

Middlesex School District  
Financial Statements  
For The Year Ended June 30, 2013

Middlesex School District  
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For The Year Ended June 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

To the School Board  
Middlesex School District, Vermont

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Middlesex School District, Vermont, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013, on our consideration of the Middlesex School District, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Middlesex School District, Vermont's internal control over financial reporting and compliance.

### ***Angolano & Company***

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

October 8, 2013

**MIDDLESEX SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013**

**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, 2013 (FY 13). 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 \$1,763 from \$545,281 to \$547,044.
- Government-wide assets totaled \$713,025 and government-wide liabilities totaled \$165,981.
- More detailed Balance Sheet Information can be found on Figure I on page 6D.

**Operations**

- The District's Elementary School general fund actual revenues were \$2,380,844 while the budgeted revenues were \$2,325,522, a favorable variance of \$55,322.
- The District's Elementary School general fund actual expenditures were \$2,413,842, while budgeted expenditures were \$2,325,522, an unfavorable variance of \$88,320.
- More detailed Elementary School information can be found on Figure IV on page 6F.

**Other Funds**

- The Capital Project Fund represents the reserve accounts for a computer replacement and building repair fund. The ending fund balance for the computer replacement fund was \$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 \$2,416. The investment in net fixed assets was \$1,012 for a total of \$3,428.
- Agency Funds totaling \$9,210 are held in the District's accounts for various student activities and projects.
- There are currently no Expendable Trust Funds.

**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.

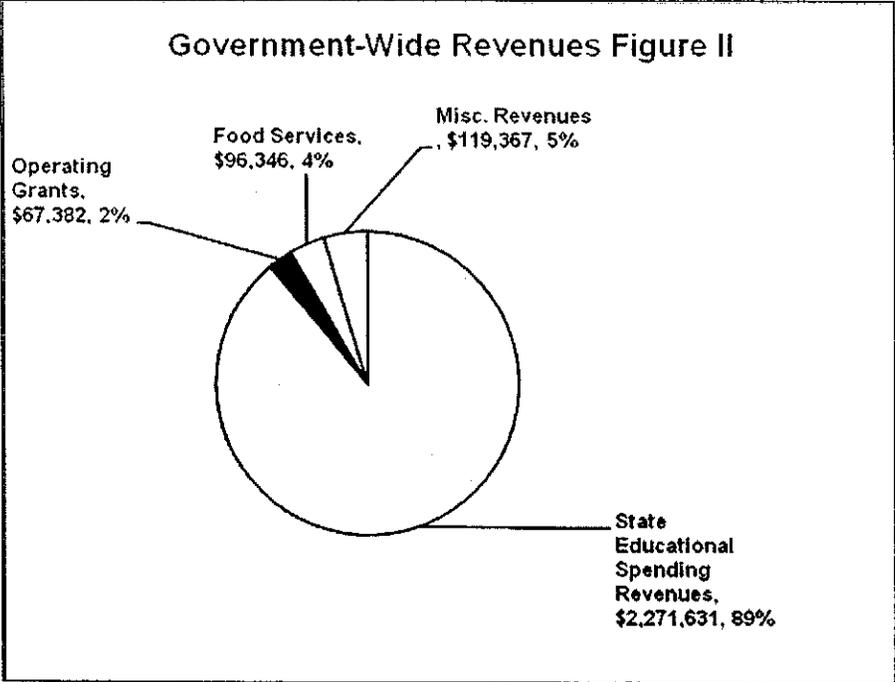
**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-33.

**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.

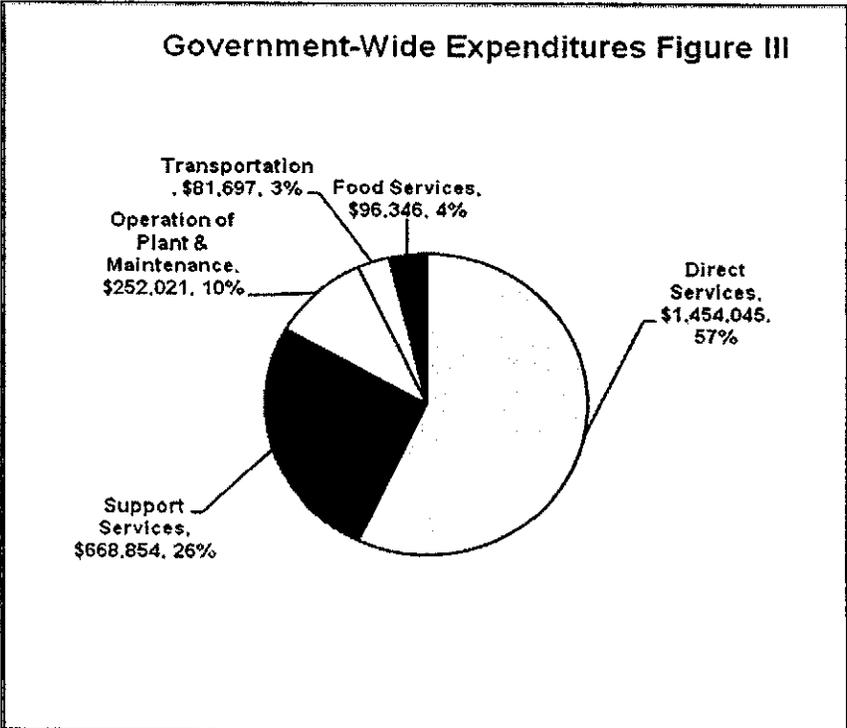
### **Government-Wide Financial Analysis**

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.



The total of Government-wide Revenues is \$2,554,726.



The total of Government-wide Expenses is \$2,552,963.

The net increase in Governmental-wide Net Assets totaled \$1,763.

Business-type activities (food program) realized a decrease in net assets of \$5,168, primarily attributable to additional costs.

## Capital Assets

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

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

<b>Middlesex School District-Figure V</b>			
<b>Capital Assets</b>			
<b>June 30, 2013</b>			
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Value</b>
<b>Governmental Activities:</b>			
Land & Site work & Construction	\$6,875	\$344	\$6,531
Building and Improvement	\$1,174,379	\$600,092	\$574,287
Furniture and Equipment	\$124,085	\$51,979	\$72,106
Vehicles	\$0	\$0	\$0
<b>Total</b>	<b>\$1,305,339</b>	<b>\$652,415</b>	<b>\$652,924</b>
<b>Business Type activities:</b>			
Building and Improvements	\$8,643	\$8,643	\$0
Furniture and Equipment	\$23,245	\$22,233	\$1,012
<b>Total</b>	<b>\$31,888</b>	<b>\$30,876</b>	<b>\$1,012</b>
<b>Grand Total</b>	<b>\$1,337,227</b>	<b>\$683,291</b>	<b>\$653,936</b>

### Long-Term Debt

The District has two categories of debt an underground storage tank loan and a water loan. At the end of the fiscal year, the District had \$153,629 in outstanding principal and interest. The Water Project note is included in this total and during FY13 part of the loan was fore-given. Loan principal and interest are being paid from the General Fund.

### Current & Subsequent Issues

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

### Contact for Further Information

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

EXHIBIT II

Middlesex School District  
Statement of Activities  
Government-Wide  
For The Year Ended June 30, 2013

	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	\$ 1,454,045	\$	12,380	\$ (1,441,665)		\$ (1,441,665)
Support Services:						
Student Services	199,839		6,623	(193,216)		(193,216)
Instructional Services	151,891		7,558	(144,333)		(144,333)
General Administrative Services	48,956			(48,956)		(48,956)
Area Administrative Services	209,753			(209,753)		(209,753)
Fiscal Services	53,741			(53,741)		(53,741)
Building Operations and Maintenance	252,021			(252,021)		(252,021)
Transportation	81,697		36,147	(45,550)		(45,550)
Other Support Services	4,674		4,674	-		-
Operation of Noninstructional Services:						
Food Services	96,346	\$ 5,000	-	-	\$ (91,346)	(91,346)
Total	\$ 2,552,963	\$ 5,000	\$ 67,382	(2,389,235)	(91,346)	(2,480,581)
General Revenues:						
State Revenues not Restricted to Specific Programs				2,271,631		2,271,631
Federal Revenues not Restricted to Specific Programs				96,187		96,187
Private Revenues not Restricted to Specific Programs				3,170		3,170
Investment Earnings				26,602		26,602
Miscellaneous				4,476		4,476
Transfers				(5,900)	86,178	80,278
Total General Revenues				2,396,166	86,178	2,482,344
Excess (Deficiency) of Revenues Over Expenses				6,931	(5,168)	1,763
Net Assets - Beginning				536,685	8,596	545,281
Net Assets - Ending				\$ 543,616	\$ 3,428	\$ 547,044

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, 2013

Fund Balances – total governmental funds \$ 40,333

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	1,291,539
Less accumulated depreciation	(638,615)

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

Notes Payable	(125,923)
---------------	-----------

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

Vested Vacation Payable	(3,196)
Retirement Incentive Payable	<u>(20,522)</u>

Net Assets of Governmental Activities \$ 543,616

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, 2013

Net Changes in fund Balances – total governmental funds \$ (64,332)

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

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

Expenditures for capital assets	0
Less current year depreciation	(30,437)

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.

Note proceeds	(7,484)
Repayment of notes	101,187

Expense reported in the Statement of Activities does not require  
 the use of current financial resources and is therefore not  
 reported as expenditures in governmental funds:

Vested Vacation Payable Change	(2,265)
--------------------------------	---------

Current year payments on liabilities for the voluntary exit program  
 (early retirement, etc.) are reported as expenditures in  
 Governmental fund financial statements and as a reduction  
 in debt in the government-wide financial statements.

10,262

Current year granting of voluntary exit programs (early retirements, etc.)  
 are not reported as expenditures in governmental fund  
 financial statements and are reported as an expense and debt  
 in the government-wide financial statements.

0

Change in Net Assets of Governmental Funds \$ 6,931

Middlesex School District  
Statement of Cash Flows  
Proprietary Fund Type - Enterprise Fund  
Food Program  
For The Year Ended June 30, 2013

EXHIBIT VI

Cash Flows From Operating Activities:		
Received From Customers	\$ 62,337	
Payments To Employees and Fringe Benefits	(57,388)	
Payments To Vendors and Supplies	<u>(38,581)</u>	
Net Cash Used By Operating Activities		\$ (33,632)
Cash Flows From Noncapital Financing Activities:		
State Aid Received	23,747	
Support From General Fund	<u>9,885</u>	
Net Cash Used By Noncapital Financing Activities		33,632
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, 2012		<u>-</u>
Cash, June 30, 2013		<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities:		
Cash Provided From Operating Activities:		
Operating Income (Loss)		\$ (35,238)
Adjustments to Reconcile Net Income to Cash Provided (Used) By Operating Activities:		
Depreciation	\$ 278	
(Increase) Decrease in Accounts Receivable - Other	888	
(Increase) Decrease in Inventory	99	
Increase (Decrease) in Deferred Revenue	<u>341</u>	
Total Adjustments		<u>1,606</u>
Net Cash Provided (Used) By Operating Activities		<u>\$ (33,632)</u>

The accompanying notes are an integral part of these financial statements

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2013

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

The net costs are normally covered by general revenue.

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

**Basis Financial Statements – Fund Financial Statements:**

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The major funds are:

**Governmental Fund Types:**

- General Fund – The general fund is the School District's primary operating fund and accounts for typical general government revenues and a wide variety of activities that benefit the School District's as a whole. It accounts for all financial resources not accounted for or reported in another fund.
- Special Revenue Funds – The special revenue funds focus on revenues that are restricted or committed to expenditures for specific purposes. The School District accounts for resources restricted to, or committed for, specific purposes by the School District or a grantor in a special revenue fund. Most federal, some State financial assistance and voter committed funds are accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor or the voters at the close of specified project periods.
- Capital Project Fund – The capital projects funds are *required* when the acquisition or construction of capital assets is financed with general obligation debt. Capital project funds are *permitted* to be used for accounting and reporting whenever the School District has financial resources that are restricted, committed, or assigned to expenditures for capital outlays for general capital assets, including purchasing or constructing any type of general capital asset.

**Proprietary Fund Types:**

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

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2013

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

**Accounts Receivable:**

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

**Inventory:**

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

**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

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2013

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

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

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

Restricted Fund Balance – Includes amounts that can be spent only for the specific Purposes stipulated by constitution, external resource providers (grantors and contributors), or through enabling legislation.

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

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

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

**Function and Object Codes:**

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

**Memorandum Only Columns:**

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

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2013

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

year, the amount of uninsured and not collateralized cash could have been much higher than at year end.

Repurchase agreements of \$85,958 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, 2013, is as follows:

Fund Financial Statements:			
Receivable Fund	Payable Fund	Amount	
Private Purpose Trust Fund:			
Student Activities	General Fund	\$ 9,210	
Enterprise Fund:			
Food Program	General Fund	<u>2,424</u>	
Total		<u>\$11,634</u>	

Government-Wide Financial Statements:			
Receivable Fund	Payable Fund	Amount	
Business Type			
Private Purpose Trust	Governmental Type	\$ 2,424	
	Governmental Type	<u>9,210</u>	
Total		<u>\$11,634</u>	

**NOTE 4 - CAPITAL ASSETS**

Capital activity for the School District for the year ended June 30, 2013, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets not being depr.				
Construction in Progress	<u>\$ 220,542</u>	<u>\$ 0</u>	<u>\$220,542</u>	<u>\$ 0</u>

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2013

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

Support Services (continued):	
Area Administration	\$ 646
Fiscal Services	0
Operation and Maintenance of Plant	7,715
Transportation	0
Other Support Services	0
Total governmental activities depreciation expense	<u>\$30,437</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, 2013. Teachers do not receive paid vacations, and are paid only for the number of days they are required to work each year. Administrative and maintenance personnel are granted vacation leave in varying amounts. The School District has a liability for unused vacation that was allowed to be carried forward. No liability is shown in the fund based financial statement. The liability is reported in the Statement of Net Position as an accrued liability and represents a reconciling item between the fund and government-wide presentations. The amount accrued at year end was \$3,196. 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.

The Vermont Teacher Retirement Laws contract provides that a teacher who has worked in the District for five (5) years will be paid \$10.00 per day for each day of accumulated sick leave up to a maximum of 75 days. At June 30, 2013 five (5) teachers have vested in this buyout for a total contingent liability of \$1,500. Any teacher who retired with sick leave due them was paid before June 30, 2013, so there is no actual liability to the School District at fiscal year end.

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2013

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

	Balance July 1, 2012	Borrowings	Retirements	Balance June 30, 2013
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 <sup>st</sup> 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 <sup>st</sup> 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, interest at 1% and admin. fee at 2% paid annually, principal and interest of \$3,627.90 due on December 1 <sup>st</sup> of each year until 2031, beginning in 2012; originally borrowed \$151,655 with \$22,660 loan forgiveness granted and \$73,527 ARRA subsidy granted.	144,171	7,484	96,187	55,468
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;				

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2013

**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 \$30,000 were transferred from the General Fund to the Capital Project Fund for the purpose of paying for a feasibility study.

Funds of \$15,000 were transferred from the General Fund to the Capital Project Fund for the purpose of paying for building repairs.

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

Funds of \$900 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. The State Legislature has sole authority to amend benefit provisions.

Required contributions to the system are made by the State of Vermont based upon a valuation report prepared by the System's actuary. TRS is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. TRS is funded through state and employee contributions and the School District has no legal obligation for paying benefits. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District's employees included in the teacher's retirement plan as required by Government Accounting Standards Board (GASB) Statement 24 to be 7.74% or approximately \$87,148.

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

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2013

**NOTE 12 – PENSIONS (CONTINUED)**

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

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

Employee contributions are withheld pre income tax by the School District and are remitted to the State of Vermont. Such withholdings totaled \$6,162 during the year. The School District contributed \$9,859 during the year. The School District's total payroll for all employees during the year was \$1,498,850, with \$246,480 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System. The plan had ten (10) members at June 30, 2013.

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

**NOTE 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, students and guests; as well as natural disasters. School District uses risk sharing pools and carries commercial insurance to cover these risks. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District.

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

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2013

**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, 2014	\$1,212
Thereafter	<u>0</u>
Total	<u>\$1,212</u>

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

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, 2014	\$ 6,678
2015	4,452
Thereafter	<u>0</u>
Total	<u>\$11,130</u>

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

**NOTE 15 - SUBSEQUENT EVENTS**

On July 1, 2013, the School District borrowed \$913,786 in a Revenue Anticipation Note with the Merchants bank at 2.63% interest. The interest and principal are due at maturity on June 30, 2014.

**NOTE 16 - 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

Middlesex School District  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
General Fund  
For The Year Ended June 30, 2013

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES:</b>				
Earnings on Investments		\$ 17,000	\$ 26,602	\$ 9,602
Miscellaneous		721	11,960	11,239
Private:				
E-Rate		2,200	3,170	970
State:				
Education Spending Grant		1,999,705	1,999,705	-
Transportation Aid		35,728	36,147	419
Mainstream Block Grant		56,981	56,981	-
SPED Expenditure Reimbursement		160,847	205,770	44,923
Essential Early Education		<u>21,006</u>	<u>9,175</u>	<u>(11,831)</u>
<b>TOTAL REVENUES</b>		<u>2,294,188</u>	<u>2,349,510</u>	<u>55,322</u>
<b>EXPENDITURES:</b>				
Instructional Services 1100:				
Regular Salaries	110	707,074	716,593	(9,519)
Temporary Salaries	120	17,750	27,589	(9,839)
Health Insurance	210	113,517	103,428	10,089
Social Security	220	54,042	53,949	93
Retirement	240	765	841	(76)
Section 125	245	792	752	40
Workers Compensation	250	5,116	4,944	172
Unemployment Compensation	260	398	379	19
Tuition Reimbursement	270	15,000	13,663	1,337
Dental Insurance	280	6,626	6,321	305
Disability Benefits	285	3,539	1,934	1,605
Professional Education Services	320	1,075	337	738
Other Professional Services	330	3,300	9,116	(5,816)
Rentals and Leases	440	7,100	8,871	(1,771)
Travel	580	400	129	271
Supplies	610	18,650	20,806	(2,156)
Books and Periodicals	640	5,500	1,117	4,383
Equipment	730	<u>3,000</u>	<u>1,326</u>	<u>1,674</u>
Subtotal		<u>963,644</u>	<u>972,095</u>	<u>(8,451)</u>
Instructional Services ELL 1100:				
Temporary Salaries	120	6,989	3,763	3,226
Social Security	220	535	288	247

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, 2013

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
<b>Guidance Services 2120:</b>				
Salaries	110	\$ 32,299	\$ 32,504	\$ (205)
Health Insurance	210	7,128	9,655	(2,527)
Social Security	220	2,378	1,725	653
Section 125	245	48	48	-
Workers Compensation	250	233	233	-
Unemployment Compensation	260	18	18	-
Tuition Reimbursement	270	400	456	(56)
Dental Benefits	280	301	301	-
Disability Benefits	285	168	97	71
Other Professional Services	330	-	43	(43)
Travel	580	-	45	(45)
Supplies	610	200	85	115
Books and Periodicals	640	100	-	100
Subtotal		<u>43,273</u>	<u>45,210</u>	<u>(1,937)</u>
<b>Health Services 2130:</b>				
Salaries	110	59,468	59,647	(179)
Temporary Salaries	120	500	1,632	(1,132)
Health Insurance	210	15,926	15,898	28
Social Security	220	4,381	4,371	10
Retirement	240	-	6	(6)
Workers Compensation	250	432	432	-
Unemployment Compensation	260	34	34	-
Tuition Reimbursement	270	460	1,535	(1,075)
Dental Benefits	280	502	502	-
Disability Benefits	285	309	165	144
Other Professional Services	330	-	43	(43)
Repairs and Maintenance	430	350	116	234
Travel	580	33	109	(76)
Supplies	610	700	688	12
Subtotal		<u>83,095</u>	<u>85,178</u>	<u>(2,083)</u>
<b>Psychological Services 2140:</b>				
Other Professional Services	330	7,000	7,000	-
Subtotal		<u>7,000</u>	<u>7,000</u>	<u>-</u>
<b>Speech Services 2152:</b>				
Salaries	110	33,832	33,993	(161)
Temporary Salaries	120	-	564	(564)

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, 2013

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Unemployment Compensation	260	\$ 13	\$ 13	\$ -
Tuition Reimbursement	270	-	950	(950)
Dental Benefits	280	201	201	-
Disability Benefits	285	123	65	58
Supervisory Union Services	331	7,088	7,088	-
Tech Integration	332	673	673	-
Repairs and Maintenance	430	3,629	408	3,221
Communications	530	6,060	5,277	783
Supplies	610	3,498	2,281	1,217
Computer Software	670	6,027	6,723	(696)
Equipment	730	7,355	9,603	(2,248)
Subtotal		<u>62,604</u>	<u>65,621</u>	<u>(3,017)</u>
<b>Board of Education Services 2310:</b>				
Salaries	110	605	600	5
Social Security	220	119	38	81
Tuition Reimbursement	270	400	50	350
Technical Services - Treasurer	310	3,000	3,000	-
Legal Services	360	2,100	1,558	542
Advertising	540	2,500	1,464	1,036
Printing	550	1,000	1,000	-
Supplies	610	-	33	(33)
Dues and Fees	810	1,200	1,100	100
Subtotal		<u>10,924</u>	<u>8,843</u>	<u>2,081</u>
<b>Office of Superintendent 2321:</b>				
Supervisory Union Services	331	39,113	39,113	-
SU Shared Services	332	1,000	1,000	-
Subtotal		<u>40,113</u>	<u>40,113</u>	<u>-</u>
<b>Office of Principal 2410:</b>				
Regular Salaries	110	83,430	83,430	-
Clerical Salaries	110	38,299	39,904	(1,605)
Temporary Salaries	120	1,915	883	1,032
Health Insurance	210	35,606	34,118	1,488
Social Security	220	8,997	8,628	369
Retirement	240	1,532	1,517	15
Section 125	245	108	108	-
Workers Compensation	250	890	890	-
Unemployment Compensation	260	69	69	-

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, 2013

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Disposal Services	421	\$ 3,180	\$ 2,636	\$ 544
Snow Removal	422	4,000	4,950	(950)
Lawn Care Services	424	4,500	2,874	1,626
Contracted Repairs	430	18,000	9,298	8,702
Rentals and Leases	441	10,000	2,045	7,955
Insurance	520	8,056	5,127	2,929
Travel	580	300	46	254
Supplies	610	9,000	8,438	562
Electricity	622	25,805	28,366	(2,561)
Oil	624	21,020	20,518	502
Equipment	730	1,500	1,212	288
Subtotal		205,883	199,306	6,577
<b>Student Transportation Services 2711:</b>				
Contracted Services	519	81,147	79,136	2,011
Subtotal		81,147	79,136	2,011
<b>SPED Student Transportation Services 2711:</b>				
Contracted Services	519	-	50	(50)
Subtotal		-	50	(50)
<b>Student Transportation Services 2720:</b>				
Field Trips	519	1,600	2,511	(911)
Subtotal		1,600	2,511	(911)
<b>Debt Services 5100:</b>				
Principal Retirement	910	5,000	5,000	-
Subtotal		5,000	5,000	-
<b>TOTAL EXPENDITURES</b>		2,274,622	2,362,942	(88,320)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>		19,566	(13,432)	(32,998)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers To Capital Project Fund		(45,000)	(45,000)	-
Transfers To Enterprise Fund		(5,000)	(5,000)	-
Transfer To Agency Fund		(900)	(900)	-

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, 2013

Schedule 2

	EPSDT Mini Grant	Internal Service Fund	State Equipment Grant	Totals
<b>REVENUES:</b>				
Private/Local State	\$ 4,500	\$ 26,561		\$ 31,061
	<u>-</u>	<u>-</u>	\$ 174	<u>174</u>
<b>TOTAL REVENUES</b>	<u>4,500</u>	<u>26,561</u>	<u>174</u>	<u>31,235</u>
<b>EXPENDITURES:</b>				
Direct Services		12,380		12,380
Support Services:				
Students		6,623		6,623
Instructional Staff		7,558		7,558
Food Services	4,500	-	174	4,674
	<u>4,500</u>	<u>-</u>	<u>174</u>	<u>4,674</u>
<b>TOTAL EXPENDITURES</b>	<u>4,500</u>	<u>26,561</u>	<u>174</u>	<u>31,235</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	-	-
<b>FUND BALANCE, JULY 1, 2012</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE JUNE 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements



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

To the School Board  
Middlesex School District, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Middlesex School District, Vermont, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Middlesex School District, Vermont's basic financial statements and have issued our report thereon dated October 8, 2013.

**Internal Control Over Financial Reporting**

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

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



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July 19, 2013

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, 2013. 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 May 10, 2013. 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, 2013. 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.

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