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October 22, 2012

Middlesex School District
Att: Lori Bibeau, Bus. Admin.
1130 Gallison Hill Road
Montpelier, VT 05602

Dear Lori:

I have electronically forwarded the final financial statements for Middlesex School District as of and for the year ended June 30, 2012. In addition I will be mailing you 10 bound copies.

If you are thinking of putting our audit report into your Town Report, auditing standards provides you with three options:

- You may include the entire audit report from page one through the last page;
- You may include pages 1 through Schedule 1;
- You can put a statement in that you were audited and that the audit is available at _____ and omit our audit report completely.

If you have any questions or need assistance, please do not hesitate to call us.

Sincerely,
Angolano & Company

Angolano & Company

Enclosures

Middlesex School District
Financial Statements
For The Year Ended June 30, 2012

Middlesex School District
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For The Year Ended June 30, 2012

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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, 2012, 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, 2012, 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, 2012, 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, 2012, 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 9, 2012 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 35 through 42 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 9, 2012

**MIDDLESEX SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

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, 2012 (FY 12). 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 \$24,797 from \$520,484 to \$545,281.
- Government-wide assets totaled \$829,522 and government-wide liabilities totaled \$284,241.
- 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 \$2,254,719 while the budgeted revenues were \$2,162,517, a favorable variance of \$92,202.
- The District's Elementary School general fund actual expenditures were \$2,237,959, while budgeted expenditures were \$2,162,517, an unfavorable variance of \$75,442.
- 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 \$0.
- 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 \$7,306. The investment in net fixed assets was \$1,290 for a total of \$8,596.
- Agency Funds totaling \$7,501 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 14-34.

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.

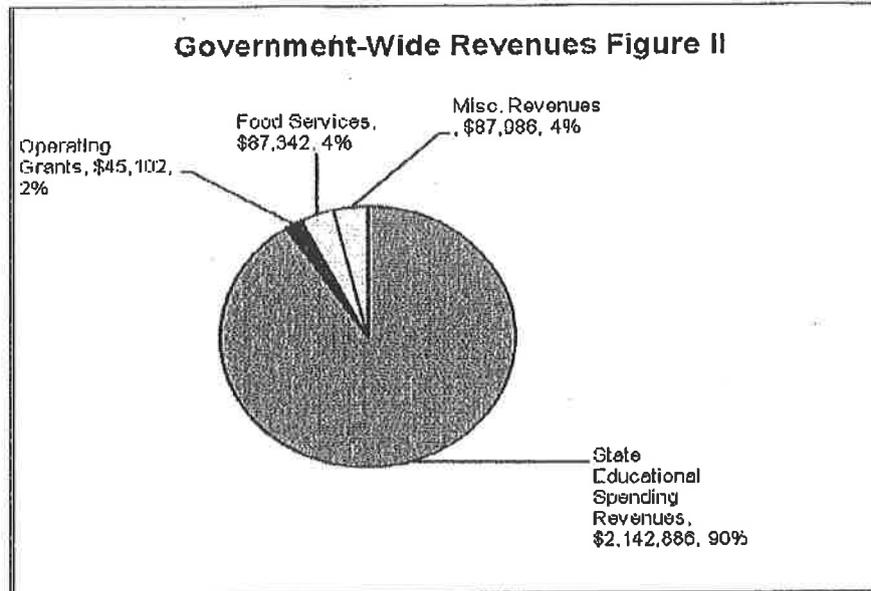
Government-Wide Financial Analysis

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.

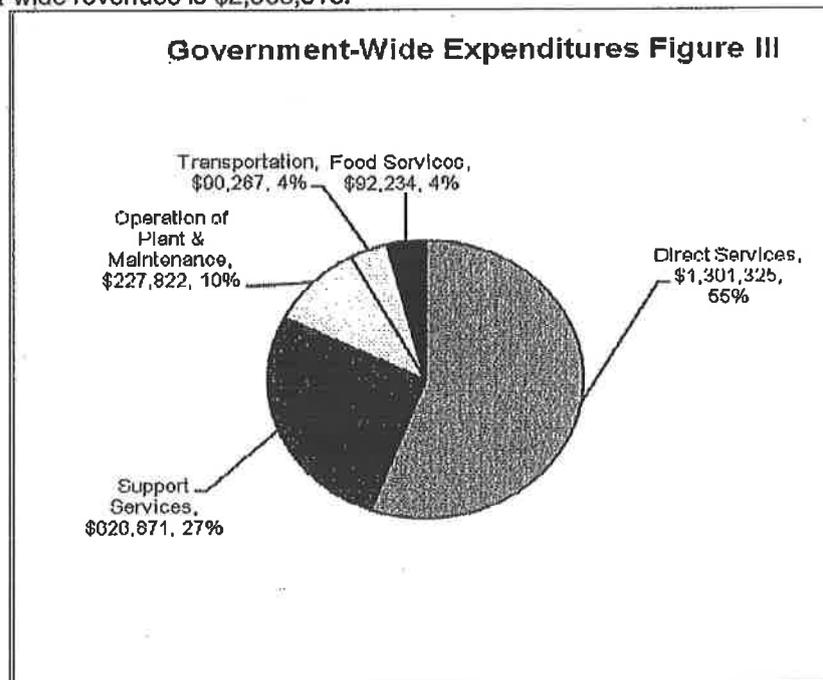
Amounts reported for governmental activities in this statement of net assets differ from the summary of financial operations because: capital (non-current) assets used in governmental activities are not financial resources and therefore, are deferred in the funds; non-current liabilities, consisting 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, 2012

| | Governmental & Business Activities | | Difference |
|--|--------------------------------------|--------------------------------------|---------------------------|
| | <u>As of June 30,</u> <u>2011</u> | <u>As of June 30,</u> <u>2012</u> | <u>Increase(Decrease)</u> |
| ASSETS | | | |
| Current Assets: | | | |
| Cash | \$78,743 | \$125,876 | \$47,133 |
| Accounts Receivable: | | | |
| Due From Other Funds | \$5,690 | \$7,309 | \$1,619 |
| Intergovernmental & Other | \$1,105 | \$3,932 | \$2,827 |
| State | \$10,700 | \$7,484 | (\$3,216) |
| Prepaid Expenses | \$0 | \$0 | \$0 |
| Inventories | \$189 | \$270 | \$81 |
| Total Current Assets | \$96,427 | \$144,871 | \$48,444 |
| Non-Current Assets: | | | |
| Capital Assets: | | | |
| Land & Other Assets not being depreciated | \$183,951 | \$227,073 | \$43,122 |
| Building & Equipment, net of Acc. Depreciation | \$461,255 | \$457,578 | (\$3,677) |
| Total Non-Current Assets | \$645,206 | \$684,651 | \$39,445 |
| TOTAL ASSETS | \$741,633 | \$829,522 | \$87,889 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | \$7,399 | \$16,084 | \$8,685 |
| Accrued Expenses | \$4,416 | \$931 | (\$3,485) |
| Retirement Payable | \$0 | \$30,784 | \$30,784 |
| Due To Other Funds | \$15,824 | \$14,810 | (\$1,014) |
| Deferred Revenue | \$1,495 | \$2,006 | \$511 |
| Current Portion of Long-Term Debt | \$30,097 | \$15,264 | (\$14,833) |
| Total Current Liabilities | \$59,231 | \$79,879 | \$20,648 |
| Non-Current Liabilities: | | | |
| Non-Current Portion of Long-Term Debt: | | | |
| Bonds Payable & Other Payables | \$161,918 | \$204,362 | \$42,444 |
| Total Non-Current Liabilities | \$161,918 | \$204,362 | \$42,444 |
| TOTAL LIABILITIES | \$221,149 | \$284,241 | \$63,092 |
| NET ASSETS | | | |
| Investment in Capital Asset, net of Related Debt | \$453,191 | \$465,025 | \$11,834 |
| Restricted Capital Projects & Other | \$1,884 | \$0 | (\$1,884) |
| Restricted Other Purposes | \$62,905 | \$104,665 | \$41,760 |
| Unrestricted | \$2,504 | (\$24,409) | (\$26,913) |
| TOTAL NET ASSETS | \$520,484 | \$545,281 | \$24,797 |
| TOTAL LIABILITIES & NET ASSETS | \$741,633 | \$829,522 | \$87,889 |



Government-wide revenues consisted of \$2,142,886 in restricted state revenues, \$45,102 in operating grants, \$87,342 in Food Services and \$87,986 in miscellaneous revenues. The total of Government-wide revenues is \$2,363,316.



Government-wide expenses consist of \$1,301,325 in direct services, \$626,871 in support services, \$227,822 in operation of plant and maintenance, \$90,267 in transportation, and \$92,234 in Food Services, for a total of \$2,338,519.

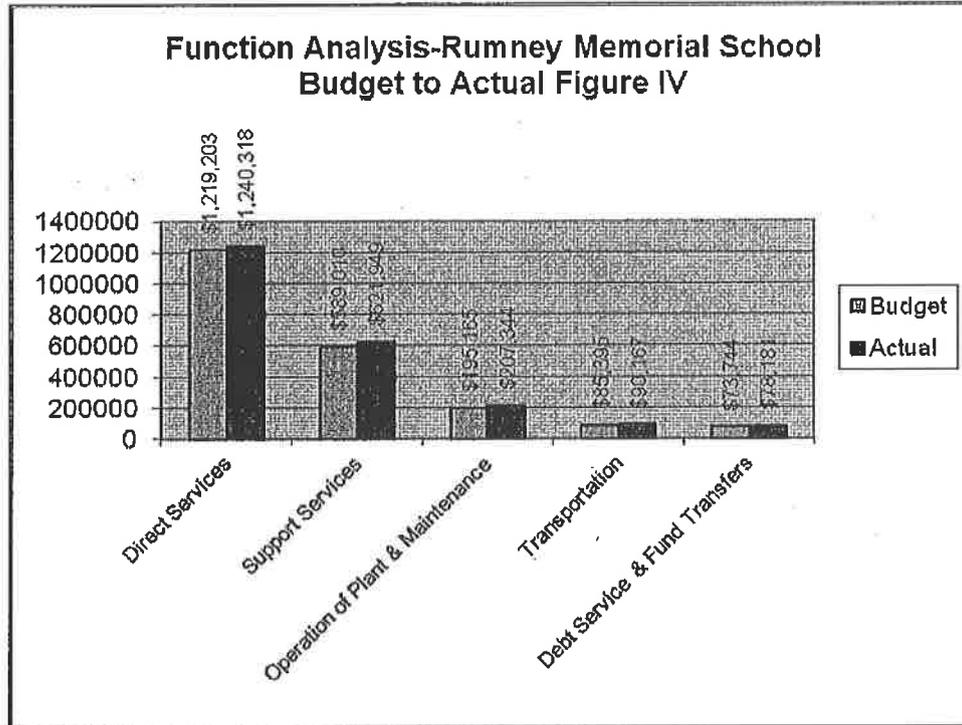
Governmental-wide Activities revenues totaled \$2,363,316 and expenses totaled \$2,338,519 for an increase in net assets of \$24,797.

Business-type activities (food program) realized an increase in net assets of \$108, primarily attributable to additional revenues.

Fund Based Financial Analysis

- Governmental Fund Types:

General Fund actual revenues were \$2,254,719 and actual expenditures were \$2,237,959. However, revenues were \$92,202 above budgeted amounts and were largely attributable to additional interest income, miscellaneous income and special education revenues. Expenses were \$75,442 more than budgeted which was largely attributable to additional costs for \$17,647 interest expense \$18,685 Operation & Maintenance of Building , \$23,867 Special Education costs and \$14,044 health insurance costs and \$1,199 in miscellaneous expenses.



- Capital Project Fund ending fund balance of \$0 is reflective of funds available for a computer replacement fund \$0 and building improvement fund \$0. 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 \$108 during the past year and had a retained earnings balance of \$8,596 at the end of the year.

- Fiduciary Fund Types:

Agency funds of \$7,501 were being held at the end of the year for student activities and projects. The prior year balance was \$10,134 for similar accounts.

There are currently no Expendable Trust Funds.

Capital Assets

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

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

| Middlesex School District-Figure V | | | |
|------------------------------------|--------------------|-----------------------------|------------------|
| Capital Assets | | | |
| June 30, 2012 | | | |
| | Cost | Accumulated Depreciation | Net Value |
| Governmental Activities: | | | |
| Land & Site work & Construction | \$227,417 | \$344 | \$227,073 |
| Building and Improvement | \$953,837 | \$580,437 | \$373,400 |
| Furniture and Equipment | \$124,085 | \$41,197 | \$82,888 |
| Vehicles | \$0 | \$0 | \$0 |
| Total | \$1,305,339 | \$621,978 | \$683,361 |
| Business Type activities: | | | |
| Building and Improvements | \$8,643 | \$8,643 | \$0 |
| Furniture and Equipment | \$23,245 | \$21,955 | \$1,290 |
| Total | \$31,888 | \$30,598 | \$1,290 |
| Grand Total | \$1,337,227 | \$652,576 | \$684,651 |

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 \$246,817 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 was made in FY 2012.

Current & Subsequent Issues

- The Teachers Union contract has been settled for FY 13-16.
- The WCSU transportation contract was awarded to First Student, Inc. for FY13-15. It is a 3 year contract with the option to extend 2 additional years.
- There has been an unanticipated significant increase in heating fuel oil costs and gasoline for student transportation.
- The Rumney Water System Improvement Project work was 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, 2012

EXHIBIT I

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|------------|
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 125,876 | | \$ 125,876 |
| Due From Other Funds | | \$ 7,309 | 7,309 |
| Accounts Receivable - State | 7,484 | | 7,484 |
| Accounts Receivable - Other | 2,199 | 1,733 | 3,932 |
| Inventory | | 270 | 270 |
| Capital Assets, net (Note 4) | 683,361 | 1,290 | 684,651 |
| Total Assets | 818,920 | 10,602 | 829,522 |
| LIABILITIES: | | | |
| Due To Other Funds | 14,810 | | 14,810 |
| Accounts Payable - State | 10,568 | | 10,568 |
| Accounts Payable - Other | 5,516 | | 5,516 |
| Accrued Expenses | 931 | | 931 |
| Deferred Revenue | | 2,006 | 2,006 |
| Retirement Incentive Payable (Note 7) | 30,784 | | 30,784 |
| Long-Term Liabilities (Note 8): | | | |
| Due Within One Year | 15,264 | | 15,264 |
| Due in More Than One Year | 204,362 | - | 204,362 |
| Total Liabilities | 282,235 | 2,006 | 284,241 |
| NET ASSETS: | | | |
| Investment in Capital Assets, net of related debt | 463,735 | 1,290 | 465,025 |
| Restricted for Other Purposes | 104,665 | | 104,665 |
| Unrestricted | (31,715) | 7,306 | (24,409) |
| Total Net Assets | \$ 536,685 | \$ 8,596 | \$ 545,281 |

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, 2012

EXHIBIT II

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|---------------------|-------------------------|---------------------|--|-----------------------------|-------------------|
| | Expenses | Charges for Services | Operating Grants | Governmental Activities | Business-Type Activities | Total |
| Instructional: | | | | | | |
| Direct Services | \$ 1,301,325 | | \$ 3,171 | \$ (1,298,154) | | \$ (1,298,154) |
| Support Services: | | | | | | |
| Student Services | 183,962 | | | (183,962) | | (183,962) |
| Instructional Services | 137,545 | | | (137,545) | | (137,545) |
| General Administrative Services | 49,023 | | | (49,023) | | (49,023) |
| Area Administrative Services | 199,436 | | | (199,436) | | (199,436) |
| Fiscal Services | 50,339 | | | (50,339) | | (50,339) |
| Building Operations and Maintenance | 227,822 | | | (227,822) | | (227,822) |
| Transportation | 90,267 | | 35,365 | (54,902) | | (54,902) |
| Other Support Services | 6,566 | | 6,566 | - | | - |
| Operation of Noninstructional Services: | | | | | | |
| Food Services | <u>92,234</u> | <u>\$ 87,342</u> | <u>-</u> | <u>-</u> | <u>\$ (4,892)</u> | <u>(4,892)</u> |
| Total | <u>\$ 2,338,519</u> | <u>\$ 87,342</u> | <u>\$ 45,102</u> | (2,201,183) | (4,892) | (2,206,075) |
| General Revenues: | | | | | | |
| State Revenues not Restricted to Specific Programs | | | | 2,142,886 | | 2,142,886 |
| Federal Revenues not Restricted to Specific Programs | | | | 465 | | 465 |
| Private Revenues not Restricted to Specific Programs | | | | 4,378 | | 4,378 |
| Investment Earnings | | | | 23,522 | | 23,522 |
| Miscellaneous | | | | 60,421 | | 60,421 |
| Transfers | | | | <u>(5,800)</u> | <u>5,000</u> | <u>(800)</u> |
| Total General Revenues | | | | <u>2,225,872</u> | <u>5,000</u> | <u>2,230,872</u> |
| Excess (Deficiency) of Revenues Over Expenses | | | | 24,689 | 108 | 24,797 |
| Net Assets - Beginning | | | | <u>511,996</u> | <u>8,488</u> | <u>520,484</u> |
| Net Assets - Ending | | | | <u>\$ 536,685</u> | <u>\$ 8,596</u> | <u>\$ 545,281</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, 2012

EXHIBIT III

| | Governmental Fund Types | | Proprietary Fund Type | Fiduciary Fund | |
|--|--------------------------|----------------------------|--------------------------|------------------------|--------------------------------|
| | General Fund | Capital Project Fund | Enterprise Fund | Agency Fund | Totals (Memorandum Only) |
| ASSETS: | | | | | |
| Current Assets: | | | | | |
| Cash | \$ 125,876 | | | | \$ 125,876 |
| Due From Other Funds | | | \$ 7,309 | \$ 7,501 | 14,810 |
| Accounts Receivable - State | | \$ 7,484 | | | 7,484 |
| Accounts Receivable - Other | | 2,199 | 1,733 | | 3,932 |
| Inventory | - | - | 270 | - | 270 |
| Total Current Assets | <u>125,876</u> | <u>9,683</u> | <u>9,312</u> | <u>7,501</u> | <u>152,372</u> |
| Other Assets: | | | | | |
| Fixed Assets - net | - | - | 1,290 | - | 1,290 |
| Total Other Assets | <u>-</u> | <u>-</u> | <u>1,290</u> | <u>-</u> | <u>1,290</u> |
| TOTAL ASSETS | <u>\$ 125,876</u> | <u>\$ 9,683</u> | <u>\$ 10,602</u> | <u>\$ 7,501</u> | <u>\$ 153,662</u> |
| LIABILITIES & FUND EQUITY: | | | | | |
| Liabilities: | | | | | |
| Due To Other Funds | \$ 5,127 | \$ 9,683 | | | \$ 14,810 |
| Accounts Payable - State | 10,568 | | | | 10,568 |
| Accounts Payable - Other | 5,516 | | | | 5,516 |
| Deferred Revenue | | | \$ 2,006 | | 2,006 |
| Amount Held for Agency Funds | - | - | - | \$ 7,501 | 7,501 |
| Total Liabilities | <u>21,211</u> | <u>9,683</u> | <u>2,006</u> | <u>7,501</u> | <u>40,401</u> |
| Fund Equity: | | | | | |
| Fund Balances: | | | | | |
| Committed | 104,665 | | | | 104,665 |
| Retained Earnings | - | - | 8,596 | - | 8,596 |
| Total Fund Equity | <u>104,665</u> | <u>-</u> | <u>8,596</u> | <u>-</u> | <u>113,261</u> |
| TOTAL LIABILITIES & FUND EQUITY | <u>\$ 125,876</u> | <u>\$ 9,683</u> | <u>\$ 10,602</u> | <u>\$ 7,501</u> | <u>\$ 153,662</u> |

The accompanying notes are an integral part of these financial statements

Middlesex School District
 Reconciliation of the Balance Sheet to the Statement of Net Assets
 Governmental Funds
 June 30, 2012

Fund Balances – total governmental funds \$ 104,665

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 | 1,305,339 |
| Less accumulated depreciation | (621,978) |

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

| | |
|---------------|-----------|
| Bonds Payable | 0 |
| Notes Payable | (219,626) |

Accrued liabilities have not been reflected in the governmental fund financial statements:

| | |
|------------------------------|-----------------|
| Vested Vacation Payable | (931) |
| Retirement Incentive Payable | <u>(30,784)</u> |

Net Assets of Governmental Activities \$ 536,685

Middlesex School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For The Year Ended June 30, 2012

EXHIBIT IV

| | General Fund | Special Revenue Fund | Capital Project Fund | Debt Service Fund | Totals (Memorandum Only) |
|--|-------------------|----------------------------|----------------------------|-------------------------|--------------------------------|
| REVENUES: | | | | | |
| Earnings on Investments | \$ 23,522 | | | | \$ 23,522 |
| Miscellaneous | 48,203 | | \$ 2,199 | | 50,402 |
| Private/Local | 4,378 | \$ 9,837 | | | 14,215 |
| State | 2,178,151 | | | | 2,178,151 |
| Federal | <u>465</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>465</u> |
| TOTAL REVENUES | <u>2,254,719</u> | <u>9,837</u> | <u>2,199</u> | <u>\$ -</u> | <u>2,266,755</u> |
| EXPENDITURES: | | | | | |
| Direct Services | 1,240,318 | 3,171 | | | 1,243,489 |
| Support Services: | | | | | |
| Students | 183,797 | | | | 183,797 |
| Instructional Staff | 136,515 | | | | 136,515 |
| General Administration | 49,023 | | | | 49,023 |
| Area Administration | 202,275 | | | | 202,275 |
| Fiscal Services | 50,339 | | | | 50,339 |
| Operation and Maintenance of Building | 207,344 | | | | 207,344 |
| Transportation | 90,167 | 100 | | | 90,267 |
| Community Services | | 1,539 | | | 1,539 |
| Food Services | | 5,027 | | | 5,027 |
| Construction Services | | | 88,219 | | 88,219 |
| Debt Service: | | | | | |
| Interest Payments | | | | 875 | 875 |
| Principal Payments | <u>-</u> | <u>-</u> | <u>-</u> | <u>30,000</u> | <u>30,000</u> |
| TOTAL EXPENDITURES | <u>2,159,778</u> | <u>9,837</u> | <u>88,219</u> | <u>30,875</u> | <u>2,288,709</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 94,941 | - | (86,020) | (30,875) | (21,954) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Loan Proceeds | | | 67,630 | | 67,630 |
| Transfers In | | | 16,506 | 30,875 | 47,381 |
| Transfers Out | <u>(53,181)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(53,181)</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | 41,760 | - | (1,884) | - | 39,876 |
| FUND BALANCE, JULY 1, 2011 | <u>62,905</u> | <u>-</u> | <u>1,884</u> | <u>-</u> | <u>64,789</u> |
| FUND BALANCE JUNE 30, 2012 | <u>\$ 104,665</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 104,665</u> |

The accompanying notes are an integral part of these financial statements

Middlesex School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For The Year Ended June 30, 2012

| | |
|--|------------------|
| Net Changes in fund Balances – total governmental funds | \$ 39,876 |
| 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 | 69,945 |
| Less current year depreciation | (30,222) |
| <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 | (67,630) |
| Repayment of bonds | 25,000 |
| Repayment of notes | 15,019 |
| <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 | 3,485 |
| <p style="margin-left: 40px;">Current year payments on liabilities for the voluntary exit program (early retirement, etc.) are reported as expenditures in Governmental fund financial statements and as a reduction in debt in the government-wide financial statements.</p> | |
| | 0 |
| <p style="margin-left: 40px;">Current year granting of voluntary exit programs (early retirements, etc.) are not reported as expenditures in governmental fund financial statements and are reported as an expense and debt in the government-wide financial statements.</p> | |
| | <u>(30,784)</u> |
| Change in Net Assets of Governmental Funds | <u>\$ 24,689</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, 2012

EXHIBIT V

| | | |
|----------------------------------|--------------|-----------------|
| Operating Revenue: | | |
| Sales | \$ 55,853 | |
| Miscellaneous | <u>7,343</u> | |
| Total Operating Revenue | | \$ 63,196 |
| Operating Expenses: | | |
| Salaries and Benefits | 54,615 | |
| Professional Services | 200 | |
| Repairs and Maintenance | 1,212 | |
| Travel | 426 | |
| Supplies and Food | 30,952 | |
| Commodities | 4,025 | |
| Utilities | 492 | |
| Dues and Fees | 34 | |
| Depreciation | <u>278</u> | |
| Total Operating Expenses | | <u>92,234</u> |
| Operating Income (Loss) | | (29,038) |
| Non-Operating Revenue (Loss) | | |
| State Sources: | | |
| Restricted Grants | | |
| School Lunch Match | 808 | |
| Child Nutrition Breakfast | 222 | |
| Child Nutrition Other | 81 | |
| Federal Sources: | | |
| Restricted Grants | | |
| School Breakfast Program | 4,601 | |
| School Lunch Program | 14,409 | |
| Commodities | <u>4,025</u> | |
| Total Non-Operating Revenue | | <u>24,146</u> |
| Income (Loss) Before Transfers | | (4,892) |
| Operating Transfers In | | <u>5,000</u> |
| Net Income (Loss) | | 108 |
| Retained Earnings, July 1, 2011 | | <u>8,488</u> |
| Retained Earnings, June 30, 2012 | | <u>\$ 8,596</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, 2012

EXHIBIT VI

| | | |
|---|-----------------|--------------------|
| Cash Flows From Operating Activities: | | |
| Received From Customers | \$ 63,079 | |
| Payments To Employees and Fringe Benefits | (54,615) | |
| Payments To Vendors and Supplies | <u>(37,467)</u> | |
| Net Cash Used By Operating Activities | | \$ (29,003) |
| | | |
| Cash Flows From Noncapital Financing Activities: | | |
| State Aid Received | 25,622 | |
| Support From General Fund | <u>3,381</u> | |
| Net Cash Used By Noncapital Financing Activities | | 29,003 |
| | | |
| Cash Flows From Capital and Related Financing Activities: | | |
| None | | - |
| | | |
| Cash Flows From Investing Activities: | | |
| None | | <u>-</u> |
| | | |
| Net Increase (Decrease) in Cash | | - |
| | | |
| Cash, July 1, 2011 | | <u>-</u> |
| | | |
| Cash, June 30, 2012 | | <u>\$ -</u> |
| | | |
| Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities: | | |
| | | |
| Cash Provided From Operating Activities: | | |
| Operating Income (Loss) | | \$ (29,038) |
| Adjustments to Reconcile Net Income to Cash Provided (Used) By Operating Activities: | | |
| Depreciation | \$ 278 | |
| (Increase) Decrease in Accounts Receivable - Other | (628) | |
| (Increase) Decrease in Inventory | (81) | |
| Increase (Decrease) in Accounts Payable | (45) | |
| Increase (Decrease) in Deferred Revenue | <u>511</u> | |
| Total Adjustments | | <u>35</u> |
| Net Cash Provided (Used) By Operating Activities | | <u>\$ (29,003)</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, 2012

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 revenue is not program revenue, it is general revenue used to support all of the School District's functions. Taxes are always general revenues.

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

Middlesex School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds, (Agency Funds):

Fiduciary 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, 2012

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, 2012

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, 2012

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 including the permanent fund. 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, 2012

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.

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

Unspendable Fund Balance – The portion of the permanent fund balance that has to be maintained, and cannot be spent by the Town.

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 \$125,876. 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.

Middlesex School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 2 - CASH AND REPURCHASE AGREEMENTS (CONTINUED)

- 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.

Balances held in each area are as follows:

| | Carrying Amount | Bank Balance |
|--------------------------------|--------------------|------------------|
| - Insured (FDIC) and/or (SIPC) | \$ 0 | \$ 10,000 |
| - Category 1 | 125,276 | 192,821 |
| - Category 2 | 0 | 0 |
| - Category 3 | 0 | 0 |
| - Category 4 | <u>600</u> | <u>0</u> |
| Total deposits | <u>\$125,876</u> | <u>\$202,821</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 \$192,821 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, 2012, is as follows:

| Fund Financial Statements: | | Amount |
|-----------------------------|--------------|----------|
| Receivable Fund | Payable Fund | |
| Private Purpose Trust Fund: | | |
| Student Activities | General Fund | \$ 7,501 |

Middlesex School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 3 - INTERFUND RECEIVABLES (CONTINUED)

| Fund Financial Statements: | | | Amount |
|--|-------------------|--|-----------------|
| Receivable Fund | Payable Fund | | |
| Enterprise Fund: | | | |
| Food Program | General Fund | | \$ 7,309 |
| Capital Project Fund: | | | |
| General Fund | Water Project | | <u>9,683</u> |
| | Total | | <u>\$24,493</u> |
| | | | |
| Government -Wide Financial Statements: | | | Amount |
| Receivable Fund | Payable Fund | | |
| Business Type | | | |
| Private Purpose Trust | Governmental Type | | \$ 7,309 |
| | Governmental Type | | <u>7,501</u> |
| | Total | | <u>\$14,810</u> |

NOTE 4 – CAPITAL ASSETS

Capital activity for the School District for the year ended June 30, 2012, was as follows:

| | Primary Government | | | Ending Balance |
|---|----------------------|---------------|-----------|-------------------|
| | Beginning Balance | Increases | Decreases | |
| Governmental activities: | | | | |
| Capital assets not being depr. | | | | |
| Construction in Process | \$ 183,951 | \$ 36,591 | \$ 0 | \$ 220,542 |
| Total capital assets not being depreciated | <u>183,951</u> | <u>36,591</u> | <u>0</u> | <u>220,542</u> |
| Other Capital Assets: | | | | |
| Land Improvements | 0 | 6,875 | 0 | 6,875 |
| Buildings | 263,837 | 0 | 0 | 263,837 |
| Building Improvements | 690,000 | 0 | 0 | 690,000 |
| Furniture and Equipment | <u>97,606</u> | <u>26,479</u> | <u>0</u> | <u>124,085</u> |
| Total other capital assets at historical costs | <u>1,051,443</u> | <u>33,354</u> | <u>0</u> | <u>1,084,797</u> |
| Less accumulated depreciation: | | | | |
| Land Improvements | 0 | 344 | 0 | 344 |
| Buildings | 263,837 | 0 | 0 | 263,837 |
| Building Improvements | 302,800 | 13,800 | 0 | 316,600 |
| Furniture and Equipment | <u>25,119</u> | <u>16,078</u> | <u>0</u> | <u>41,197</u> |

Middlesex School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 4 – CAPITAL ASSETS (CONTINUED)

| | <u>Primary Government</u> | | | |
|---|---------------------------|------------------|-------------|-------------------|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Total accum. depr. | <u>\$ 591,756</u> | <u>\$ 30,222</u> | <u>\$ 0</u> | <u>\$ 621,978</u> |
| Other Capital Assets, Net | <u>459,687</u> | <u>3,132</u> | <u>0</u> | <u>462,819</u> |
| Governmental activities Capital Assets, Net | <u>\$ 643,638</u> | <u>\$ 39,723</u> | <u>\$ 0</u> | <u>\$ 683,361</u> |
| Business-type activities: | | | | |
| Building | \$ 8,643 | \$ 0 | \$ 0 | \$ 8,643 |
| Furniture and Equipment | 23,245 | 0 | 0 | 23,245 |
| Less accum. Depr. | <u>30,320</u> | <u>278</u> | <u>0</u> | <u>30,598</u> |
| Business-type activities Capital Assets, Net | <u>\$ 1,568</u> | <u>\$ (278)</u> | <u>\$ 0</u> | <u>\$ 1,290</u> |

Depreciation expense was charged to functions as follows:

| | |
|--|-----------------|
| Governmental activities: | |
| Direct Services | \$26,177 |
| Support Services: | |
| Students | 165 |
| Instructional Staff | 1,030 |
| General Administration | 0 |
| Area Administration | 646 |
| Fiscal Services | 0 |
| Operation and Maintenance of Plant | 2,204 |
| Transportation | 0 |
| Other Support Services | <u>0</u> |
| Total governmental activities depreciation expense | <u>\$30,222</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, 2012. 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

Middlesex School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 5 - ACCRUED VACATION & LEAVE TIME (CONTINUED)

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 \$931. 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 must be used during employment. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

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

After serving five (5) years in the District, a teacher who retires pursuant to Vermont Teacher Retirement Laws shall be paid the sum of \$10.00 per day for each day of accumulated sick leave up to a maximum of 75 days. At June 30, 2012, there were four (4) teachers who have vested in this buyout for a total contingent liability of \$2,646. Any teacher who retired with sick leave due them was paid before June 30, 2012, so there is no actual liability to the School District at fiscal year end.

NOTE 7 - RETIREMENT INCENTIVES

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

A cash payout of 50% of the teacher's current teaching salary during their final year with the District, payable in 3 equal installments on September 1st of the next 3 school years following the teacher's resignation. In addition, the teacher will receive 12 months of single health insurance

Middlesex School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 7 - RETIREMENT INCENTIVES (CONTINUED)

coverage under the District's policy. If the teacher chooses a Vermont Teacher's Retirement System health insurance program, the District will pay 20% of the teacher's premium for single health insurance for one year following the June 30th effective date of the teacher's resignation.

During the school year ending June 30, 2012, 1 teacher elected to take this buyout for a future liability to the District as follows:

| | |
|-----------------------------------|-----------------|
| For the year ending June 30, 2013 | \$10,261 |
| 2014 | 10,261 |
| 2015 | 10,262 |
| Thereafter | <u>0</u> |
| Total | <u>\$30,784</u> |

NOTE 8 - 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, 2011 | Borrowings | Retirements | Balance June 30, 2012 |
|--|-------------------------|------------|-------------|--------------------------|
| VT Municipal Bond Bank, bond payable, interest at 6.827%, interest paid semi-annually, principal of \$25,000 due on December 1 st of each year until 2011. Originally borrowed \$470,000 in 1995. | \$ 25,000 | \$ 0 | \$25,000 | \$ 0 |
| Vermont Environmental Protection Agency Drinking Water State Revolving Fund Note Payable, interest at 0% and admin. fee at 0% paid annually, principal of \$1,100 | | | | |

Middlesex School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 8 - LONG-TERM DEBT (CONTINUED)

| | Balance July 1, 2011 | Balance Borrowings | Retirements | June 30, 2012 |
|---|-------------------------|-----------------------|-------------|---------------|
| due on January 1 st of each year until 2016, beginning in 2012. | \$ 5,500 | \$ 0 | \$ 5,500 | \$ 0 |
| Vermont Environmental Protection Agency Drinking Water State Revolving Fund Note Payable, interest at 0% and admin. fee at 0% paid annually, principal of \$880 due on May 1 st of each year until 2014, beginning in 2014. | 4,400 | 0 | 4,400 | 0 |
| Vermont Environmental Protection Agency Drinking Water State Revolving Fund Note Payable, interest at 1% and admin. fee at 2%, paid annually, principal ranging from \$930 to \$1,631 due on December 1 st of each year until 2031, beginning in 2012. Originally approved to borrow \$25,000 on October 28, 2010 after several revisions. | 24,724 | 0 | 0 | 24,724 |
| Vermont Environmental Protection Agency Drinking Water State Revolving Fund Note Payable, interest at 0% and admin. fee at 0% paid annually, principal of \$7,146.20 due on November 1 st of each year until 2017, beginning on 2013. Originally approved to borrow \$35,731 on January 16, 2009 after several revisions. | 35,731 | 0 | 0 | 35,731 |
| Vermont Environmental Protection Agency Drinking Water State Revolving Fund Note Payable, | | | | |

Middlesex School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 8 - LONG-TERM DEBT (CONTINUED)

| | Balance July 1, 2011 | Balance Borrowings | Retirements | June 30, 2012 |
|---|-------------------------|-----------------------|-----------------|------------------|
| interest at 1% and admin. fee at 2% paid annually, principal and interest of \$3,627.90 due on December 1 st of each year until 2031, beginning in 2012. Originally approved to borrowed \$144,171 with loan forgiveness and pending ARRA subsidy totaling \$90,197. | \$ 53,974 | \$ 90,197 | \$ 0 | \$144,171 |
| State of Vermont, Department of Environmental Conservation Note Payable, interest at 0%, principal of \$5,000 paid annually in July of each year starting in 2010 until 2015. Originally borrowed \$25,000 in May 2009 to replace an underground water storage tank. | 0 | 20,000 | 5,000 | 15,000 |
| Vermont Environmental Protection Agency Drinking Water State Revolving Fund Note Payable, interest at 1% and admin. fee at 2%, paid annually, principal ranging from \$1,589 to \$2,787 due on December 1 st of each year until 2030, beginning in 2011. Originally approved to borrow \$99,269 with pending ARRA subsidy. | <u>42,686</u> | <u>0</u> | <u>42,686</u> | <u>0</u> |
| Total Long-Term Debt | <u>\$192,015</u> | <u>\$110,197</u> | <u>\$82,586</u> | <u>\$219,626</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, 2013 | \$ 7,939 | \$ 2,369 | \$ 10,308 |
| 2014 | 15,173 | 2,281 | 17,454 |

Middlesex School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 8 - LONG-TERM DEBT (CONTINUED)

| | Principal | Interest | Total |
|-------------------------------------|------------------|-----------------|------------------|
| During the year ended June 30, 2015 | \$ 15,264 | \$ 2,190 | \$ 17,454 |
| 2016 | 10,358 | 2,097 | 12,455 |
| 2017 | 10,454 | 2,000 | 12,455 |
| Thereafter | <u>160,437</u> | <u>16,254</u> | <u>176,691</u> |
| Totals | <u>\$219,626</u> | <u>\$27,192</u> | <u>\$246,817</u> |

NOTE 9 – RESTRICTED, COMMITTED AND ASSIGNED FUND BALANCES (Fund Financial Statements)

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

General Fund:

| | |
|------------------|------------------|
| Board Discretion | \$ 73,331 |
| Budget FY 12-13 | <u>31,334</u> |
| Total | <u>\$104,665</u> |

NOTE 10 – NET ASSETS RESTRICTED (Government-Wide Financial Statements)

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

Net Assets Restricted For Other Purposes:

| | |
|------------------|------------------|
| Board Discretion | \$ 73,331 |
| Budget FY 12-13 | <u>31,334</u> |
| Total | <u>\$104,665</u> |

Middlesex School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 11 – TRANSFERS IN THE FUND BASED FINANCIAL STATEMENTS

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

Funds of \$16,506 were transferred from the General Fund to the Capital Project Fund for the purpose of paying for water system improvements.

Funds of \$5,000 were transferred from the General Fund to the Enterprise Fund – Food Program for the purpose of subsidizing improvements.

Funds of \$800 were transferred from the General Fund to the Private Purpose Trust – Student Activities for the purpose of subsidizing expenses.

NOTE 12 - PENSIONS

VERMONT TEACHERS' RETIREMENT SYSTEM

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

Required contributions to the system are made by the State of Vermont based upon a valuation report prepared by the System's actuary. TRS is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. TRS is funded through state and employee contributions and the School District has no legal obligation for paying benefits. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan as required by Government Accounting Standards Board (GASB) Statement 24 to be 7.74% or approximately \$77,932.

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.

Middlesex School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 12 – PENSIONS (CONTINUED)

VERMONT TEACHERS’ RETIREMENT SYSTEM (CONTINUED)

Contributions by the employees are 5% of gross earnings and are withheld pre income tax by the School District. Such withholdings totaled \$50,344 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 \$1,350,366, with \$1,006,872 of such amount related to employees covered by the retirement plan.

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

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

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

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

| | Group A | Group B | Group C | Group D |
|--|---------|---------|---------|---------|
| Employees' Contributions (% of gross wages) | 2.5% | 4.5% | 9.25% | 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 \$6,035 during the year. The School District

Middlesex School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 12 – PENSIONS (CONTINUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

contributed \$9,656 during the year. The School District's total payroll for all employees during the year was \$1,350,366, with \$241,391 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System.

NOTE 13 - 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 Inter-municipal School Programs. They obtain such coverage through outside commercial carriers.

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

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

Middlesex School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 13 - RISK MANAGEMENT (CONTINUED)

meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

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

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

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

NOTE 14 - OPERATING LEASES

On May 10, 2010, Middlesex School District entered into a lease agreement with All-Lines Leasing Inc., for the lease of a floor scrubber. The total amount due is \$5,147, to be paid in annual installments of \$1,212 over 4 years. The following is a schedule of future minimum lease payments under this lease.

| | |
|-------------------------------------|----------------|
| During the year ended June 30, 2013 | \$1,212 |
| 2014 | 1,212 |
| Thereafter | <u>0</u> |
| Total | <u>\$2,424</u> |

Total lease payments made this year were \$1,212.

Middlesex School District
Notes to Financial Statements (continued)
For The Year Ended June 30, 2012

NOTE 14 - OPERATING LEASES (CONTINUED)

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, 2013 | \$ 6,678 |
| 2014 | 6,678 |
| 2015 | 4,452 |
| Thereafter | <u>0</u> |
| Total | <u>\$17,808</u> |

Total lease payments made this year were \$6,678.

NOTE 15 - SUBSEQUENT EVENTS

On July 2, 2012, the School District borrowed \$795,749 in a Revenue Anticipation Note at 2.71%. The interest and principal are due at maturity on June 28, 2013.

NOTE 16 - RELATED PARTY

On January 18, 2012, the Washington Central Supervisory Union entered into a 3-year agreement with First Student Inc. on behalf of the Middlesex School District for contracted bus transportation services through June 30, 2015, with a two-year option through 2017. Following is a schedule of future minimum payments under this contract:

| | |
|-------------------------------------|------------------|
| During the year ended June 30, 2013 | \$ 81,341 |
| 2014 | 83,474 |
| 2015 | <u>85,660</u> |
| Total | <u>\$250,475</u> |

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, 2012

NOTE 16 - 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 17 - COMMITMENTS

The School District participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any money recovered may be required and the collectibility of any related receivable at June 30, 2012, may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 18 - 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
in Fund Balance - Budget and Actual
General Fund
For The Year Ended June 30, 2012

Schedule 1

| | Object | Budget | Actual | Variance - Favorable (Unfavorable) |
|---------------------------------|--------|-------------------|-------------------|--|
| REVENUES: | | | | |
| Earnings on Investments | | \$ - | \$ 23,522 | \$ 23,522 |
| Miscellaneous | | 721 | 48,203 | 47,482 |
| Private: | | | | |
| E-Rate | | 2,200 | 3,378 | 1,178 |
| VSBIT Refund | | - | 1,000 | 1,000 |
| State: | | | | |
| Education Spending Grant | | 1,920,151 | 1,920,151 | - |
| Transportation Aid | | 33,917 | 35,265 | 1,348 |
| Mainstream Block Grant | | 49,736 | 49,736 | - |
| Intensive Reimbursement | | 136,985 | 154,192 | 17,207 |
| Essential Early Education | | 18,807 | 18,807 | - |
| Federal: | | | | |
| ARRA Education Jobs Fund | | - | 465 | 465 |
| | | <u> </u> | <u> </u> | <u> </u> |
| TOTAL REVENUES | | <u>2,162,517</u> | <u>2,254,719</u> | <u>92,202</u> |
| EXPENDITURES: | | | | |
| Instructional Services 1100: | | | | |
| Regular Salaries | 110 | 656,432 | 647,136 | 9,296 |
| Temporary Salaries | 120 | 17,750 | 23,537 | (5,787) |
| Health Insurance | 210 | 89,539 | 97,449 | (7,910) |
| Social Security | 220 | 50,477 | 48,985 | 1,492 |
| Retirement | 240 | 1,607 | 726 | 881 |
| Section 125 | 245 | 698 | 698 | - |
| Workers Compensation | 250 | 3,949 | 5,974 | (2,025) |
| Unemployment Compensation | 260 | 398 | 309 | 89 |
| Tuition Reimbursement | 270 | 13,000 | 11,295 | 1,705 |
| Dental Insurance | 280 | 5,924 | 6,274 | (350) |
| Disability Benefits | 285 | 3,281 | 2,680 | 601 |
| Professional Education Services | 320 | 1,075 | 968 | 107 |
| Other Professional Services | 330 | 7,300 | - | 7,300 |
| Rentals and Leases | 440 | 6,500 | 7,722 | (1,222) |
| Travel | 580 | 400 | 98 | 302 |
| Supplies | 610 | 16,150 | 21,712 | (5,562) |
| Books and Periodicals | 640 | 5,500 | 4,261 | 1,239 |
| Equipment | 730 | 4,000 | - | 4,000 |
| Subtotal | | <u>883,980</u> | <u>879,824</u> | <u>4,156</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, 2012

Schedule 1

| | Object | Budget | Actual | Variance - Favorable (Unfavorable) |
|--|--------|---------------|---------------|--|
| Instructional Services ELL 1100: | | | | |
| Temporary Salaries | 120 | \$ 6,989 | \$ 5,355 | \$ 1,634 |
| Social Security | 220 | 535 | 410 | 125 |
| Workers Compensation | 250 | 42 | 48 | (6) |
| Unemployment Compensation | 260 | 4 | 4 | - |
| Travel | 580 | - | 513 | (513) |
| Subtotal | | <u>7,570</u> | <u>6,330</u> | <u>1,240</u> |
| Preschool Program 1101: | | | | |
| Regular Salaries | 110 | 49,321 | 49,249 | 72 |
| Temporary Salaries | 120 | - | 40 | (40) |
| Health Insurance | 210 | 4,605 | 7,595 | (2,990) |
| Social Security | 220 | 3,713 | 3,479 | 234 |
| Retirement | 240 | 499 | - | 499 |
| Section 125 | 245 | 90 | 90 | - |
| Workers Compensation | 250 | 297 | 500 | (203) |
| Unemployment Compensation | 260 | 30 | 30 | - |
| Tuition Reimbursement | 270 | 700 | 215 | 485 |
| Dental Benefits | 280 | 402 | 402 | - |
| Disability Benefits | 285 | 256 | 217 | 39 |
| Travel | 580 | - | 121 | (121) |
| Supplies | 610 | 1,400 | 1,533 | (133) |
| Subtotal | | <u>61,313</u> | <u>63,471</u> | <u>(2,158)</u> |
| Instructional Services - Other 1102: | | | | |
| Supplies | 610 | - | 21 | (21) |
| Subtotal | | <u>-</u> | <u>21</u> | <u>(21)</u> |
| ARRA Instructional Services 1199: | | | | |
| Salaries | 110 | - | 465 | (465) |
| Subtotal | | <u>-</u> | <u>465</u> | <u>(465)</u> |
| Instructional Services - Special Education 1210: | | | | |
| Regular Salaries | 110 | 192,102 | 205,902 | (13,800) |
| Temporary Salaries | 120 | 8,136 | 6,418 | 1,718 |
| Health Benefits | 210 | 31,386 | 43,793 | (12,407) |
| Social Security | 220 | 14,911 | 14,706 | 205 |
| Retirement | 240 | 4,534 | 4,035 | 499 |
| Section 125 | 245 | 313 | 313 | - |
| Workers Compensation | 250 | 1,194 | 1,778 | (584) |
| Unemployment Compensation | 260 | 118 | 96 | 22 |

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, 2012

Schedule 1

| | Object | Budget | Actual | Variance - Favorable (Unfavorable) |
|-----------------------------|--------|----------------|----------------|--|
| Tuition Reimbursement | 270 | \$ 2,500 | \$ 6,973 | \$ (4,473) |
| Dental Benefits | 280 | 3,263 | 2,705 | 558 |
| Disability Benefits | 285 | 983 | 856 | 127 |
| Other Professional Services | 330 | 5,000 | 140 | 4,860 |
| Communications | 530 | 150 | 193 | (43) |
| Travel | 580 | 50 | 427 | (377) |
| Supplies | 610 | 1,700 | 1,407 | 293 |
| Books and Periodicals | 640 | - | 465 | (465) |
| Subtotal | | <u>266,340</u> | <u>290,207</u> | <u>(23,867)</u> |
| Guidance Services 2120: | | | | |
| Salaries | 110 | 31,358 | 31,495 | (137) |
| Health Insurance | 210 | 6,789 | 6,817 | (28) |
| Social Security | 220 | 2,311 | 1,861 | 450 |
| Section 125 | 245 | 45 | 45 | - |
| Workers Compensation | 250 | 189 | 189 | - |
| Unemployment Compensation | 260 | 19 | 19 | - |
| Tuition Reimbursement | 270 | 400 | 571 | (171) |
| Dental Benefits | 280 | 301 | 301 | - |
| Disability Benefits | 285 | 163 | 135 | 28 |
| Other Professional Services | 330 | - | 43 | (43) |
| Travel | 580 | - | 57 | (57) |
| Supplies | 610 | 200 | 96 | 104 |
| Books and Periodicals | 640 | 100 | - | 100 |
| Subtotal | | <u>41,875</u> | <u>41,629</u> | <u>246</u> |
| Health Services 2130: | | | | |
| Salaries | 110 | 58,236 | 57,736 | 500 |
| Temporary Salaries | 120 | - | 1,894 | (1,894) |
| Health Insurance | 210 | 15,168 | 15,170 | (2) |
| Social Security | 220 | 4,258 | 4,242 | 16 |
| Retirement | 240 | - | 8 | (8) |
| Workers Compensation | 250 | 351 | 351 | - |
| Unemployment Compensation | 260 | 35 | 35 | - |
| Tuition Reimbursement | 270 | 460 | 35 | 425 |
| Dental Benefits | 280 | 502 | 502 | - |
| Disability Benefits | 285 | 300 | 231 | 69 |
| Other Professional Services | 330 | - | 43 | (43) |
| Repairs and Maintenance | 430 | 350 | 127 | 223 |
| Travel | 580 | 33 | 144 | (111) |

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, 2012

Schedule 1

| | Object | Budget | Actual | Variance - Favorable (Unfavorable) |
|-------------------------------|--------|---------------|---------------|--|
| Supplies | 610 | \$ 700 | \$ 738 | \$ (38) |
| Subtotal | | <u>80,393</u> | <u>81,256</u> | <u>(863)</u> |
| Psychological Services 2140: | | | | |
| Other Professional Services | 330 | <u>7,000</u> | <u>9,555</u> | <u>(2,555)</u> |
| Subtotal | | <u>7,000</u> | <u>9,555</u> | <u>(2,555)</u> |
| Speech Services 2152: | | | | |
| Salaries | 110 | 32,847 | 32,847 | - |
| Health Insurance | 210 | 9,101 | 15,170 | (6,069) |
| Social Security | 220 | 2,395 | 2,247 | 148 |
| Section 125 | 245 | 45 | 45 | - |
| Workers Compensation | 250 | 198 | 298 | (100) |
| Unemployment Compensation | 260 | 20 | 20 | - |
| Dental Benefits | 280 | 301 | 503 | (202) |
| Disability Benefits | 285 | <u>171</u> | <u>227</u> | <u>(56)</u> |
| Subtotal | | <u>45,078</u> | <u>51,357</u> | <u>(6,279)</u> |
| Curriculum Assessment 2212: | | | | |
| Supervisory Union Services | 331 | <u>13,520</u> | <u>13,520</u> | - |
| Subtotal | | <u>13,520</u> | <u>13,520</u> | - |
| School Library Services 2222: | | | | |
| Salaries | 110 | 41,013 | 41,010 | 3 |
| Health Insurance | 210 | 11,403 | 16,388 | (4,985) |
| Social Security | 220 | 2,990 | 2,855 | 135 |
| Section 125 | 245 | 45 | 45 | - |
| Workers Compensation | 250 | 247 | 247 | - |
| Unemployment Compensation | 260 | 25 | 25 | - |
| Tuition Reimbursement | 270 | 500 | 2,106 | (1,606) |
| Dental Benefits | 280 | 201 | 608 | (407) |
| Disability Benefits | 285 | 213 | 253 | (40) |
| Repairs and Maintenance | 430 | 50 | - | 50 |
| Rentals and Leases | 441 | - | 265 | (265) |
| Supplies | 610 | 920 | 1,056 | (136) |
| Books and Periodicals | 640 | 4,000 | 4,127 | (127) |
| Audio Visual Materials | 650 | 800 | 17 | 783 |
| Computer Software | 670 | 500 | 495 | 5 |
| Equipment | 730 | <u>350</u> | <u>-</u> | <u>350</u> |
| Subtotal | | <u>63,257</u> | <u>69,497</u> | <u>(6,240)</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, 2012

Schedule 1

| | Object | Budget | Actual | Variance - Favorable (Unfavorable) |
|-----------------------------------|--------|---------------|---------------|--|
| Technology Services 2225: | | | | |
| Salaries | 110 | \$ 18,423 | \$ 18,422 | \$ 1 |
| Health Insurance | 210 | 2,302 | 2,309 | (7) |
| Social Security | 220 | 1,379 | 1,283 | 96 |
| Workers Compensation | 250 | 111 | 111 | - |
| Unemployment Compensation | 260 | 11 | 11 | - |
| Tuition Reimbursement | 270 | - | 600 | (600) |
| Dental Benefits | 280 | 201 | 201 | - |
| Disability Benefits | 285 | 96 | 75 | 21 |
| Supervisory Union Services | 331 | 6,970 | 6,970 | - |
| Tech Integration | 332 | 673 | 673 | - |
| Repairs and Maintenance | 430 | 2,779 | 1,314 | 1,465 |
| Communications | 530 | 6,900 | 5,939 | 961 |
| Supplies | 610 | 3,500 | 4,535 | (1,035) |
| Computer Software | 670 | 3,500 | 612 | 2,888 |
| Equipment | 730 | <u>3,175</u> | <u>10,443</u> | <u>(7,268)</u> |
| Subtotal | | <u>50,020</u> | <u>53,498</u> | <u>(3,478)</u> |
| Board of Education Services 2310: | | | | |
| Salaries | 110 | 605 | 780 | (175) |
| Social Security | 220 | 119 | 60 | 59 |
| Tuition Reimbursement | 270 | 400 | 166 | 234 |
| Technical Services - Treasurer | 310 | 3,000 | 3,000 | - |
| Other Professional Services | 330 | - | 340 | (340) |
| Legal Services | 360 | 2,100 | 238 | 1,862 |
| Advertising | 540 | 2,500 | 1,175 | 1,325 |
| Printing | 550 | 1,000 | 1,110 | (110) |
| Supplies | 610 | - | 613 | (613) |
| Dues and Fees | 810 | <u>1,200</u> | <u>1,100</u> | <u>100</u> |
| Subtotal | | <u>10,924</u> | <u>8,582</u> | <u>2,342</u> |
| Office of Superintendent 2321: | | | | |
| Supervisory Union Services | 331 | 39,441 | 39,441 | - |
| SU Shared Services | 332 | <u>1,000</u> | <u>1,000</u> | <u>-</u> |
| Subtotal | | <u>40,441</u> | <u>40,441</u> | <u>-</u> |
| Office of Principal 2410: | | | | |
| Regular Salaries | 110 | 81,000 | 81,000 | - |
| Clerical Salaries | 110 | 35,829 | 36,886 | (1,057) |
| Temporary Salaries | 120 | 1,915 | 5 | 1,910 |

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, 2012

Schedule 1

| | Object | Budget | Actual | Variance - Favorable (Unfavorable) |
|---|--------|----------------|----------------|--|
| Health Insurance | 210 | \$ 34,887 | \$ 34,888 | \$ (1) |
| Social Security | 220 | 8,631 | 7,715 | 916 |
| Retirement | 240 | 1,433 | 1,476 | (43) |
| Section 125 | 245 | 101 | 101 | - |
| Workers Compensation | 250 | 715 | 915 | (200) |
| Unemployment Compensation | 260 | 71 | 71 | - |
| Tuition Reimbursement | 270 | 1,500 | 1,425 | 75 |
| Dental Benefits | 280 | 1,155 | 1,158 | (3) |
| Disability Benefits | 285 | 608 | 488 | 120 |
| Other Professional Services | 330 | 250 | 734 | (484) |
| Postage | 530 | 1,200 | 1,045 | 155 |
| Travel | 580 | 1,000 | 557 | 443 |
| Supplies | 610 | 2,000 | 2,151 | (151) |
| Books and Periodicals | 640 | 300 | 475 | (175) |
| Dues and Fees | 810 | <u>800</u> | <u>770</u> | <u>30</u> |
| Subtotal | | <u>173,395</u> | <u>171,860</u> | <u>1,535</u> |
| Special Education Administration 2420: | | | | |
| Supervisory Union Services | 331 | 18,151 | 18,151 | - |
| Supervisory Union Services - Early Ed | 333 | <u>12,264</u> | <u>12,264</u> | <u>-</u> |
| Subtotal | | <u>30,415</u> | <u>30,415</u> | <u>-</u> |
| Fiscal Services 2520: | | | | |
| Supervisory Union Services | 331 | <u>29,592</u> | <u>29,592</u> | <u>-</u> |
| Subtotal | | <u>29,592</u> | <u>29,592</u> | <u>-</u> |
| Fiscal Services 2523: | | | | |
| Current Interest | 830 | <u>-</u> | <u>17,647</u> | <u>(17,647)</u> |
| Subtotal | | <u>-</u> | <u>17,647</u> | <u>(17,647)</u> |
| Auditing Services 2526: | | | | |
| Audit | 370 | <u>3,100</u> | <u>3,100</u> | <u>-</u> |
| Subtotal | | <u>3,100</u> | <u>3,100</u> | <u>-</u> |
| Operation & Maintenance of Building 2600: | | | | |
| Regular Salaries | 110 | 60,816 | 62,682 | (1,866) |
| Temporary Salaries | 120 | - | 3,998 | (3,998) |
| Health Insurance | 210 | 16,323 | 16,231 | 92 |
| Social Security | 220 | 4,441 | 4,774 | (333) |
| Retirement | 240 | 2,413 | 2,472 | (59) |
| Section 125 | 245 | 90 | 90 | - |
| Workers Compensation | 250 | 366 | 566 | (200) |

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, 2012

Schedule 1

| | Object | Budget | Actual | Variance - Favorable (Unfavorable) |
|---|--------|----------------------|----------------------|--|
| Unemployment Compensation | 260 | \$ 37 | \$ 37 | \$ - |
| Dental Benefits | 280 | 1,004 | 939 | 65 |
| Disability Benefits | 285 | 314 | 272 | 42 |
| Other Professional Services | 330 | - | 4,637 | (4,637) |
| SU Shared Services | 332 | 1,000 | 230 | 770 |
| Water and Sewer | 411 | 5,000 | 8,803 | (3,803) |
| Disposal Services | 421 | 3,180 | 2,865 | 315 |
| Snow Removal | 422 | 4,000 | 2,250 | 1,750 |
| Lawn Care Services | 424 | 4,500 | 3,855 | 645 |
| Contracted Repairs | 430 | 18,000 | 18,354 | (354) |
| Rentals and Leases | 441 | 10,000 | 12,382 | (2,382) |
| Insurance | 520 | 8,056 | 6,169 | 1,887 |
| Travel | 580 | 300 | - | 300 |
| Supplies | 610 | 9,000 | 7,620 | 1,380 |
| Electricity | 622 | 24,805 | 26,853 | (2,048) |
| Oil | 624 | 20,020 | 21,265 | (1,245) |
| Equipment | 730 | <u>1,500</u> | <u>-</u> | <u>1,500</u> |
| Subtotal | | <u>195,165</u> | <u>207,344</u> | <u>(12,179)</u> |
| Student Transportation Services 2711: | | | | |
| Contracted Services | 519 | <u>83,795</u> | <u>86,769</u> | <u>(2,974)</u> |
| Subtotal | | <u>83,795</u> | <u>86,769</u> | <u>(2,974)</u> |
| Student Transportation Services 2720: | | | | |
| Field Trips | 519 | <u>1,600</u> | <u>3,398</u> | <u>(1,798)</u> |
| Subtotal | | <u>1,600</u> | <u>3,398</u> | <u>(1,798)</u> |
| TOTAL EXPENDITURES | | <u>2,088,773</u> | <u>2,159,778</u> | <u>(71,005)</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | | 73,744 | 94,941 | 21,197 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers To Capital Project Fund | | (10,000) | (16,506) | (6,506) |
| Transfer To Debt Service Fund | | (33,744) | (30,875) | 2,869 |
| Transfers To Enterprise Fund | | (5,000) | (5,000) | - |
| Transfer To Agency Fund | | <u>-</u> | <u>(800)</u> | <u>(800)</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, 2012

Schedule 1

| | Object | Budget | Actual | Variance - Favorable (Unfavorable) |
|---|--------|-----------------|-------------------|--|
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | | \$ 25,000 | \$ 41,760 | \$ 16,760 |
| FUND BALANCE, JULY 1, 2011 | | <u>(25,000)</u> | <u>62,905</u> | <u>87,905</u> |
| FUND BALANCE, JUNE 30, 2012 | | <u>\$ -</u> | <u>\$ 104,665</u> | <u>\$ 104,665</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, 2012

Schedule 2

| | EPSDT Mini Grant | Internal Service Fund | Totals |
|---|---------------------|-----------------------------|--------------|
| REVENUES: | | | |
| Private/Local | \$ 5,027 | \$ 4,810 | \$ 9,837 |
| TOTAL REVENUES | <u>5,027</u> | <u>4,810</u> | <u>9,837</u> |
| EXPENDITURES: | | | |
| Direct Services | | 3,171 | 3,171 |
| Transportation | | 100 | 100 |
| Community Services | | 1,539 | 1,539 |
| Food Services | 5,027 | - | 5,027 |
| TOTAL EXPENDITURES | <u>5,027</u> | <u>4,810</u> | <u>9,837</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | - | - |
| FUND BALANCE, JULY 1, 2011 | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE JUNE 30, 2012 | <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, 2012

Schedule 3

| | Balance July 1, 2011 | Receipts | Disbursements | Transfers | Balance June 30, 2012 |
|------------------------------|-------------------------|------------------|------------------|---------------|--------------------------|
| Assets: | | | | | |
| Due From Other Funds | <u>\$ 10,134</u> | <u>\$ 10,299</u> | <u>\$ 13,532</u> | <u>\$ 600</u> | <u>\$ 7,501</u> |
| Total Assets | <u>\$ 10,134</u> | <u>\$ 10,299</u> | <u>\$ 13,532</u> | <u>\$ 600</u> | <u>\$ 7,501</u> |
| Liabilities: | | | | | |
| Amount Held for Agency Funds | <u>\$ 10,134</u> | <u>\$ 10,299</u> | <u>\$ 13,532</u> | <u>\$ 600</u> | <u>\$ 7,501</u> |
| Total Liabilities | <u>\$ 10,134</u> | <u>\$ 10,299</u> | <u>\$ 13,532</u> | <u>\$ 600</u> | <u>\$ 7,501</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, 2012, which collectively comprise the entity's basic financial statements and have issued our report thereon dated October 9, 2012. 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 9, 2012



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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, 2012, 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.

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October 9, 2012



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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, 2012. 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, 2012. 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 Fund Balances and Net Assets in Notes 9 and 10 to the financial statements as to how any surplus is to be used in future fiscal years.

The disclosure of retirement incentives in Note 7 to the financial statements as to how it is being offered and any contingent and real liabilities that exist.

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

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