT IV

	General Fund	Special Revenue Fund	Capital Project Fund	Totals (Memorandum Only)
REVENUES:				
Earnings on Investments	$ 27,953			$ 27,953
Rental Income	115			115
Miscellaneous	4,584			4,584
Private/Local	3,100	$ 42,501		45,601
State	2,511,379	-	-	2,511,379
TOTAL REVENUES	2,547,131	42,501	$ -	2,589,632
EXPENDITURES:				
Direct Services	1,477,762	35,332		1,513,094
Support Services:				
Students	152,756			152,756
Instructional Staff	152,265			152,265
General Administration	57,312			57,312
Area Administration	201,127			201,127
Fiscal Services	61,851			61,851
Operation and Maintenance of Building	194,730			194,730
Transportation	89,892			89,892
Community Services		432		432
Food Services		6,737		6,737
Construction Services			43,404	43,404
Debt Services	8,728			8,728
Other Outlays	1,500	-	-	1,500
TOTAL EXPENDITURES	2,397,923	42,501	43,404	2,483,828
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	149,208	-	(43,404)	105,804
OTHER FINANCING SOURCES (USES):				
Transfers In		5,000	51,550	56,550
Transfers Out	(77,250)	-	-	(77,250)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	71,958	5,000	8,146	85,104
FUND BALANCE, JULY 1, 2013	40,333	-	-	40,333
FUND BALANCE JUNE 30, 2014	$ 112,291	$ 5,000	$ 8,146	$ 125,437

The accompanying notes are an integral part of these financial statements

Middlesex 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, 2014

Net Changes in fund Balances – total governmental funds	$ 85,104
Amount reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:	
Expenditures for capital assets	21,467
Less current year depreciation	(31,391)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Repayment of notes	17,795
Expense reported in the Statement of Activities does not require the use of current financial resources and is therefore not reported as expenditures in governmental funds:	
Vested Vacation Payable Change	(920)
Current year payments on liabilities for the voluntary exit program (early retirement, etc.) are reported as expenditures in Governmental fund financial statements and as a reduction in debt in the government-wide financial statements.	10,261
Current year granting of voluntary exit programs (early retirements, etc.) are not reported as expenditures in governmental fund financial statements and are reported as an expense and debt in the government-wide financial statements.	0
Change in Net Assets of Governmental Funds	$102,316

Middlesex School District
Statement of Revenues, Expenses and Changes
in Retained Earnings - Proprietary Fund Type
Enterprise Fund - Food Program
For The Year Ended June 30, 2014

EXHIBIT V

Operating Revenue:		
Sales	$ 60,022	
Miscellaneous	2,789	
Total Operating Revenue		$ 62,811
Operating Expenses:		
Salaries and Benefits	61,028	
Professional Services	200	
Travel	436	
Supplies and Food	29,310	
Commodities	5,403	
Utilities	552	
Dues and Fees	45	
Depreciation	274	
Total Operating Expenses		97,248
Operating Income (Loss)		(34,437)
Non-Operating Revenue (Loss)		
State Sources:		
Restricted Grants		
School Lunch Match	711	
Child Nutrition Breakfast	186	
Child Nutrition Other	198	
Reduced Lunch Initiative	409	
Federal Sources:		
Restricted Grants		
School Breakfast Program	4,470	
School Lunch Program	15,502	
Commodities	5,403	
Total Non-Operating Revenue		26,879
Income (Loss) Before Transfers		(7,558)
Operating Transfers In		20,700
Net Income (Loss)		13,142
Retained Earnings, July 1, 2013		3,428
Retained Earnings, June 30, 2014		$ 16,570

The accompanying notes are an integral part of these financial statements

Middlesex School District
Statement of Cash Flows
Proprietary Fund Type - Enterprise Fund
Food Program
For The Year Ended June 30, 2014

EXHIBIT VI

Cash Flows From Operating Activities:		
Received From Customers	$ 59,693	
Payments To Employees and Fringe Benefits	(61,028)	
Payments To Vendors and Supplies	(36,217)	
Net Cash Used By Operating Activities		$ (37,552)
Cash Flows From Noncapital Financing Activities:		
State Aid Received	26,684	
Support From General Fund	10,868	
Net Cash Used By Noncapital Financing Activities		37,552
Cash Flows From Capital and Related Financing Activities:		
None		-
Cash Flows From Investing Activities:		
None		-
Net Increase (Decrease) in Cash		-
Cash, July 1, 2013		-
Cash, June 30, 2014		$ -
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities:		
Cash Provided From Operating Activities:		
Operating Income (Loss)		$ (34,437)
Adjustments to Reconcile Net Income to Cash Provided (Used) By Operating Activities:		
Depreciation	$ 274	
(Increase) Decrease in Accounts Receivable - Other	(1,863)	
(Increase) Decrease in Inventory	(271)	
Increase (Decrease) in Deferred Revenue	(1,255)	
Total Adjustments		(3,115)
Net Cash Provided (Used) By Operating Activities		$ (37,552)

The accompanying notes are an integral part of these financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity:
The reporting entity for the School District is based upon criteria set forth by the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. The financial reporting entity consists of (1) organizations for which the standalone government is financially accountable and (2) the standalone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of the School District comprise the standalone government.

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

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

In the District-wide Statement of Net Position reports all of the non-fiduciary activities of School District. Both the governmental and business-type activities are presented on a

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The District-wide Statement of Activity demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include fees paid by recipients or goods or services provided by a function, and grants that are restricted to a particular function. General State Support and other revenues not identified with a function are presented as general revenues.

This District-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.

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The School District reports major governmental funds as follows:

Governmental Fund Types:

- General Fund – The general fund is the School District's primary operating fund and is always classified as a major fund which accounts for typical general government revenues and a wide variety of activities that benefit the School District's as a whole. It accounts for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds – The special revenue funds focus on revenues that are restricted or committed to expenditures for specific purposes (other than major capital projects or expendable trusts). The School District accounts for resources restricted to, or committed for, specific purposes by the School District or a grantor in a special revenue fund. Most federal, some State financial assistance and voter committed funds are accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor or the voters at the close of specified project periods.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Capital Project Fund – The capital projects funds are required when the acquisition or construction of capital assets is financed with general obligation debt. Capital project funds are permitted to be used for accounting and reporting whenever the School District has financial resources that are restricted, committed, or assigned to expenditures for capital outlays for general capital assets, including purchasing or constructing any type of general capital asset.

Proprietary Fund Types:

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

Fiduciary Funds, (Not included in District-wide Statements):

Fiduciary Funds are used to report resources held for individuals, private organizations or other governments. The School District reports the following fiduciary funds:

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

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

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

Both District-wide and business-type activity statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred regardless of when related cash flows take place. Grant revenues are recognized when eligibility requirements are satisfied. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recorded when a liability is incurred except for early retirement, and compensated absences, which are

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

recognized t the extent they have matured. When both restricted and unrestricted resources are available for use, restricted resources are used first.

Other Accounting Policies:

Cash and Cash Equivalents:

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

Interfund Receivables and Payables:

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". All other outstanding balances between funds are also reported as "due to/from other funds". As a general rule, the effect of interfund activity has been eliminated from the government wide financial statements.

Transfers:

Advances between funds that are not expected to be repaid are accounted for as transfers.

Deposits and Investments:

Resources from each fund are pooled for deposit and investment purposes. A separate accounting is maintained for each fund. Deposits and Investments are stated at fair value and are managed in accordance with any legal constraints.

Accounts Receivable:

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

Inventory:

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

Deferred Inflows of Resources:

The School District recognizes differences between the receipt of funds and the recognition of revenues through the use of deferred revenue accounts. These deferred revenue accounts

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

represent funds that will be recognized as revenues in some future period when the conditions have been met.

Capital Assets:
Capital assets, which include land, construction in progress, buildings, improvements, furniture, equipment, infrastructure, and vehicles, are reported in the applicable governmental activities column in the governmental wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets, except for land and construction in progress are depreciated using the straight line method over the estimated useful lives with a full year of depreciation taken in the year acquired and none taken in the year of disposal. Land and construction in progress are not depreciated.

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

Budgetary Data:
The School District is required by state law to adopt a budget for the General Fund. The budget is prepared on the modified accrual basis of accounting which is consistent with generally accepted accounting principles ("GAAP"). Annual appropriations lapse at the end of each fiscal year with the exception of restricted programs indicated as a fund balance restricted or committed. The following procedures are used to establish a budget:

- The School Board with assistance from the Supervisory Union and the School District's Administration drafts a budget. The operating budget includes proposed expenditures by line item and the means of financing them.
- The budget is adopted by the School Board for presentation to the voters as a warning or article in the annual report.
- The voters vote on the total expense amount and not the individual line items at the School District's annual meeting or subsequent special meetings.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Net Assets and Fund Balance:
District-wide Financial Statements:
When the School District incurs an expense for which it may use either restricted or unrestricted net assets, it generally uses restricted net assets first. Net assets on the Statement of Net Assets include the following:

Net Investment in Capital Assets, net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

Unrestricted – All other net assets that do not meet the definition of "Restricted for Other Purposes" or "Net Investment in Capital Assets, net of Related Debt".

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Based Financial Statements:
In the fund financial statements, governmental funds report fund balances as unassigned, assigned, restricted, committed, spendable, or non-spendable fund balance.

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

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

Restricted Fund Balance – Includes amounts constrained to specific purposes stipulated by constitution, external resource providers (grantors and contributors), or through enabling legislation.

Committed Fund Balance – Includes amounts constrained for the specific purposes determined by a formal action of the government's highest level of decision-making authority, generally the voters.

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

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

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

Memorandum Only Columns:
The total columns are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to make financial analysis easier. Data in these columns do not present financial position, results of operations, or cash flows in

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

accordance with GAAP. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 – CASH, CASH EQUIVALENTS, AND REPURCHASE AGREEMENTS

Cash and cash equivalent deposits with financial institutions at June 30th amounted to $148,803. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of any investments. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The School District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk:
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.
FDIC insures all accounts held by the same financial institution up to a combined total of $250,000. There are some special provisions which increase this limit.

Concentration of Credit Risk:
The policy of the School District contains no limitations on the amount that can be on deposit in any one financial institution.

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

These four levels of risk are as follows:

Category 1	Repurchase Agreements - Deposits which are invested in government securities held by the School District or by its agent in the School District's name.

NOTE 2 – CASH, CASH EQUIVALENTS, AND REPURCHASE AGREEMENTS (CONTINUED)

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

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

Balances held in each area are as follows:

	Carrying Amount	Bank Balance
- Insured (FDIC) and/or (SIPC)	$ 13,234	$ 13,234
- Category 1	134,970	228,385
- Category 2	0	0
- Category 3	0	0
- Category 4	600	0
Total deposits	$148,803	$241,618

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

Repurchase agreements of $228,385 are securities held by the bank's trust department or agent in the School District's name. Securities consist of municipal bonds, U.S. Government obligations and U.S. Government Agency Bonds.

NOTE 3 - INTERFUND RECEIVABLES

In compliance with GASB 1300.109 School District does not maintain separate bank accounts for each fund, unless it is required by law, or grant agreement. The composition of amounts due to and from other funds as of June 30, 2014, is as follows:

NOTE 3 - INTERFUND RECEIVABLES (CONTINUED)

Fund Financial Statements: Receivable Fund	Payable Fund	Amount
Capital Project Fund	General Fund	$ 8,146
Agency Fund:		
Student Activities	General Fund	$ 8,688
Enterprise Fund:		
Food Program	General Fund	$12,256
Special Revenue Fund:		
Computer Fund	General Fund	$ 5,000
Medicaid EPSDT	General Fund	103
Total Special Revenue Fund		$ 5,103

District-wide Financial Statements: Receivable Fund	Payable Fund	Amount
Business Type	Governmental Type	$12,256
Private Purpose Trust	Governmental Type	8,688

NOTE 4 – CAPITAL ASSETS

Capital activity for the School District for the year ended June 30, 2014, was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital Assets being depreciated:				
Land Improvements	$ 6,875	$ 0	$ 0	$ 6,875
Buildings	263,837	0	0	263,837
Building Improvements	690,000	21,467	0	711,467
Infrastructure	220,542	0	0	220,542
Furniture and Equipment	124,085	0	0	124,085

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Total other capital assets at historical costs	$1,305,339	$ 21,467	$ 0	$1,326,806
Less accumulated depreciation:				
Land Improvements	688	344	0	1,032
Buildings	263,837	0	0	263,837
Building Improvements	330,400	14,754	0	345,154
Infrastructure	5,511	5,511	0	11,022
Furniture and Equipment	51,979	10,782	0	62,761
Total accum. Depr.	652,415	31,391	0	683,806
Governmental activities Capital Assets, Net	$ 652,924	$ (9,924)	$ 0	$ 643,000
Business-type activities:				
Buildings	$ 8,643	$ 0	$ 0	$ 8,643
Furniture and Equipment	23,245	0	0	23,245
Less accum. Depr.	30,876	274	0	31,150
Business-type activities Capital Assets, Net	$ 1,012	$ (274)	$ 0	$ 738

Depreciation expense was charged to functions as follows:

Governmental activities:	
Direct Services	$20,881
Support Services:	
Students	165
Instructional Staff	1,030
General Administration	0
Area Administration	646
Fiscal Services	0
Operation and Maintenance of Plant	8,669
Transportation	0
Other Support Services	0
Total governmental activities depreciation expense	$31,391

NOTE 5 - ACCRUED VACATION & LEAVE TIME

Accrued vacation and leave time represent vested time earned by employees but not used. If the employee were to leave, this accrued time must be paid. Therefore, it is a liability to the School District at June 30, 2014. Teachers do not receive vacation benefits. Administrative and maintenance personnel are granted vacation leave in varying amounts. The School District has a liability for unused vacation that was allowed to be carried forward. No liability is shown in the fund based financial statement. The liability is reported in the Statement of Net Position as an accrued liability and represents a reconciling item between the fund and District-wide presentations. The amount accrued at year end was $4,116. Vacation pay is charged to operations when taken by the employee of the School District.

NOTE 6 – SHORT-TERM DEBT

Short-term debt activity consisted of the following for the year ended June 30, 2014:

	Balance July 1, 2013	Borrowings	Retirements	Balance June 30, 2014
Revenue Anticipation Note, issued July1, 2013. Interest at 2.63 %, due June 30, 2014.	$ 0	$913,786	$913,786	$ 0

NOTE 7 - SICK LEAVE

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

Teaching staff earn 15 sick days per year, and may accumulate a maximum of 90 days. Non-teaching staff earn 15 sick days per year, and may accumulate a maximum of 90 days.

NOTE 8 – OPEB AND TERMINATION BENEFITS

The Governmental Accounting Standards Board (GASB) issued Statement #45 requiring the entire liability for Other Post-Employment Benefits (post-employment health care benefits) to be accrued. The School District does not offer any OPEB plans and has no liability under GASB #45.

Voluntary termination benefits are governed by GASB Statement #47 and are recognized to the extent they become payable in the current year. The School District offers:

Per the Master Teacher Agreement, during any school year, the School Board may at its sole discretion, design and offer an early retirement program to one or more of its teachers who have worked a minimum of 15 full-time years for the School District. The early retirement program will only be available to the employees if the School Board affirmatively votes to adopt an early retirement program on or before November 1st to be applicable for any given school year. In the event the board votes to offer an early retirement program, the benefit package shall be as follows:

A cash payout of 50% of the teacher's current teaching salary during their final year with the District, payable in 3 equal installments on September 1st of the next 3 school years following the teacher's resignation. At the option of the teacher, the monetary value of the cash payout may be applied by the District to the purchase of "air time" from the Vermont State Teacher's Retirement System on behalf of the teacher. In addition, the teacher will receive 12 months of single health insurance coverage under the District's policy. If the teacher chooses a Vermont Teacher's Retirement System health insurance program, the District will pay 20% of the teacher's premium for single health insurance for one year following the June 30th effective date of the teacher's resignation.

During the school year ending June 30, 2012, 1 teacher elected to take a buyout that was offered. The remaining liability to the District is as follows:

For the year ending June 30, 2015	$10,261

No buyout was offered by the School Board for the school year ending June 30, 2014.

The Master Teacher Agreement also states that after serving five (5) years in the District, any teacher who retires pursuant to Vermont Teacher Retirement laws, shall be paid $10.00 per day for each day of accumulated sick leave up to a maximum of seventy-five (75) days. At June 30, 2014, three (3) teachers have vested in this buyback for a total contingent liability of $2,010.

NOTE 8 – OPEB AND TERMINATION BENEFITS

Any teacher who retired with sick leave due them was paid before June 30, 2014, so there is no actual liability to the School District at fiscal year-end.

NOTE 9 - LONG-TERM OBLIGATIONS

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

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

	Balance July 1, 2013	Borrowings	Retirements	Balance June 30, 2014
NOTES:				
Vermont Environmental Protection Agency Drinking Water State Revolving Fund Note Payable, interest at 1% and admin. fee at 2%, principal payments ranging from $920 to $1,613 due annually on March 1st beginning in 2014 until 2033; originally approved to borrow $25,000 on October 28, 2010, for a water project.	24,724	0	0	24,724
Vermont Environmental Protection Agency Drinking Water State Revolving Fund Note Payable, interest at 0% and admin. fee at 0%, principal payments of $5,000 due annually on March 1st beginning in 2014 until 2018; originally approved to borrow $35,731 on January 16, 2009, for a water project. Pending forgiveness from the State of Vermont.	35,731	0	10,731	25,000

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

	Balance July 1, 2013	Borrowings	Retirements	Balance June 30, 2014
Vermont Environmental Protection Agency Drinking Water State Revolving Fund Note Payable, interest at 1% and admin. fee at 2%, principal payments ranging from $2,064 to $3,620 due annually on March 1st beginning in 2014 until 2033; originally approved to borrow $151,655 in 2011 for a water project. In FY13 $22,660 was forgiven by the State of Vermont and a $73,527 ARRA subsidy grant was received.	$ 55,468	$ 0	$ 2,064	$ 53,404
State of Vermont, Department of Environmental Conservation Note Payable, interest at 0%, principal payments of $5,000 due annually on July 1st beginning in 2010 until 2015; originally approved to borrow $25,000 in May 2009, to replace an underground water storage tank.	10,000	0	5,000	5,000
TOTAL NOTES	$125,923	$ 0	$17,795	$108,128
Total Bonds and Notes	$125,923	$ 0	$17,795	$108,128

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

	Principal	Interest	Total
During the year ended June 30, 2015	$ 18,994	$ 3,058	$ 22,052
2016	8,166	2,224	10,390
2017	8,261	2,129	10,390
2018	8,359	2,031	10,390
2019	3,460	1,930	5,390
Thereafter	60,888	14,575	75,462
Totals	$108,128	$25,947	$134,075

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

	Balance July 1, 2013	Increases	Retirements	Balance June 30, 2014
OTHER LONG-TERM OBLIGATIONS:				
OPEB and Termination Benefits	$ 20,522	$ 0	$ 10,261	$ 10,261

NOTE 10 – RESTRICTED, COMMITTED AND ASSIGNED FUND BALANCES (Fund Financial Statements)

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

General Fund:	
Reserve Fund at Board Discretion	$112,291
Special Revenue Fund:	
Computer Fund	$ 5,000
Capital Projects Fund:	
Building Maintenance	$ 8,146

NOTE 11 – NET RESOURCES RESTRICTED (District-wide Financial Statements)

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

Net Resources Restricted For Capital Projects:	
Building Maintenance	$ 8,146
Net Resources Restricted For Other Purposes:	
Reserve Fund at Board Discretion	$112,291
Computer Fund	5,000
Total	$117,291

NOTE 12 – TRANSFERS IN THE FUND BASED FINANCIAL STATEMENTS

The School District transfers funds to cover expenditures made in one fund for which the revenues are in another fund, or at the request of the voters. The following transfers were made during the year.

Funds of $51,550 were transferred from the General Fund to the Capital Project Fund for the purpose of paying for future major maintenance.

Funds of $5,000 were transferred from the General Fund to the Special Revenue Fund - Computer Fund for the purpose of paying for future technology.

Funds of $20,700 were transferred from the General Fund to the Enterprise Fund – Food Program for the purpose of subsidizing operations.

NOTE 13 - PENSIONS

VERMONT TEACHERS' RETIREMENT SYSTEM

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

Required contributions to the system are made by the State of Vermont based upon a valuation report prepared by the System's actuary. TRS is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. TRS is funded through state and employee contributions and the School District has no legal obligation for paying benefits. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan as required by Government Accounting Standards Board (GASB) Statement 24 to be 8.45% or approximately $88,216.

Vesting occurs upon reaching five years of creditable service. Normal retirement requires the employee to be either 62 years of age or have 30 years of service. A member may receive a reduced benefit at age 55 with 10 or more years of service. A member that has 10 or more years of service and leaves teaching before age 55 is entitled to a vested retirement benefit payable at age 62 or a reduced amount at age 55.

NOTE 13 – PENSIONS (CONTINUED)

VERMONT TEACHERS' RETIREMENT SYSTEM (CONTINUED)

Contributions by the employees are 5% of gross earnings and are withheld pre income tax by the School District. Such withholdings totaled $52,199 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District's total payroll for all employees during the year was $1,415,879, with $1,043,974 of such amount related to employees covered by the retirement plan.

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

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

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

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

	Group A	Group B	Group C	Group D
Employees' Contributions (% of gross wages)	2.5%	4.625%	9.50%	11.125%
The School District's contributions (% of gross wages)	4.0%	5.125%	6.75%	9.625%

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

NOTE 13 – PENSIONS (CONTINUED)

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

Employee contributions are withheld pre income tax by the School District and are remitted to the State of Vermont. Such withholdings totaled $6,664 during the year. The School District contributed $10,662 during the year. The School District's total payroll for all employees during the year was $1,415,879, with $266,548 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System. The plan had 9 members at June 30, 2014.

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

NOTE 14 - RISK MANAGEMENT

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

To provide dental insurance to employees the School District decided on July 1, 1995, to stop carrying commercial insurance due to its high cost and high yearly rate increases. The School District participates in a pooled program established by the Washington Central Supervisory Union. Contributions in excess of claims, reserve, reinsurance and administrative costs are maintained in the fund to reduce future increases. Shortages are billed back to members.

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

NOTE 14 - RISK MANAGEMENT (CONTINUED)

and Multi-line Inter-municipal School Programs through VSBIT. They obtain such coverage through other outside commercial carriers.

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

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

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

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities and disclosure of contingent assets and liabilities at the date of

NOTE 14 - RISK MANAGEMENT (CONTINUED)

the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 15 - OPERATING LEASES

On December 5, 2013, the Middlesex School District entered into a lease agreement with Canon Financial Solutions of America for the lease of a copier. The total amount due is $11,280, to be paid in monthly installments of $188 over 5 years. The following is a schedule of future minimum lease payments under this lease.

During the year ended June 30, 2015	$ 2,256
2016	2,256
2017	2,256
2018	2,256
2019	1,316
Thereafter	0
Total	$10,340

Total lease payments made this year between a previous lease that was bought out and this new lease were $7,825.

NOTE 16 - SUBSEQUENT EVENTS

On July 1, 2014, the School District borrowed $944,221 through a Revenue Anticipation Note with the Merchants Bank at 2.85% interest. Any principle and interest are due at maturity on June 30, 2015.

NOTE 17 - COMMITMENTS

The School District participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any money recovered may be required and the collectibility of any related receivable at June 30, 2014, may be impaired. It is the opinion of the School District, that there are no

NOTE 17 – COMMITMENTS (CONTINUED)

significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

The School District is responsible for the withholding and paying over of certain payroll taxes and related items. At June 30, 2014, School District showed a liability for any taxes due and unpaid. These taxes are subject to audit by the State and federal government. It is the opinion of the School District, that there are no significant contingent liabilities relating to compliance with the rules and regulations governing these or other taxes.

NOTE 18 - RELATED PARTY

As defined by GASB No. 14, paragraph 71, the School District is a participant in and as an ongoing financial responsibility to Washington Central Supervisory Union. The School District's board is responsible for appointing one member to the board of Washington Central Supervisory Union. The Washington Central Supervisory Union assesses the School District annually for a share of the net projected expenses in excess of revenues, plus a share of other budgetary provisions. The Washington Central Supervisory Union also provides the busing for the District, the cost of which is billed by the busing company to the District based on an agreement with the Washington Central Supervisory Union. The Washington Central Supervisory Union collects the food program reimbursement from the State and passes it through the School District. Separate financial statements on Washington Central Supervisory Union are available from Washington Central Supervisory Union.

The Middlesex School District offers a computer purchase program to permanent contractual employees. The program allows an employee to purchase one computer per year that is paid for by the Middlesex School District. The employee must reimburse the School District through payroll withholdings. The computer must be paid off with 26 pay periods or termination, whichever occurs first. At June 30, 2014, there was a balance of $172.90 owed to the Middlesex School District.

The School District is part of the Union 32 School District. The Union District is not a component of Middlesex School District. Separate financial statements on the Union School District are available from Washington Central Supervisory Union.

NOTE 19 - CONTINGENCY

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

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

Middlesex School District
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended June 30, 2014

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES:				
Earnings on Investments		$ 17,000	$ 27,953	$ 10,953
Rental Income		-	115	115
Miscellaneous		721	4,584	3,863
Private:				
E-Rate		2,200	3,100	900
State:				
Education Spending Grant		2,134,986	2,134,986	-
Transportation Aid		35,007	34,960	(47)
Mainstream Block Grant		55,517	55,517	-
SPED Expenditure Reimbursement		251,639	207,631	(44,008)
Extraordinary Reimbursement		54,000	54,000	-
Essential Early Education		24,285	24,285	-
TOTAL REVENUES		2,575,355	2,547,131	(28,224)
EXPENDITURES:				
Instructional Services 1100:				
Regular Salaries	110	707,225	702,940	4,285
Temporary Salaries	120	17,750	22,222	(4,472)
Health Insurance	210	113,259	98,246	15,013
Social Security	220	53,994	52,699	1,295
Retirement	240	1,334	1,314	20
Section 125	245	715	715	-
Workers Compensation	250	5,088	5,587	(499)
Unemployment Compensation	260	396	450	(54)
Tuition Reimbursement	270	16,000	19,027	(3,027)
Dental Insurance	280	6,626	6,364	262
Disability Benefits	285	3,556	1,892	1,664
Professional Education Services	320	1,200	1,286	(86)
Other Professional Services	330	3,500	3,835	(335)
Rentals and Leases	440	7,700	7,825	(125)
Travel	580	400	316	84
Supplies	610	20,150	17,930	2,220
Books and Periodicals	640	4,500	7,182	(2,682)
Equipment	730	3,000	-	3,000
Subtotal		966,393	949,830	16,563

The accompanying notes are an integral part of these financial statements

Middlesex School District
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended June 30, 2014

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Instructional Services ELL 1100:				
Temporary Salaries	120	$ 6,989	$ 3,710	$ 3,279
Social Security	220	535	284	251
Workers Compensation	250	50	50	-
Unemployment Compensation	260	4	4	-
Travel	580	500	160	340
Subtotal		8,078	4,208	3,870
Preschool Program 1101:				
Regular Salaries	110	52,304	56,071	(3,767)
Temporary Salaries	120	-	123	(123)
Health Insurance	210	10,947	6,643	4,304
Social Security	220	3,859	4,058	(199)
Section 125	245	100	100	-
Workers Compensation	250	377	377	-
Unemployment Compensation	260	29	29	-
Tuition Reimbursement	270	1,000	220	780
Dental Benefits	280	412	414	(2)
Disability Benefits	285	272	160	112
Travel	580	150	-	150
Supplies	610	1,400	1,320	80
Subtotal		70,850	69,515	1,335
Instructional Services - Special Education 1210:				
Regular Salaries	110	268,908	228,800	40,108
Temporary Salaries	120	15,136	-	15,136
Health Benefits	210	60,482	46,796	13,686
Social Security	220	20,945	16,259	4,686
Retirement	240	5,164	4,899	265
Section 125	245	465	465	-
Workers Compensation	250	2,024	2,274	(250)
Unemployment Compensation	260	157	157	-
Tuition Reimbursement	270	6,000	3,725	2,275
Dental Benefits	280	4,142	2,506	1,636
Disability Benefits	285	1,377	625	752
Other Professional Services	330	100,000	2,036	97,964
SU Shared Services	332	9,000	36,479	(27,479)
Communications	530	150	150	-
Tuition	565	-	107,126	(107,126)
Travel	580	50	-	50

The accompanying notes are an integral part of these financial statements

Middlesex School District
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended June 30, 2014

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Supplies	610	$ 2,000	$ 910	$ 1,090
Books and Periodicals	640	500	1,002	(502)
Equipment	730	1,300	-	1,300
Subtotal		497,800	454,209	43,591
Guidance Services 2120:				
Salaries	110	33,479	33,790	(311)
Health Insurance	210	10,738	10,406	332
Social Security	220	2,422	1,756	666
Section 125	245	50	50	-
Workers Compensation	250	241	241	-
Unemployment Compensation	260	19	19	-
Tuition Reimbursement	270	500	1,170	(670)
Dental Benefits	280	301	307	(6)
Disability Benefits	285	174	100	74
Other Professional Services	330	-	48	(48)
Travel	580	-	118	(118)
Supplies	610	200	162	38
Books and Periodicals	640	100	27	73
Subtotal		48,224	48,194	30
Health Services 2130:				
Salaries	110	36,862	37,073	(211)
Temporary Salaries	120	1,000	183	817
Health Insurance	210	10,738	3,936	6,802
Social Security	220	2,757	2,702	55
Retirement	240	-	2	(2)
Workers Compensation	250	273	273	-
Unemployment Compensation	260	21	21	-
Tuition Reimbursement	270	460	-	460
Dental Benefits	280	301	307	(6)
Disability Benefits	285	192	102	90
Other Professional Services	330	-	48	(48)
Repairs and Maintenance	430	350	118	232
Travel	580	150	21	129
Supplies	610	700	360	340
Subtotal		53,804	45,146	8,658

The accompanying notes are an integral part of these financial statements

Middlesex School District
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended June 30, 2014

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Psychological Services 2140:				
SU Shared Services	330	$ 10,000	$ 10,000	$ -
Subtotal		10,000	10,000	-
Speech Services 2152:				
Salaries	110	35,014	35,329	(315)
Health Insurance	210	10,738	10,372	366
Social Security	220	2,539	2,381	158
Section 125	245	50	50	-
Workers Compensation	250	252	252	-
Unemployment Compensation	260	20	20	-
Dental Benefits	280	301	307	(6)
Disability Benefits	285	182	163	19
SU Shared Services	332	7,725	-	7,725
Subtotal		56,821	48,874	7,947
Physical Therapy Services 2190:				
Other Professional Services	330	5,000	542	4,458
Subtotal		5,000	542	4,458
Curriculum Assessment 2212:				
Supervisory Union Services	331	16,671	16,583	88
Subtotal		16,671	16,583	88
School Library Services 2222:				
Salaries	110	43,654	44,104	(450)
Health Insurance	210	13,455	11,782	1,673
Social Security	220	3,165	3,061	104
Section 125	245	50	50	-
Workers Compensation	250	314	314	-
Unemployment Compensation	260	24	24	-
Tuition Reimbursement	270	600	-	600
Dental Benefits	280	201	417	(216)
Disability Benefits	285	227	123	104
Repairs and Maintenance	430	250	-	250
Supplies	610	1,000	323	677
Books and Periodicals	640	4,000	1,943	2,057
Audio Visual Materials	650	800	270	530
Computer Software	670	500	133	367
Equipment	730	350	319	31
Subtotal		68,590	62,863	5,727

The accompanying notes are an integral part of these financial statements

Middlesex School District
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended June 30, 2014

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Technology Services 2225:				
Salaries	110	$ 24,365	$ 24,499	$ (134)
Health Insurance	210	7,159	6,315	844
Social Security	220	1,771	1,664	107
Workers Compensation	250	175	175	-
Unemployment Compensation	260	14	14	-
Tuition Reimbursement	270	-	2,186	(2,186)
Dental Benefits	280	201	178	23
Disability Benefits	285	127	60	67
Supervisory Union Services	331	8,184	8,141	43
Tech Integration	332	693	693	-
Repairs and Maintenance	430	3,629	190	3,439
Communications	530	6,060	4,995	1,065
Travel	580	-	24	(24)
Supplies	610	4,500	2,545	1,955
Computer Software	670	6,000	10,509	(4,509)
Equipment	730	6,000	10,631	(4,631)
Subtotal		68,878	72,819	(3,941)
Board of Education Services 2310:				
Salaries	110	605	680	(75)
Social Security	220	119	52	67
Tuition Reimbursement	270	400	30	370
Technical Services - Treasurer	310	3,000	3,000	-
Legal Services	360	2,100	309	1,791
Advertising	540	2,500	243	2,257
Printing	550	2,000	1,000	1,000
Supplies	610	-	524	(524)
Dues and Fees	810	1,200	1,156	44
Subtotal		11,924	6,994	4,930
Office of Superintendent 2321:				
Supervisory Union Services	331	49,581	49,318	263
SU Shared Services	332	1,000	1,000	-
Subtotal		50,581	50,318	263
Office of Principal 2410:				
Regular Salaries	110	85,933	85,933	-
Clerical Salaries	110	40,676	39,222	1,454
Temporary Salaries	120	1,915	1,750	165

The accompanying notes are an integral part of these financial statements

Middlesex School District
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended June 30, 2014

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Health Insurance	210	$ 41,801	$ 29,630	$ 12,171
Social Security	220	9,290	8,924	366
Retirement	240	1,627	1,538	89
Section 125	245	113	113	-
Workers Compensation	250	925	925	-
Unemployment Compensation	260	72	72	-
Tuition Reimbursement	270	1,500	225	1,275
Dental Benefits	280	1,155	1,225	(70)
Disability Benefits	285	658	345	313
Other Professional Services	330	750	626	124
Postage	530	1,200	971	229
Travel	580	1,000	462	538
Supplies	610	2,000	2,369	(369)
Books and Periodicals	640	600	151	449
Dues and Fees	810	800	205	595
Subtotal		192,015	174,686	17,329
Special Education Administration 2420:				
Supervisory Union Services	331	18,216	18,120	96
Supervisory Union Services - Early Ed	333	8,321	8,321	-
Subtotal		26,537	26,441	96
Fiscal Services 2520:				
Supervisory Union Services	331	34,868	34,684	184
Subtotal		34,868	34,684	184
Fiscal Services 2523:				
Current Interest	830	17,000	23,967	(6,967)
Subtotal		17,000	23,967	(6,967)
Auditing Services 2526:				
Audit	370	3,200	3,200	-
Subtotal		3,200	3,200	-
Operation & Maintenance of Building 2600:				
Regular Salaries	110	64,394	54,947	9,447
Temporary Salaries	120	500	414	86
Health Insurance	210	24,965	19,998	4,967
Social Security	220	4,639	3,943	696
Retirement	240	2,596	1,371	1,225
Section 125	245	100	100	-
Workers Compensation	250	467	467	-

The accompanying notes are an integral part of these financial statements

Middlesex School District
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended June 30, 2014

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Unemployment Compensation	260	$ 36	$ 36	$ -
Dental Benefits	280	1,004	497	507
Disability Benefits	285	335	99	236
Other Professional Services	330	-	7,139	(7,139)
SU Shared Services	332	1,000	1,844	(844)
Water and Sewer	411	5,000	4,260	740
Disposal Services	421	3,180	2,115	1,065
Snow Removal	422	4,000	7,501	(3,501)
Lawn Care Services	424	4,500	2,115	2,385
Contracted Repairs	430	20,000	10,177	9,823
Rentals and Leases	441	1,600	1,538	62
Insurance	520	5,383	4,716	667
Travel	580	300	173	127
Supplies	610	9,000	11,080	(2,080)
Electricity	622	27,000	30,602	(3,602)
Oil	624	23,000	25,885	(2,885)
Equipment	730	1,500	3,713	(2,213)
Subtotal		204,499	194,730	9,769
Student Transportation Services 2711:				
Contracted Services	519	83,474	83,880	(406)
Subtotal		83,474	83,880	(406)
SPED Student Transportation Services 2711:				
Contracted Services	519	19,870	2,194	17,676
Subtotal		19,870	2,194	17,676
Student Transportation Services 2720:				
Field Trips	519	3,600	3,818	(218)
Subtotal		3,600	3,818	(218)
Debt Services 5100:				
Principal Retirement	910	8,728	8,728	-
Subtotal		8,728	8,728	-
Other Outlays 5200:				
Student Accounts	990	900	1,500	(600)
Subtotal		900	1,500	(600)
TOTAL EXPENDITURES		2,528,305	2,397,923	130,382

The accompanying notes are an integral part of these financial statements

Middlesex School District
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended June 30, 2014

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		$ 47,050	$ 149,208	$ 102,158
OTHER FINANCING SOURCES (USES):				
Transfers To Special Revenue Fund		(5,000)	(5,000)	-
Transfers To Capital Project Fund		(33,550)	(51,550)	(18,000)
Transfers To Enterprise Fund		(8,500)	(20,700)	(12,200)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		-	71,958	71,958
FUND BALANCE, JULY 1, 2013		-	40,333	40,333
FUND BALANCE, JUNE 30, 2014		$ -	$ 112,291	$ 112,291

The accompanying notes are an integral part of these financial statements

Middlesex School District
Combining Balance Sheet
Special Revenue Funds
June 30, 2014

Schedule 2

	EPSDT Mini Grant	Computer Fund	Totals
ASSETS:			
Current Assets:			
Due From Other Funds	$ 103	$ 5,000	$ 5,103
Total Current Assets	103	5,000	5,103
TOTAL ASSETS	$ 103	$ 5,000	$ 5,103
LIABILITIES & FUND BALANCES:			
Liabilities:			
Accounts Payable - Other	$ 103	-	$ 103
Total Liabilities	103	$ -	103
Fund Balances:			
Committed	-	5,000	5,000
Total Fund Balances	-	5,000	5,000
TOTAL LIABILITIES & FUND BALANCES	$ 103	$ 5,000	$ 5,103

The accompanying notes are an integral part of these financial statements

Schedule 3

Middlesex School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Special Revenue Funds
For The Year Ended June 30, 2014

	EPSDT Mini Grant	Internal Service Fund	Computer Fund	Vermont Arts Council	Zero Waste Grant	Totals
REVENUES:						
Private/Local	$ 6,737	$ 30,332	-	$ 5,000	$ 432	$ 42,501
TOTAL REVENUES	6,737	30,332	$ -	5,000	432	42,501
EXPENDITURES:						
Direct Services		30,332		5,000		35,332
Community Services					432	432
Food Services	6,737	-	-	-	-	6,737
TOTAL EXPENDITURES	6,737	30,332	-	5,000	432	42,501
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	-	-
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	5,000	-	-	5,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	5,000	-	-	5,000
FUND BALANCE, JULY 1, 2013	-	-	-	-	-	-
FUND BALANCE JUNE 30, 2014	$ -	$ -	$ 5,000	$ -	$ -	$ 5,000

The accompanying notes are an integral part of these financial statements

Middlesex School District
Statement of Changes in Assets and Liabilities
Fiduciary Fund Types - Agency Fund
For The Year Ended June 30, 2014

Schedule 4

	Balance July 1, 2013	Receipts	Disbursements	Transfers	Balance June 30, 2014
Assets:					
Due From Other Funds	$ 9,210	$ 12,865	$ 13,387	$ -	$ 8,688
Total Assets	$ 9,210	$ 12,865	$ 13,387	$ -	$ 8,688
Liabilities:					
Accounts Payable - Other	$ -	$ 50	$ -	$ -	$ 50
Amount Held for Agency Funds	9,210	12,815	13,387	-	8,638
Total Liabilities	$ 9,210	$ 12,865	$ 13,387	$ -	$ 8,688

The accompanying notes are an integral part of these financial statements

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

To the School Board
Middlesex School District, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Middlesex School District, Vermont, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Middlesex School District, Vermont's basic financial statements and have issued our report thereon dated October 20, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Angolano & Company

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

October 20, 2014