

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

Middlesex School District  
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For The Year Ended June 30, 2011

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## Independent Auditors' Report

To The School Board  
Middlesex School District

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2011 on our consideration of Middlesex School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 and 33 through 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

## *Angolano & Company*

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

October 11, 2011

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

**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, 2011 (FY 11). 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 \$74,625 from \$445,859 to \$520,484.
- Government-wide assets totaled \$741,633 and government-wide liabilities totaled \$221,149.
- More detailed Balance Sheet Information can be found on Figure I on page 5D.

**Operations**

- The District's Elementary School general fund actual revenues were \$2,196,955 while the budgeted revenues were \$2,084,774, a favorable variance of \$112,181.
- The District's Elementary School general fund actual expenditures were \$2,165,396, while budgeted expenditures were \$2,084,774, an unfavorable variance of \$80,622.
- More detailed Elementary School information can be found on Figure IV on page 5F.

**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 \$0, while the building repair fund was \$1,884.
- The Water Project Fund reserve account totaled \$0.
- The Enterprise Fund represents the food program. The cumulative operating retained earnings at year-end had a balance of \$6,920. The investment in net fixed assets was \$1,568 for a total of \$8,488.
- Agency Funds totaling \$10,134 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 6-7

**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 12-13.

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

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

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

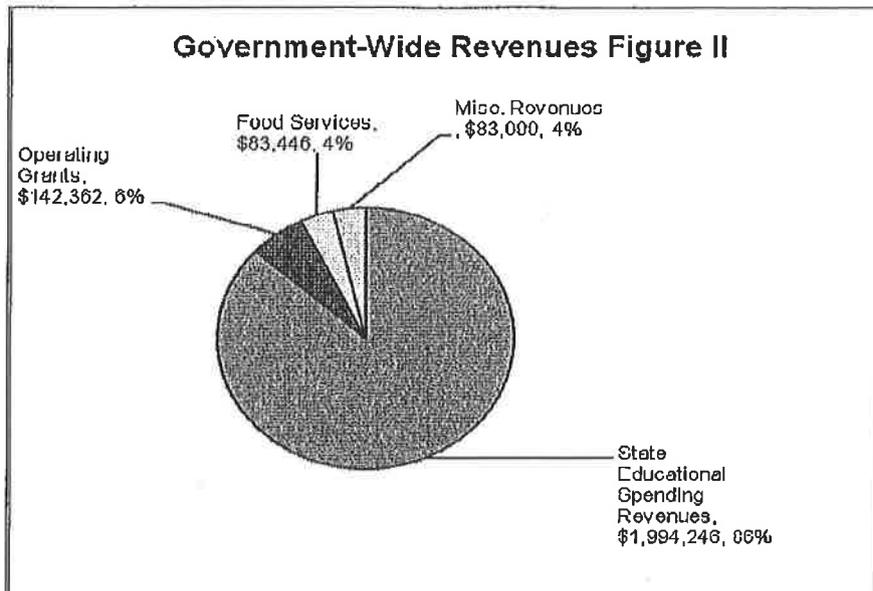
### **Government-Wide Financial Analysis**

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.

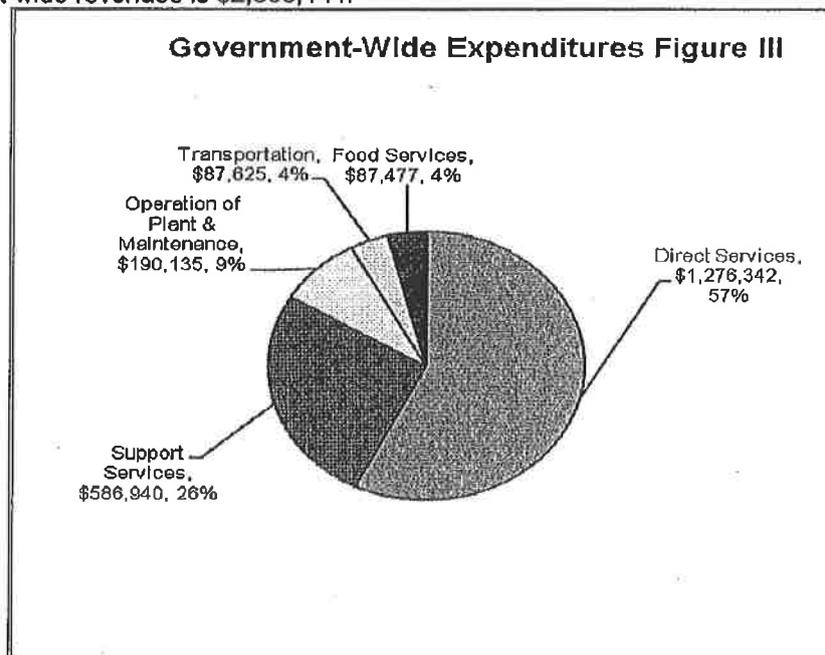
Amounts reported for governmental activities in this statement of net assets differ from the summary of financial operations because: capital (non-current) assets used in governmental activities are not financial resources and therefore, are deferred in the funds; non-current liabilities, consisting 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, 2011

	<u>Governmental &amp; Business Activities</u> <u>As of June 30,</u> <u>2010</u>	<u>As of June 30,</u> <u>2011</u>	<u>Difference</u> <u>Increase(Decrease)</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash	\$73,670	\$78,743	\$5,073
Accounts Receivable:			
Due From Other Funds	\$6,007	\$5,690	(\$317)
Intergovernmental & Other	\$2,070	\$1,105	(\$965)
State	\$26,071	\$10,700	(\$15,371)
Prepaid Expenses	\$0	\$0	\$0
Inventories	\$450	\$189	(\$261)
<b>Total Current Assets</b>	<b>\$108,268</b>	<b>\$96,427</b>	<b>(\$11,841)</b>
<b>Non-Current Assets:</b>			
<b>Capital Assets:</b>			
Land & Other Assets not being depreciated	\$77,058	\$183,951	\$106,893
Building & Equipment, net of Acc. Depreciation	\$474,909	\$461,255	(\$13,654)
<b>Total Non-Current Assets</b>	<b>\$551,967</b>	<b>\$645,206</b>	<b>\$93,239</b>
<b>TOTAL ASSETS</b>	<b>\$660,235</b>	<b>\$741,633</b>	<b>\$81,398</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$54,417	\$7,399	(\$47,018)
Accrued Expenses	\$3,240	\$4,416	\$1,176
Accrued Interest Payable	\$0	\$0	\$0
Due To Other Funds	\$6,007	\$15,824	\$9,817
Deferred Revenue	\$1,664	\$1,495	(\$169)
Current Portion of Long-Term Debt	\$26,988	\$30,097	\$3,109
<b>Total Current Liabilities</b>	<b>\$92,316</b>	<b>\$59,231</b>	<b>(\$33,085)</b>
<b>Non-Current Liabilities:</b>			
<b>Non-Current Portion of Long-Term Debt:</b>			
Bonds Payable & Other Payables	\$122,060	\$161,918	\$39,858
<b>Total Non-Current Liabilities</b>	<b>\$122,060</b>	<b>\$161,918</b>	<b>\$39,858</b>
<b>TOTAL LIABILITIES</b>	<b>\$214,376</b>	<b>\$221,149</b>	<b>\$6,773</b>
<b>NET ASSETS</b>			
Investment in Capital Asset, net of Related Debt	\$402,919	\$453,191	\$50,272
Restricted Capital Projects & Other	\$10,399	\$1,884	(\$8,515)
Restricted Other Purposes	\$31,346	\$62,905	\$31,559
Unrestricted	\$1,195	\$2,504	\$1,309
<b>TOTAL NET ASSETS</b>	<b>\$445,859</b>	<b>\$520,484</b>	<b>\$74,625</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$660,235</b>	<b>\$741,633</b>	<b>\$81,398</b>



Government-wide revenues consisted of \$1,994,246 in restricted state revenues, \$142,362 in operating grants, \$83,446 in Food Services and \$83,090 in miscellaneous revenues. The total of Government-wide revenues is \$2,303,144.



Government-wide expenses consist of \$1,276,342 in direct services, \$586,940 in support services, \$190,135 in operation of plant and maintenance, \$87,625 in transportation, and \$87,477 in Food Services, for a total of \$2,228,519.

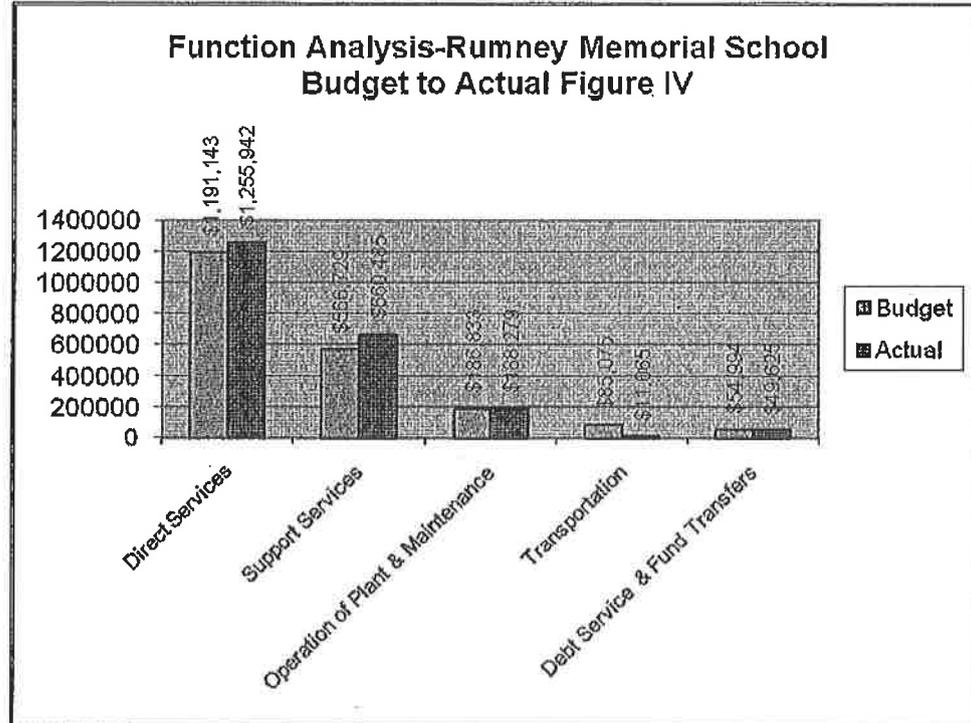
Governmental-wide Activities revenues totaled \$2,303,144 and expenses totaled \$2,228,519 for a decrease in net assets of \$74,625.

Business-type activities (food program) realized an increase in net assets of \$2,969, primarily attributable to additional revenues.

### Fund Based Financial Analysis

- Governmental Fund Types:

General Fund actual revenues were \$2,196,955 and actual expenditures were \$2,165,396. However, revenues were \$112,181 above budgeted amounts and were largely attributable to additional interest income, ARRA Education Jobs Fund and special education revenues. Expenses were \$80,622 more than budgeted which was largely attributable to additional costs for \$19,074 interest expense \$32,002 Instructional Programs and \$30,557 Special Education costs offset by \$1,011 in miscellaneous savings.



- Capital Project Fund ending fund balance of \$0 is reflective of funds available for a computer replacement fund \$0 and building improvement fund \$1,884. The Water Project Fund had a balance of \$0.
- Proprietary Fund Type:  
Food service programs are offered to the students for hot lunch and breakfast. This program recognized net income of \$2,969 during the past year and had a retained earnings balance of \$8,488 at the end of the year.
- Fiduciary Fund Types:

Agency funds of \$10,134 were being held at the end of the year for student activities and projects. The prior year balance was \$9,904 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.

<b>Middlesex School District-Figure V</b>			
<b>Capital Assets</b>			
<b>June 30, 2011</b>			
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Value</b>
<b>Governmental Activities:</b>			
Land & Sitework & Construction	\$183,951	\$0	\$183,951
Building and Improvement	\$953,837	\$566,637	\$387,200
Furniture and Equipment	\$97,606	\$25,119	\$72,487
Vehicles	\$0	\$0	\$0
<b>Total</b>	<b>\$1,235,394</b>	<b>\$591,756</b>	<b>\$643,638</b>
<b>Business Type activities:</b>			
Building and Improvements	\$8,643	\$8,643	\$0
Furniture and Equipment	\$23,245	\$21,677	\$1,568
<b>Total</b>	<b>\$31,888</b>	<b>\$30,320</b>	<b>\$1,568</b>
<b>Grand Total</b>	<b>\$1,267,282</b>	<b>\$622,076</b>	<b>\$645,206</b>

**Long-Term Debt**

The District has three categories of debt a bond obligation, underground storage tank loan and a water loan. At the end of the fiscal year, the District had \$229,851 in outstanding principal and interest. The Water Project note is included in this total. Bond principal and interest are being paid from the General Fund. The final payment of the bond will be made in FY 2012.

**Current & Subsequent Issues**

- The Teachers Union contract has been settled for FY 11-12.
- The WCSU transportation contract was awarded to First Student, Inc. beginning in FY 2006-2007. It is a 3 year contract with the option to extend 2 additional years. The contract was renewed for FY12.
- There has been an unanticipated significant increase in heating fuel oil costs and gasoline for student transportation.
- The Rumney Water System Improvement Project is expected to be finished in FY12.

**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  
Statement of Net Assets  
Government-Wide  
June 30, 2011

EXHIBIT I

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 78,743		\$ 78,743
Accounts Receivable - State	9,224	\$ 1,476	10,700
Accounts Receivable - Other		1,105	1,105
Due From Other Funds		5,690	5,690
Inventory		189	189
Capital Assets, net (Note 4)	<u>643,638</u>	<u>1,568</u>	<u>645,206</u>
Total Assets	<u>731,605</u>	<u>10,028</u>	<u>741,633</u>
<b>LIABILITIES:</b>			
Accounts Payable - Other	7,354	45	7,399
Accrued Expenses	4,416		4,416
Due To Other Funds	15,824		15,824
Deferred Revenue		1,495	1,495
Long-Term Liabilities (Note 7):			
Due Within One Year	30,097		30,097
Due in More Than One Year	<u>161,918</u>	<u>-</u>	<u>161,918</u>
Total Liabilities	<u>219,609</u>	<u>1,540</u>	<u>221,149</u>
<b>NET ASSETS:</b>			
Investment in Capital Assets, net of related debt	451,623	1,568	453,191
Restricted for Capital Projects	1,884		1,884
Restricted for Other Purposes	62,905		62,905
Unrestricted	<u>(4,416)</u>	<u>6,920</u>	<u>2,504</u>
Total Net Assets	<u>\$ 511,996</u>	<u>\$ 8,488</u>	<u>\$ 520,484</u>

The accompanying notes are an integral part of these financial statements

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

EXHIBIT II

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	
Instructional:						
Direct Services	\$ 1,276,342		\$ 101,607	\$ (1,174,735)		\$ (1,174,735)
Support Services:						
Student Services	170,850			(170,850)		(170,850)
Instructional Services	119,272			(119,272)		(119,272)
General Administrative Services	45,183			(45,183)		(45,183)
Area Administrative Services	201,735			(201,735)		(201,735)
Fiscal Services	49,900			(49,900)		(49,900)
Building Operations and Maintenance	190,135			(190,135)		(190,135)
Transportation	87,625		40,755	(46,870)		(46,870)
Operation of Noninstructional Services:						
Food Services	87,477	\$ 83,446	-	-	\$ (4,031)	(4,031)
Total	<u>\$ 2,228,519</u>	<u>\$ 83,446</u>	<u>\$ 142,362</u>	(1,998,680)	(4,031)	(2,002,711)
General Revenues:						
State Revenues not Restricted to Specific Programs				1,994,246		1,994,246
Private Revenues not Restricted to Specific Programs				6,297		6,297
Investment Earnings				24,378		24,378
Miscellaneous				52,415		52,415
Transfers				(7,000)	7,000	-
Total General Revenues				<u>2,070,336</u>	<u>7,000</u>	<u>2,077,336</u>
Excess (Deficiency) of Revenues Over Expenses				71,656	2,969	74,625
Net Assets - Beginning				<u>440,340</u>	<u>5,519</u>	<u>445,859</u>
Net Assets - Ending				<u>\$ 511,996</u>	<u>\$ 8,488</u>	<u>\$ 520,484</u>

The accompanying notes are an integral part of these financial statements

Middlesex School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2011

EXHIBIT III

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund	
	General Fund	Capital Project Fund	Enterprise Fund	Agency Fund	Totals (Memorandum Only)
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash	\$ 78,743				\$ 78,743
Accounts Receivable - State	4,423	\$ 4,801	\$ 1,476		10,700
Accounts Receivable - Other			1,105		1,105
Due From Other Funds			5,690	\$ 10,134	15,824
Inventory	-	-	189	-	189
Total Current Assets	<u>83,166</u>	<u>4,801</u>	<u>8,460</u>	<u>10,134</u>	<u>106,561</u>
<b>Other Assets:</b>					
Fixed Assets - net	-	-	1,568	-	1,568
Total Other Assets	<u>-</u>	<u>-</u>	<u>1,568</u>	<u>-</u>	<u>1,568</u>
<b>TOTAL ASSETS</b>	<b>\$ 83,166</b>	<b>\$ 4,801</b>	<b>\$ 10,028</b>	<b>\$ 10,134</b>	<b>\$ 108,129</b>
<b>LIABILITIES &amp; FUND EQUITY:</b>					
<b>Liabilities:</b>					
Accounts Payable - Other	\$ 7,354		\$ 45		\$ 7,399
Due to Other Funds	12,907	\$ 2,917			15,824
Deferred Revenue			1,495		1,495
Amount Held for Agency Funds	-	-	-	\$ 10,134	10,134
Total Liabilities	<u>20,261</u>	<u>2,917</u>	<u>1,540</u>	<u>10,134</u>	<u>34,852</u>
<b>Fund Equity:</b>					
<b>Fund Balances:</b>					
Committed	62,905	1,884			64,789
Retained Earnings (Deficit)	-	-	8,488	-	8,488
Total Fund Equity	<u>62,905</u>	<u>1,884</u>	<u>8,488</u>	<u>-</u>	<u>73,277</u>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 83,166</b>	<b>\$ 4,801</b>	<b>\$ 10,028</b>	<b>\$ 10,134</b>	<b>\$ 108,129</b>

The accompanying notes are an integral part of these financial statements

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

Fund Balances – total governmental funds	\$ 64,789
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	1,235,394
Less accumulated depreciation	(591,756)
Bonds payable and contractual obligations have not been included in the governmental fund financial statements.	
Bonds Payable	(25,000)
Notes Payable	(167,015)
Accrued liabilities have not been reflected in the governmental fund financial statements:	
Vested Vacation Payable	<u>(4,416)</u>
Net Assets of Governmental Activities	<u>\$ 511,996</u>

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

EXHIBIT IV

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Totals (Memorandum Only)
<b>REVENUES:</b>					
Earnings on Investments	\$ 24,378				\$ 24,378
Miscellaneous	39,723				39,723
Private/Local	3,578	\$ 7,332	\$ 2,719		13,629
State	2,035,001				2,035,001
Federal	<u>94,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,275</u>
<b>TOTAL REVENUES</b>	<u>2,196,955</u>	<u>7,332</u>	<u>2,719</u>	<u>\$ -</u>	<u>2,207,006</u>
<b>EXPENDITURES:</b>					
Direct Services	1,255,948	7,332			1,263,280
Support Services:					
Students	170,681				170,681
Instructional Staff	118,242				118,242
General Administration	45,183				45,183
Area Administration	199,913				199,913
Fiscal Services	49,900				49,900
Operation and Maintenance of Building	188,279				188,279
Transportation	87,625				87,625
Construction Services			106,893		106,893
Debt Service:					
Interest Payments				2,625	2,625
Principal Payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
<b>TOTAL EXPENDITURES</b>	<u>2,115,771</u>	<u>7,332</u>	<u>106,893</u>	<u>32,625</u>	<u>2,262,621</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	81,184	-	(104,174)	(32,625)	(55,615)
<b>OTHER FINANCING SOURCES (USES):</b>					
Loan Proceeds			85,659		85,659
Transfers In			10,000	32,625	42,625
Transfers Out	<u>(49,625)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,625)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	31,559	-	(8,515)	-	23,044
<b>FUND BALANCE, JULY 1, 2010</b>	<u>31,346</u>	<u>-</u>	<u>10,399</u>	<u>-</u>	<u>41,745</u>
<b>FUND BALANCE JUNE 30, 2011</b>	<u>\$ 62,905</u>	<u>\$ -</u>	<u>\$ 1,884</u>	<u>\$ -</u>	<u>\$ 64,789</u>

The accompanying notes are an integral part of these financial statements

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

Net Changes in fund Balances – total governmental funds	\$ 23,044
Amount reported for governmental activities in the Statement of Activities are different because:	
<p style="margin-left: 40px;">Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:</p>	
Expenditures for capital assets	112,041
Less current year depreciation	(19,286)
<p style="margin-left: 40px;">Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>	
Note proceeds	(67,967)
Repayment of bonds	25,000
<p style="margin-left: 40px;">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:</p>	
Vested Vacation Payable Change	<u>(1,176)</u>
Change in Net Assets of Governmental Funds	<u>\$ 71,656</u>

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, 2011

EXHIBIT V

Operating Revenue:		
Sales	\$ 50,716	
Miscellaneous	<u>7,036</u>	
Total Operating Revenue		\$ 57,752
Operating Expenses:		
Salaries and Benefits	50,203	
Repairs and Maintenance	462	
Travel	287	
Supplies and Food	31,512	
Commodities	4,366	
Utilities	337	
Dues and Fees	32	
Depreciation	<u>278</u>	
Total Operating Expenses		<u>87,477</u>
Operating Income (Loss)		(29,725)
Non-Operating Revenue (Loss)		
State Sources:		
Restricted Grants		
School Lunch Match	878	
Child Nutrition Breakfast	271	
Child Nutrition Other	94	
Federal Sources:		
Restricted Grants		
School Breakfast Program	4,919	
School Lunch Program	15,166	
Commodities	<u>4,366</u>	
Total Non-Operating Revenue		<u>25,694</u>
Income (Loss) Before Transfers		(4,031)
Operating Transfers In		<u>7,000</u>
Net Income (Loss)		2,969
Retained Earnings, July 1, 2010		<u>5,519</u>
Retained Earnings, June 30, 2011		<u>\$ 8,488</u>

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, 2011

EXHIBIT VI

Cash Flows From Operating Activities:		
Received From Customers	\$ 58,188	
Payments To Employees and Fringe Benefits	(50,203)	
Payments To Vendors and Supplies	<u>(39,208)</u>	
Net Cash Used By Operating Activities		\$ (31,223)
Cash Flows From Noncapital Financing Activities:		
State Aid Received	24,218	
Support From General Fund	<u>7,767</u>	
Net Cash Used By Noncapital Financing Activities		31,985
Cash Flows From Capital and Related Financing Activities:		
Purchases of Fixed Assets		(762)
Cash Flows From Investing Activities:		
None		<u>-</u>
Net Increase (Decrease) in Cash		-
Cash, July 1, 2010		<u>-</u>
Cash, June 30, 2011		<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities:		
Cash Provided From Operating Activities:		
Operating Income (Loss)		\$ (29,725)
Adjustments to Reconcile Net Income to Cash Provided (Used) By Operating Activities:		
Depreciation	\$ 278	
(Increase) Decrease in Accounts Receivable - Other	605	
(Increase) Decrease in Inventory	(189)	
Increase (Decrease) in Accounts Payable	(2,023)	
Increase (Decrease) in Deferred Revenue	<u>(169)</u>	
Total Adjustments		<u>(1,498)</u>
Net Cash Provided (Used) By Operating Activities		<u>\$ (31,223)</u>

The accompanying notes are an integral part of these financial statements

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

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

**Reporting Entity:**

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

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

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

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

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

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

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

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

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

Governmental Fund Types:

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

Proprietary Fund Types:

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

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

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

Fiduciary Funds (Agency Funds):

Agency Funds – The Agency Funds are used to account for assets held by the School District as an agent for individuals, private organizations, other funds and/or governmental units.

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

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

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

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

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

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

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended

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

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

by the end of the project period, grantors sometimes require the School District to refund all or part of the unused amount.

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

Other Accounting Policies:

Cash and Cash Equivalents:

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

Interfund Receivables and Payables:

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

Accounts Receivable:

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

Inventory:

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

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

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

Capital Assets:

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

Long-term Debt:

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

Budgets:

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

Encumbrances:

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

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

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

Net Assets and Fund Balance:

Government-Wide Financial Statements:

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

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

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

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

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

Fund Based Financial Statements:

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

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

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

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

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

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

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

Function and Object Codes:

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

Memorandum Only Columns:

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

**NOTE 2 - CASH AND REPURCHASE AGREEMENTS**

Cash deposits with financial institutions at June 30th amounted to \$78,743. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

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

These four levels of risk are as follows:

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

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

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

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

Balances held in each area are as follows:

	Carrying Amount	Bank Balance
- Insured (FDIC) and/or (SIPC)	\$ 0	\$ 10,000
- Category 1	78,143	129,562
- Category 2	0	0
- Category 3	0	0
- Category 4	<u>600</u>	<u>0</u>
Total deposits	<u>\$78,743</u>	<u>\$139,562</u>

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

Repurchase agreements of \$129,562 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, 2011 is as follows:

Fund Financial Statements:	Payable Fund	Amount
Receivable Fund		
Agency Fund:		
Student Activities	General Fund	\$10,134
Enterprise Fund:		
Food Program	General Fund	5,690
General Fund	Capital Project Fund:	
	Water Project	<u>2,917</u>
Total		<u>\$18,741</u>

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

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

Government -Wide Financial Statements:			
Receivable Fund	Payable Fund		Amount
Business Type	Governmental Type		\$ 5,690
General Purpose Trust	Governmental Type		<u>10,134</u>
Total			<u>\$15,824</u>

**NOTE 4 – CAPITAL ASSETS**

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

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets not being depr.				
Construction in Progress	\$ 77,058	\$106,893	\$ 0	\$ 183,951
Total capital assets not being depreciated	<u>77,058</u>	<u>106,893</u>	<u>0</u>	<u>183,951</u>
Other Capital Assets:				
Buildings	263,837	0	0	263,837
Building Improvements	690,000	0	0	690,000
Furniture and Equipment	<u>92,458</u>	<u>5,148</u>	<u>0</u>	<u>97,606</u>
Total other capital assets at historical costs	<u>1,046,295</u>	<u>5,148</u>	<u>0</u>	<u>1,051,443</u>
Less accumulated depreciation:				
Buildings	263,837	0	0	263,837
Building Improvements	289,000	13,800	0	302,800
Furniture and Equipment	<u>19,633</u>	<u>5,486</u>	<u>0</u>	<u>25,119</u>
Total accum. depr.	<u>572,470</u>	<u>19,286</u>	<u>0</u>	<u>591,756</u>
Other Capital Assets, Net	<u>473,825</u>	<u>(14,138)</u>	<u>0</u>	<u>459,687</u>
Governmental activities Capital Assets, Net	<u>\$ 550,883</u>	<u>\$ 92,755</u>	<u>\$ 0</u>	<u>\$ 643,638</u>
Business -type activities:				
Building	\$ 8,643	\$ 0	\$ 0	\$ 8,643
Furniture and Equipment	22,483	762	0	23,245

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

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

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Less accum. Depr. Business-type activities	\$ 30,042	\$ 278	\$ 0	\$ 30,320
Capital Assets, Net	<u>\$ 1,084</u>	<u>\$ 484</u>	<u>\$ 0</u>	<u>\$ 1,568</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Direct Services	\$15,585
Support Services:	
Students	169
Instructional Staff	1,030
General Administration	0
Area Administration	646
Fiscal Services	0
Operation and Maintenance of Plant	1,856
Transportation	0
Other Support Services	<u>0</u>
Total governmental activities depreciation expense	<u>\$19,286</u>

**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, 2011. Teachers do not receive paid vacations, and are paid only for the number of days they are required to work each year. 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 Financial Position as an accrued liability. The amount accrued at year end was \$4,416. Vacation pay is charged to operations when taken by the employee of the School District.

**NOTE 6 - SICK LEAVE**

It is the School District's policy to permit employees to accumulate earned but unused sick pay benefits. Such leave benefits do not vest under the School District's policy, accordingly benefits

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

**NOTE 6 - SICK LEAVE (CONTINUED)**

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 10 sick days per year for their first three years of employment and 15 sick days per year beginning with their fourth year of employment, and may accumulate a maximum of 90 days.

The Teacher contract provides that Teachers who have worked in the District for 5 years and retire pursuant to Vermont State Teachers Retirement will be paid \$10 per day for accumulated sick leave up to a maximum of \$750. At June 30, 2011, five teachers has vested in this buyout for a total contingent liability of \$2,690.

The support staff contract provides that full time staff members who have worked in the District for 5 years and are separating from employment with the School District in good standing shall be paid \$15 for each day of accumulated sick leave up to 50 days. At June 30, 2011, there were eight staff members who met these requirements for a contingent liability of \$4,800.

**NOTE 7 - LONG-TERM DEBT**

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

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

	Balance July 1, 2010	Borrowings	Retirements	Balance June 30, 2011
Vermont Municipal Bond Bank, bond payable, interest at 6.827% interest paid semi-annually, principal of \$25,000 due on December 1 <sup>st</sup> of each year until 2012, originally borrowed \$470,000 in 1995	\$ 50,000	\$ 0	\$25,000	\$ 25,000

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2010

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

	Balance July 1, 2010	Borrowings	Retirements	Balance June 30, 2011
Vermont Environmental Protection Agency Drinking Water State Revolving Fund note payable, interest at 0% and Administration fee at 0% paid annually, principal of \$1,100 due on January 1 <sup>st</sup> of each year until 2016, beginning in 2012.	\$ 5,500	\$ 0	\$ 0	\$ 5,500
Vermont Environmental Protection Agency Drinking Water State Revolving Fund note payable, interest at 0% and Administration fee at 0%, paid annually, principal of \$880 due on May 1 <sup>st</sup> of each year until 2014, beginning in 2014.	0	4,400	0	4,400
Vermont Environmental Protection Agency Drinking Water State Revolving Fund note payable, interest at 1% and Administration fee at 2%, paid annually, principal ranging from \$399 to \$700 due on December 1 <sup>st</sup> of each year until 2030, beginning in 2011.	10,731	13,993	0	24,724
Vermont Environmental Protection Agency Drinking Water State Revolving Fund note payable, interest at 0% and Administration fee at 0%, paid annually, principal of \$7,146.20 due on November 1 <sup>st</sup> of each year until 2017, beginning on 2013.	35,731	0	0	35,731
Vermont Environmental Protection Agency Drinking Water State Revolving Fund note payable, interest at 1% and Administration fee at 2%, paid				

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

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

	Balance July 1, 2010	Borrowings	Retirements	Balance June 30, 2011
annually, principal and interest of \$3,627.90 due on December 1 <sup>st</sup> of each year until 2031 beginning in 2012. Originally borrowed \$144,171 with ARRA subsidy of \$90,196.97.	\$ 0	\$53,974	\$ 0	\$ 53,974
Vermont Environmental Protection Agency Drinking Water State Revolving Fund note payable, interest at 1% and Administration fee at 2%, paid annually, principal ranging from \$1,589 to \$2,787 due on December 1 <sup>st</sup> of each year until 2030 beginning in 2011. Originally borrowed \$99,269 of which \$58,583 is ARRA subsidy.	<u>42,686</u>	<u>0</u>	<u>0</u>	<u>42,686</u>
Total Long-Term Debt	<u>\$149,048</u>	<u>\$67,967</u>	<u>\$25,000</u>	<u>\$192,015</u>

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

	Principal	Interest	Total
During the year ended June 30, 2012	\$ 30,097	\$ 4,097	\$ 34,194
2013	12,361	3,101	15,462
2014	13,368	2,978	16,346
2015	13,493	2,851	16,344
2016	13,624	2,720	16,344
Thereafter	<u>109,072</u>	<u>22,089</u>	<u>131,161</u>
Totals	<u>\$192,015</u>	<u>\$37,836</u>	<u>\$229,851</u>

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

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

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

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

General Fund:	
Board discretion for FY 2012	<u>\$62,905</u>
Capital Projects Fund:	
Water Project	<u>\$ 1,884</u>

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

Restricted net asset balances represent amounts that must be used for specific purposes and cannot be spent otherwise without prior approval of the funding source.

Restrictions at year end are for the following:

Net Assets Restricted For Capital Projects:	
Water Project	<u>\$ 1,884</u>

**NOTE 10 – TRANSFERS IN THE FUND BASED FINANCIAL STATEMENTS**

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

Funds of \$10,000 were transferred from the General Fund to the Capital Project Fund's Water System for the purpose of paying for improvements.

Funds of \$7,000 were transferred from the General Fund to the Enterprise Fund's Food Program for the purpose of subsidizing operations.

**NOTE 11 - PENSIONS**

**VERMONT TEACHERS' RETIREMENT SYSTEM**

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

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

**NOTE 11 – PENSIONS (CONTINUED)**

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

Required contributions to the system are made by the State of Vermont based upon a valuation report prepared by the System's actuary. TRS is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. TRS is funded through state and employee contributions and the School District has no legal obligation for paying benefits. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan as required by Government Accounting Standards Board (GASB) Statement 24 to be 7.74% or approximately \$73,844.

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

Contributions by the employees are 5% of gross earnings and are withheld pre income tax by the School District. Such withholdings totaled \$47,810 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 \$1,335,283, with \$954,056 of such amount related to employees covered by the retirement plan.

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

**VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

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

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

**NOTE 11 – PENSIONS (CONTINUED)**

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

of creditable service. A member may receive reduced benefits at age 55 if they have 5 years of service and have made contributions for at least 2.5 years.

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

	Group A	Group B	Group C	Group D
Employees' Contributions (% of gross wages)	2.5%	4.5%	9.0%	11.0%
The School District's contributions (% of gross wages)	4.0%	5.0%	6.5%	9.5%

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

Employee contributions are withheld pre income tax by the School District and are remitted to the State of Vermont. Such withholdings totaled \$6,798 during the year. The School District contributed \$10,876 during the year. The School District's total payroll for all employees during the year was \$1,335,283 with \$271,903 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System.

**NOTE 12 - RISK MANAGEMENT**

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

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

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

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

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

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

**NOTE 13 - OPERATING LEASES**

On May 10, 2010 Middlesex School District entered into a lease agreement with Swish Kenco, Inc. for the lease of a floor scrubber. The total amount due is \$5,176.32, to be paid in monthly installments of \$107.84 over 4 years. The following is a schedule of future minimum lease payments under this lease.

During the year ended June 30, 2012	\$1,294
2013	1,294
2014	<u>1,077</u>
Total	<u>\$3,665</u>

Total lease payments made this year were \$1,294.

On January 29, 2010 Middlesex School District entered into a lease agreement with US Bank for the lease of nine Canon photocopiers. The total amount due is \$26,712.96, to be paid in monthly installments of \$556.52 over 4 years. The following is a schedule of future minimum lease payments under this lease.

During the year ended June 30, 2012	\$ 6,678
2013	6,678
2014	6,678
2015	<u>4,452</u>
Total	<u>\$24,486</u>

Total lease payments made this year were \$2,226.

**NOTE 14 - SUBSEQUENT EVENTS**

On July 1, 2011 the School District borrowed \$804,337 in a Revenue Anticipation Note at 2.20%. The interest and principal are due at maturity on June 30, 2012.

**NOTE 15 - RELATED PARTY**

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

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

**NOTE 15 - RELATED PARTY (CONTINUED)**

The School District is part of the Union 32 School District and has an ongoing financial responsibility as defined in GASB 14, paragraph 71. As a member of the Union School District, the School District is responsible for a share of any debt carried by the Union School District. Separate financial statements on the Union School District are available from Washington Central Supervisory Union.

**NOTE 16 - CONTINGENCY**

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

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

Middlesex School District  
Statement of Revenues, Expenditures, and Changes  
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	Object	Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES:</b>				
Earnings on Investments		\$ -	\$ 24,378	\$ 24,378
Miscellaneous		721	39,723	39,002
Private:				
E-Rate		2,600	3,268	668
VSBIT Refund		-	310	310
State:				
Education Spending Grant		1,844,498	1,781,557	(62,941)
Education Spending Grant - Prior Year		-	109	109
Transportation Aid		39,568	40,755	1,187
Mainstream Block Grant		45,799	45,799	-
Intensive Reimbursement		135,005	150,198	15,193
Essential Early Education		16,583	16,583	-
Federal:				
ARRA Education Spending Grant		-	62,941	62,941
ARRA Education Jobs Fund		-	31,334	31,334
		<u>2,084,774</u>	<u>2,196,955</u>	<u>112,181</u>
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES:</b>				
Instructional Services 1100:				
Regular Salaries	110	626,377	554,686	71,691
Temporary Salaries	120	10,850	20,308	(9,458)
Health Insurance	210	91,760	91,693	67
Social Security	220	47,592	50,783	(3,191)
Retirement	240	1,563	1,616	(53)
Section 125	245	725	725	-
Workers Compensation	250	4,472	3,025	1,447
Unemployment Compensation	260	268	268	-
Tuition Reimbursement	270	13,000	14,215	(1,215)
Dental Insurance	280	5,721	6,369	(648)
Disability Benefits	285	3,162	2,790	372
Professional Education Services	320	2,675	2,348	327
Other Professional Services	330	7,300	6,905	395
Rentals and Leases	440	6,500	7,095	(595)
Travel	580	400	1,392	(992)
Supplies	610	16,150	19,822	(3,672)
Books and Periodicals	640	5,500	1,457	4,043

The accompanying notes are an integral part of these financial statements

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

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Equipment	730	\$ 4,000	\$ 245	\$ 3,755
Subtotal		<u>848,015</u>	<u>785,742</u>	<u>62,273</u>
Instructional Services ELL 1100:				
Temporary Salaries	120	4,719	8,164	(3,445)
Social Security	220	361	625	(264)
Travel	580	-	<u>436</u>	<u>(436)</u>
Subtotal		<u>5,080</u>	<u>9,225</u>	<u>(4,145)</u>
Preschool Program 1101:				
Regular Salaries	110	59,879	59,365	514
Temporary Salaries	120	5,583	365	5,218
Health Insurance	210	-	5,584	(5,584)
Social Security	220	4,505	4,494	11
Retirement	240	544	-	544
Section 125	245	90	90	-
Workers Compensation	250	422	422	-
Unemployment Compensation	260	25	25	-
Tuition Reimbursement	270	700	-	700
Dental Benefits	280	452	502	(50)
Disability Benefits	285	311	197	114
Travel	580	-	195	(195)
Supplies	610	<u>1,400</u>	<u>1,634</u>	<u>(234)</u>
Subtotal		<u>73,911</u>	<u>72,873</u>	<u>1,038</u>
Instructional Services - Other 1102:				
Temporary Salaries	120	800	-	800
Social Security	220	61	-	61
Workers Compensation	250	<u>6</u>	<u>6</u>	<u>-</u>
Subtotal		<u>867</u>	<u>6</u>	<u>861</u>
ARRA Instructional Services 1199:				
Salaries	110	<u>-</u>	<u>94,275</u>	<u>(94,275)</u>
Subtotal		<u>-</u>	<u>94,275</u>	<u>(94,275)</u>
Instructional Services - Special Education 1210:				
Regular Salaries	110	189,446	181,903	7,543
Temporary Salaries	120	12,780	23,793	(11,013)
Health Benefits	210	29,324	30,973	(1,649)
Social Security	220	15,074	14,715	359
Retirement	240	4,519	4,551	(32)
Section 125	245	301	301	-

The accompanying notes are an integral part of these financial statements

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	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Workers Compensation	250	\$ 1,411	\$ 1,411	\$ -
Unemployment Compensation	260	83	311	(228)
Tuition Reimbursement	270	2,500	1,764	736
Dental Benefits	280	3,463	2,526	937
Disability Benefits	285	969	864	105
Other Professional Services	330	1,500	26,849	(25,349)
SU Shared Services	332	-	2,480	(2,480)
Student Transportation	510	-	600	(600)
Communications	530	150	-	150
Travel	580	50	142	(92)
Supplies	610	1,700	559	1,141
Books and Periodicals	640	-	85	(85)
Subtotal		<u>263,270</u>	<u>293,827</u>	<u>(30,557)</u>
Guidance Services 2120:				
Salaries	110	30,053	30,388	(335)
Health Insurance	210	6,584	6,608	(24)
Social Security	220	2,210	1,791	419
Section 125	245	45	45	-
Workers Compensation	250	212	212	-
Unemployment Compensation	260	13	13	-
Tuition Reimbursement	270	400	250	150
Dental Benefits	280	301	301	-
Disability Benefits	285	156	135	21
Supplies	610	200	57	143
Books and Periodicals	640	100	11	89
Subtotal		<u>40,274</u>	<u>39,811</u>	<u>463</u>
Health Services 2130:				
Salaries	110	53,886	56,120	(2,234)
Temporary Salaries	120	500	1,193	(693)
Health Insurance	210	14,711	14,714	(3)
Social Security	220	3,962	4,023	(61)
Retirement	240	-	4	(4)
Workers Compensation	250	383	383	-
Unemployment Compensation	260	23	23	-
Tuition Reimbursement	270	460	120	340
Dental Benefits	280	502	502	-
Disability Benefits	285	280	226	54
Other Professional Services	330	-	75	(75)

The accompanying notes are an integral part of these financial statements

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Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Repairs and Maintenance	430	\$ 350	\$ -	\$ 350
Travel	580	33	48	(15)
Supplies	610	<u>700</u>	<u>195</u>	<u>505</u>
Subtotal		<u>75,790</u>	<u>77,626</u>	<u>(1,836)</u>
Psychological Services 2140:				
Other Professional Services	330	<u>5,500</u>	<u>4,295</u>	<u>1,205</u>
Subtotal		<u>5,500</u>	<u>4,295</u>	<u>1,205</u>
Speech Services 2152:				
Salaries	110	31,572	31,877	(305)
Health Insurance	210	8,827	13,982	(5,155)
Social Security	220	2,296	2,121	175
Section 125	245	45	45	-
Workers Compensation	250	222	222	-
Unemployment Compensation	260	13	13	-
Dental Benefits	280	301	477	(176)
Disability Benefits	285	<u>164</u>	<u>212</u>	<u>(48)</u>
Subtotal		<u>43,440</u>	<u>48,949</u>	<u>(5,509)</u>
Curriculum Assessment 2212:				
Supervisory Union Services	331	<u>10,868</u>	<u>10,868</u>	<u>-</u>
Subtotal		<u>10,868</u>	<u>10,868</u>	<u>-</u>
School Library Services 2222:				
Salaries	110	39,574	39,892	(318)
Health Insurance	210	11,060	15,926	(4,866)
Social Security	220	2,878	2,776	102
Section 125	245	45	45	-
Workers Compensation	250	279	279	-
Unemployment Compensation	260	17	17	-
Tuition Reimbursement	270	500	45	455
Dental Benefits	280	201	611	(410)
Disability Benefits	285	206	257	(51)
Repairs and Maintenance	430	550	-	550
Supplies	610	920	-	920
Books and Periodicals	640	4,000	2,781	1,219
Audio Visual Materials	650	800	-	800
Computer Software	670	-	495	(495)
Equipment	730	<u>350</u>	<u>-</u>	<u>350</u>
Subtotal		<u>61,380</u>	<u>63,124</u>	<u>(1,744)</u>

The accompanying notes are an integral part of these financial statements

Middlesex School District  
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Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Technology Services 2225:				
Salaries	110	\$ 18,470	\$ 18,228	\$ 242
Health Insurance	210	2,233	2,233	-
Social Security	220	1,383	1,272	111
Workers Compensation	250	130	130	-
Unemployment Compensation	260	8	8	-
Dental Benefits	280	201	200	1
Disability Benefits	285	96	78	18
Other Professional Services	330	-	1,925	(1,925)
Supervisory Union Services	331	6,129	6,129	-
Tech Integration	332	660	660	-
Repairs and Maintenance	430	2,454	1,179	1,275
Communications	530	6,900	5,700	1,200
Supplies	610	3,500	2,466	1,034
Computer Software	670	2,000	559	1,441
Equipment	730	<u>5,000</u>	<u>3,483</u>	<u>1,517</u>
Subtotal		<u>49,164</u>	<u>44,250</u>	<u>4,914</u>
Board of Education Services 2310:				
Salaries	110	605	840	(235)
Social Security	220	119	64	55
Tuition Reimbursement	270	400	106	294
Technical Services - Treasurer	310	3,000	3,000	-
Other Professional Services	330	-	794	(794)
Legal Services	360	2,000	2,863	(863)
Fidelity Bond Premiums	523	100	-	100
Advertising	540	2,500	1,086	1,414
Printing	550	1,000	1,000	-
Supplies	610	-	470	(470)
Dues and Fees	810	<u>1,200</u>	<u>1,200</u>	-
Subtotal		<u>10,924</u>	<u>11,423</u>	<u>(499)</u>
Office of Superintendent 2321:				
Supervisory Union Services	331	<u>33,760</u>	<u>33,760</u>	-
Subtotal		<u>33,760</u>	<u>33,760</u>	-
Office of Principal 2410:				
Regular Salaries	110	77,250	77,250	-
Clerical Salaries	110	34,561	35,461	(900)
Temporary Salaries	120	1,915	2,010	(95)

The accompanying notes are an integral part of these financial statements

Middlesex School District  
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Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Health Insurance	210	\$ 33,836	\$ 33,850	\$ (14)
Social Security	220	8,243	6,050	2,193
Retirement	240	1,382	1,419	(37)
Section 125	245	101	101	-
Workers Compensation	250	801	801	-
Unemployment Compensation	260	48	48	-
Tuition Reimbursement	270	1,500	-	1,500
Dental Benefits	280	1,154	1,158	(4)
Disability Benefits	285	581	480	101
Repairs and Maintenance	430	250	-	250
Postage	530	1,200	1,358	(158)
Travel	580	1,000	712	288
Supplies	610	2,000	1,756	244
Books and Periodicals	640	300	56	244
Dues and Fees	810	800	730	70
Subtotal		166,922	163,240	3,682
Special Education Administration 2420:				
Supervisory Union Services	331	16,933	16,933	-
Supervisory Union Services - Early Ed	333	19,740	19,740	-
Subtotal		36,673	36,673	-
Fiscal Services 2520:				
Supervisory Union Services	331	28,234	27,734	500
Travel	580	500	-	500
Supplies	610	300	92	208
Subtotal		29,034	27,826	1,208
Fiscal Services 2523:				
Current Interest	830	-	19,074	(19,074)
Subtotal		-	19,074	(19,074)
Auditing Services 2526:				
Audit	370	3,000	3,000	-
Subtotal		3,000	3,000	-
Operation & Maintenance of Building 2600:				
Regular Salaries	110	59,133	60,474	(1,341)
Temporary Salaries	120	500	1,884	(1,384)
Health Insurance	210	15,831	15,747	84
Social Security	220	4,348	4,453	(105)
Retirement	240	2,365	2,448	(83)

The accompanying notes are an integral part of these financial statements

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	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Section 125	245	\$ 90	\$ 90	\$ -
Workers Compensation	250	420	420	-
Unemployment Compensation	260	25	25	-
Dental Benefits	280	1,004	938	66
Disability Benefits	285	307	265	42
Other Professional Services	330	-	4,990	(4,990)
SU Shared Services	332	1,000	671	329
Water and Sewer	411	3,000	4,145	(1,145)
Disposal Services	421	2,500	2,160	340
Snow Removal	422	4,000	4,422	(422)
Lawn Care Services	424	4,500	3,105	1,395
Contracted Repairs	430	20,000	18,127	1,873
Rentals and Leases	441	10,000	10,000	-
Insurance	520	7,000	6,946	54
Travel	580	300	100	200
Supplies	610	9,000	7,056	1,944
Electricity	622	23,000	20,645	2,355
Oil	624	17,010	17,956	(946)
Equipment	730	<u>1,500</u>	<u>1,212</u>	<u>288</u>
Subtotal		<u>186,833</u>	<u>188,279</u>	<u>(1,446)</u>
Student Transportation Services 2711:				
Contracted Services	519	<u>82,475</u>	<u>85,066</u>	<u>(2,591)</u>
Subtotal		<u>82,475</u>	<u>85,066</u>	<u>(2,591)</u>
Student Transportation Services 2720:				
Field Trips	519	<u>2,600</u>	<u>2,559</u>	<u>41</u>
Subtotal		<u>2,600</u>	<u>2,559</u>	<u>41</u>
<b>TOTAL EXPENDITURES</b>		<u>2,029,780</u>	<u>2,115,771</u>	<u>(85,991)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>		54,994	81,184	26,190
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers To Capital Project Fund		(10,000)	(10,000)	-
Transfers To Enterprise Fund		(9,500)	(7,000)	2,500
Transfer To Debt Service Fund		<u>(35,494)</u>	<u>(32,625)</u>	<u>2,869</u>

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, 2011

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		\$ -	\$ 31,559	\$ 31,559
FUND BALANCE, JULY 1, 2010		<u>-</u>	<u>31,346</u>	<u>31,346</u>
FUND BALANCE, JUNE 30, 2011		<u>\$ -</u>	<u>\$ 62,905</u>	<u>\$ 62,905</u>

The accompanying notes are an integral part of these financial statements

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

Schedule 2

	EPSDT Mini Grant	Internal Service Fund	Totals
REVENUES:			
Private/Local	\$ 7,048	\$ 284	\$ 7,332
TOTAL REVENUES	<u>7,048</u>	<u>284</u>	<u>7,332</u>
EXPENDITURES:			
Direct Services	<u>7,048</u>	<u>284</u>	<u>7,332</u>
TOTAL EXPENDITURES	<u>7,048</u>	<u>284</u>	<u>7,332</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE, JULY 1, 2010	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE JUNE 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2011

Schedule 3

	Balance July 1, 2010	Receipts	Disbursements	Balance June 30, 2011
Assets:				
Due From Other Funds	<u>\$ 7,969</u>	<u>\$ 14,249</u>	<u>\$ 12,084</u>	<u>\$ 10,134</u>
 Total Assets	 <u>\$ 7,969</u>	 <u>\$ 14,249</u>	 <u>\$ 12,084</u>	 <u>\$ 10,134</u>
Liabilities:				
Amount Held for Agency Funds	<u>\$ 7,969</u>	<u>\$ 14,249</u>	<u>\$ 12,084</u>	<u>\$ 10,134</u>
 Total Liabilities	 <u>\$ 7,969</u>	 <u>\$ 14,249</u>	 <u>\$ 12,084</u>	 <u>\$ 10,134</u>

The accompanying notes are an integral part of these financial statements



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

To the School Board  
Middlesex School District

We have audited 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, 2011, which collectively comprise the entity's basic financial statements and have issued our report thereon dated October 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

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

## *Angolano & Company*

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

October 11, 2011



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To the School Board  
Middlesex School District

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

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

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

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

### *Angolano & Company*

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October 11, 2011



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July 22, 2011

To the School Board  
Middlesex School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Middlesex School District** for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 27, 2009. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Middlesex School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the lives of property, plant, and equipment is based on expected usefulness. We evaluated the key factors and assumptions used to develop

the lives of property, plant, and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

The disclosure of Reserved Fund Balances and Net Assets in Notes 8 and 9 to the financial statements as to how any surplus is to be used in future fiscal years.

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

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

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

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

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to

determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

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

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

Very truly yours,

*Angolano & Company*

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School Board  
Middlesex School District

Each year we are asked to perform additional testing in an area selected by the Business Manager. This year that area was the purchase order and bill paying process.

Audit standards require that we evaluate risk by testing, and adjust our audit procedures accordingly. These procedures were not a substitute to our required testing, but were in addition to them.

The results of the testing is as follows:

- There were two transaction tested that had only a purchase order as the supporting documentation.
- There were three transactions tested that had an invoice with a date earlier than the date on the purchase order.
- There was four invoice that did not have an object code on it.

None of these findings are considered to be a significant deficiency or a material weakness.

July 27, 2011

*Angolano & Company*

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