

Middlesex School District  
Financial Statements  
For The Year Ended June 30, 2015

Middlesex School District  
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For The Year Ended June 30, 2015

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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, 2015, 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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Middlesex School District, Vermont, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pensions and other post-employment benefit information on pages 6, 46-53, and 33-41 and 28-29 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Middlesex School District, Vermont's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, 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

December 16, 2015

**MIDDLESEX SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015**

**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, 2015 (FY 15). 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 \$118,091 from \$662,502 to \$780,593.
- Government-wide assets totaled \$4,432,696 and government-wide liabilities totaled \$3,652,103.
- 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 \$2,597,226 while the budgeted revenues were \$2,603,355, an unfavorable variance of \$6,129.
- The District's Elementary School general fund actual expenditures were \$2,587,941, while budgeted expenditures were \$2,603,355, a favorable variance of \$15,414.
- 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 \$18,496. The Rumney Renovation Project began in FY2015 with voter approval in the amount of \$3,500,000.
- The Enterprise Fund represents the food program. The cumulative operating retained earnings at year-end had a balance of \$13,713. The investment in net fixed assets was \$512 for a total of \$14,225.
- Agency Funds totaling \$7,695 are held in the District's accounts for various student activities and projects.
- There are currently no Expendable Trust Funds.

## **Overview of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

**Fiduciary Funds** – Fiduciary Funds are those for which the District serves as a trustee for the benefit of others, such as scholarship and student activities funds. The District is responsible for ensuring that 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 15-45.

**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.

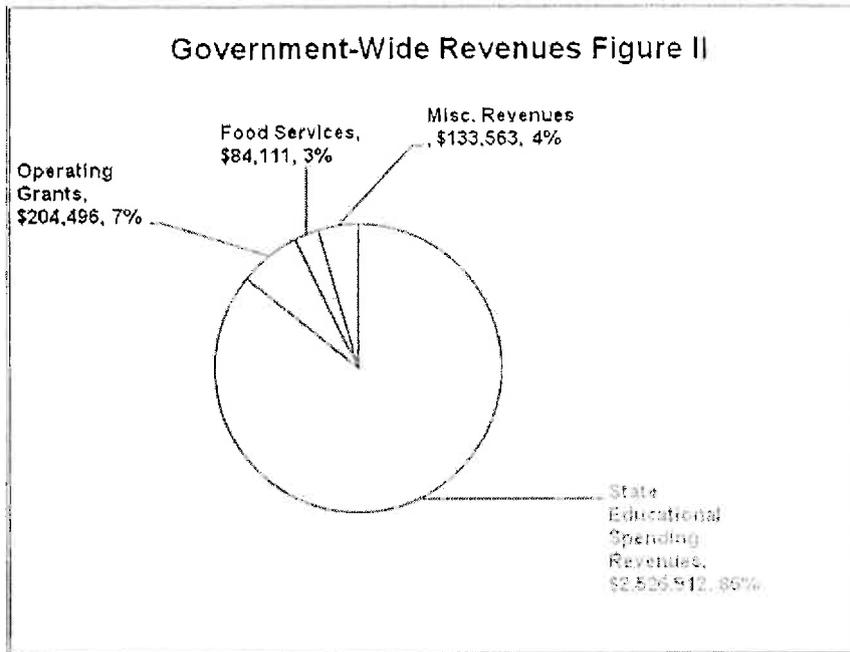
### **Government-Wide Financial Analysis**

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.

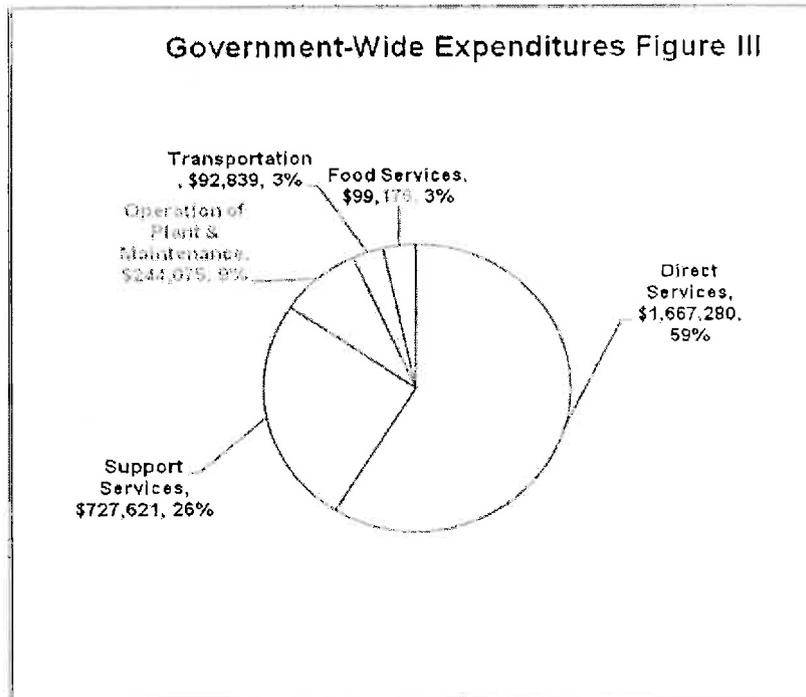
Amounts reported for governmental activities in this statement of net assets differ from the summary of financial operations because: capital (non-current) assets used in governmental activities are not financial resources and therefore, are deferred in the funds; non-current liabilities, consisting 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, 2015**

	Governmental & Business Activities		Difference
	<u>As of June 30, 2014</u>	<u>As of June 30, 2015</u>	<u>Increase(Decrease)</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash	\$148,803	\$3,452,278	\$3,303,475
Accounts Receivable:			
Due From Other Funds	\$12,256	(\$7,269)	(\$19,525)
Intergovernmental & Other	\$7,395	\$4,907	(\$2,488)
State	\$61	\$11,888	\$11,827
Prepaid Expenses/Deferred Outflows	\$0	\$11,774	\$11,774
Inventories	\$442	\$299	(\$143)
<b>Total Current Assets</b>	<b>\$168,957</b>	<b>\$3,473,877</b>	<b>\$3,304,920</b>
<b>Non-Current Assets:</b>			
<b>Capital Assets:</b>			
Land & Other Assets not being depreciated	\$6,531	\$335,142	\$328,611
Building & Equipment, net of Acc. Depreciation	\$637,207	\$623,677	(\$13,530)
<b>Total Non-Current Assets</b>	<b>\$643,738</b>	<b>\$958,819</b>	<b>\$315,081</b>
<b>TOTAL ASSETS</b>	<b>\$812,695</b>	<b>\$4,432,696</b>	<b>\$3,620,001</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$5,652	\$3,905	(\$1,747)
Accrued Expenses	\$4,116	\$69,758	\$65,642
Retirement Payable/Deferred Inflows	\$10,261	\$23,261	\$13,000
Due To Other Funds	\$20,944	\$0	(\$20,944)
Deferred Revenue	\$1,092	\$3,901	\$2,809
Current Portion of Long-Term Debt	\$18,994	\$177,190	\$158,196
<b>Total Current Liabilities</b>	<b>\$61,059</b>	<b>\$278,015</b>	<b>\$216,956</b>
<b>Non-Current Liabilities:</b>			
<b>Non-Current Portion of Long-Term Debt:</b>			
Bonds Payable & Other Payables	\$89,134	\$3,374,088	\$3,284,954
<b>Total Non-Current Liabilities</b>	<b>\$89,134</b>	<b>\$3,374,088</b>	<b>\$3,284,954</b>
<b>TOTAL LIABILITIES</b>	<b>\$150,193</b>	<b>\$3,652,103</b>	<b>\$3,501,910</b>
<b>NET ASSETS</b>			
Investment in Capital Asset, net of Related Debt	\$535,610	\$2,593,483	\$2,057,873
Restricted Capital Projects & Other	\$8,146	\$3,263,161	\$3,255,015
Restricted Other Purposes	\$117,291	\$121,576	\$4,285
Unrestricted	\$1,455	(\$5,197,627)	(\$5,199,082)
<b>TOTAL NET ASSETS</b>	<b>\$662,502</b>	<b>\$780,593</b>	<b>\$118,091</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$812,695</b>	<b>\$4,432,696</b>	<b>\$3,620,001</b>



The total of Government-wide Revenues is \$2,949,082.



The total of Government-wide Expenses is \$2,830,991.

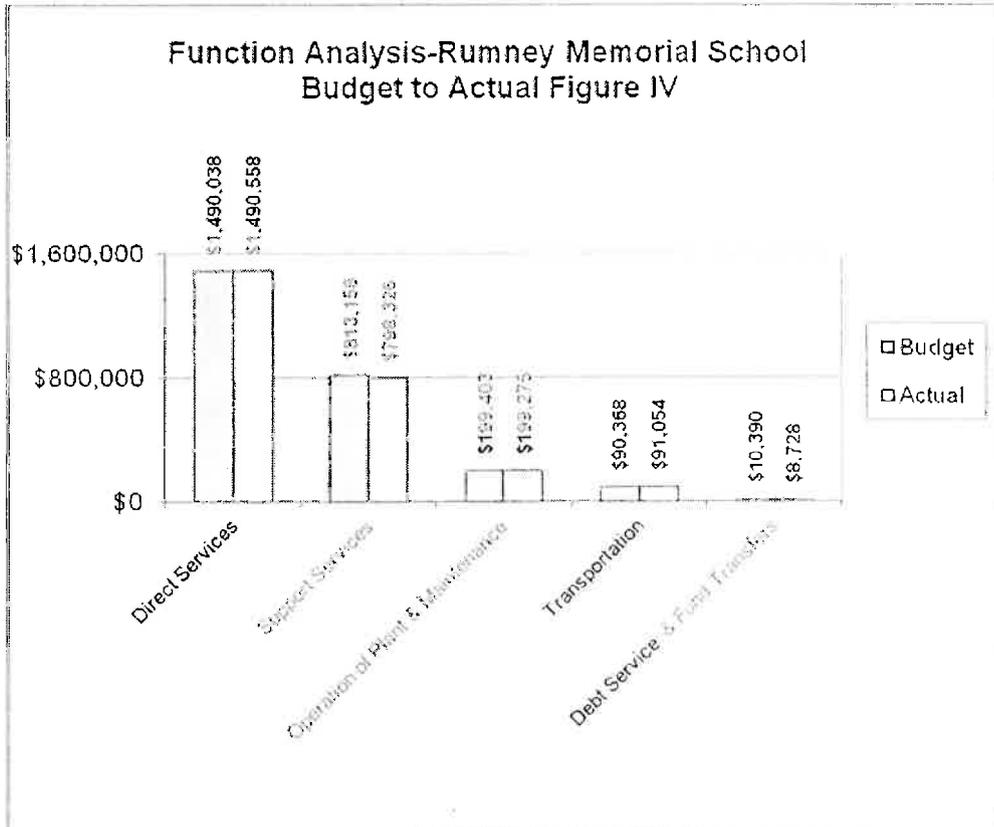
The net increase in Governmental-wide Net Assets totaled \$118,091.

Business-type activities (food program) realized a decrease in net assets of \$2,345, primarily attributable to additional staffing costs.

### Fund Based Financial Analysis

- Governmental Fund Types:

General Fund actual revenues were \$2,597,226 and actual expenditures were \$2,587,941. However, revenues were \$6,129 below budget amounts and were largely attributable to special education revenues. Expenses were \$15,414 less than budget which was largely attributable to savings in Special Education.



- Capital Project Fund ending fund balance of \$18,496 is reflective of funds available for a computer replacement fund \$0 and building improvement fund \$18,496.
- Proprietary Fund Type:  
Food service programs are offered to the students for hot lunch and breakfast. This program recognized net operating loss of \$2,122 during the past year and had a retained earnings balance of \$13,713 at the end of the year.
- Fiduciary Fund Types:

Agency funds of \$7,695 were being held at the end of the year for student activities and projects. The prior year balance was \$8,638 for similar accounts.

There are currently no Expendable Trust Funds.

### Capital Assets

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

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

<b>Middlesex School District-Figure V</b>			
<b>Capital Assets</b>			
<b>June 30, 2015</b>			
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Value</b>
<b>Governmental Activities:</b>			
Land & Site work & Construction	\$336,518	\$1,376	\$335,142
Building and Improvement	\$1,174,084	\$618,516	\$555,568
Furniture and Equipment	\$118,924	\$51,327	\$67,597
Vehicles	\$0	\$0	\$0
<b>Total</b>	<b>\$1,629,526</b>	<b>\$671,219</b>	<b>\$958,307</b>
<b>Business Type activities:</b>			
Building and Improvements	\$8,643	\$8,643	\$0
Furniture and Equipment	\$16,100	\$15,588	\$512
<b>Total</b>	<b>\$24,743</b>	<b>\$24,231</b>	<b>\$512</b>
<b>Grand Total</b>	<b>\$1,654,269</b>	<b>\$695,450</b>	<b>\$958,819</b>

### Long-Term Debt

The District has two categories of debt: water loans and a Bond Anticipation Note. At the end of the fiscal year, the District had \$4,522,556 in outstanding principal and interest. The Water Project loans are included in this total and during FY15 part of the loan was forgiven. 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. The extension was exercised in FY15.
- There has been an unanticipated significant increase in heating fuel oil costs and gasoline for student transportation.
- Rumney received voter approval for a \$3,500,000 Construction Project. It is expected to be completed during FY16.

### 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 Gailison Hill Road, Montpelier, Vermont 05602 or at 802-229-0553.

Middlesex School District  
District-Wide Statement of Net Position  
June 30, 2015

EXHIBIT I

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,452,278		\$ 3,452,278
Due From Other Funds	(19,994)	\$ 12,725	(7,269)
Accounts Receivable - State	11,888		11,888
Accounts Receivable - Other LEAs		1,230	1,230
Accounts Receivable - Other	2,347	1,330	3,677
Inventory		299	299
Capital Assets, net	<u>958,307</u>	<u>512</u>	<u>958,819</u>
TOTAL ASSETS	<u>4,404,826</u>	<u>16,096</u>	<u>4,420,922</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Vermont Municipal Pension	<u>11,774</u>	<u>-</u>	<u>11,774</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>11,774</u>	<u>-</u>	<u>11,774</u>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 4,416,600</u>	<u>\$ 16,096</u>	<u>\$ 4,432,696</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 3,643	\$ 262	\$ 3,905
Accrued Expenses	6,368		6,368
Net Pension Liability	7,543		7,543
Accrued Interest Payable	55,847		55,847
Long-Term Liabilities:			
Due Within 1 Year	177,190		177,190
Due in More Than 1 Year	<u>3,374,088</u>	<u>-</u>	<u>3,374,088</u>
TOTAL LIABILITIES	<u>3,624,679</u>	<u>\$ 262</u>	<u>3,624,941</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned Revenues	2,292	1,609	3,901
Vermont Municipal Pension	<u>23,261</u>	<u>-</u>	<u>23,261</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>25,553</u>	<u>1,609</u>	<u>27,162</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,592,971	512	2,593,483
Restricted For:			
Capital Projects	3,263,161		3,263,161
Other Purposes	121,576		121,576
Unrestricted (Deficit)	<u>(5,211,340)</u>	<u>13,713</u>	<u>(5,197,627)</u>
TOTAL NET POSITION	<u>766,368</u>	<u>14,225</u>	<u>780,593</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 4,416,600</u>	<u>\$ 16,096</u>	<u>\$ 4,432,696</u>

The accompanying notes are an integral part of these financial statements

Middlesex School District  
 District-Wide Statement of Activities  
 For The Year Ended June 30, 2015

EXHIBIT II

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Direct Services	\$ 1,667,280		\$ 167,134		\$ (1,500,146)		\$ (1,500,146)
Support Services:							
Student Services	149,133				(149,133)		(149,133)
Instructional Staff Services	197,521				(197,521)		(197,521)
General Administrative Services	56,389				(56,389)		(56,389)
Area Administrative Services	257,178				(257,178)		(257,178)
Fiscal Services	66,267				(66,267)		(66,267)
Building Operations and Maintenance	244,075				(244,075)		(244,075)
Transportation	92,839		36,229		(56,610)		(56,610)
Other Support Services	1,133	-	1,133	-	-		-
Total Governmental Activities	<u>2,731,815</u>	<u>-</u>	<u>204,496</u>	<u>-</u>	<u>(2,527,319)</u>		<u>(2,527,319)</u>
<b>Business-Type Activities:</b>							
Food Service	99,176	84,111	-	-		(15,065)	(15,065)
Total Business-Type Activities	<u>99,176</u>	<u>84,111</u>	<u>-</u>	<u>-</u>		<u>(15,065)</u>	<u>(15,065)</u>
<b>General Revenues:</b>							
State Revenues not Restricted to Specific Programs					2,526,912		2,526,912
Federal Revenues not Restricted to Specific Programs					49,724		49,724
Private Revenues not Restricted to Specific Programs					4,810		4,810
Investment Earnings					100,995		100,995
Rentals					40		40
Miscellaneous					(2,765)		(2,765)
Transfers					(12,720)	12,720	-
Total General Revenues					<u>2,666,996</u>	<u>12,720</u>	<u>2,679,716</u>
<b>Change in Net Position</b>					139,677	(2,345)	137,332
<b>Net Position - Beginning of Year</b>					645,932	16,570	662,502
<b>Prior Period Adjustment</b>					(19,241)	-	(19,241)
<b>Net Position - Ending of Year</b>					<u>\$ 766,368</u>	<u>\$ 14,225</u>	<u>\$ 780,593</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, 2015

EXHIBIT III

	Governmental Fund Type			Proprietary Fund Type	Fiduciary Fund	Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Capital Project Fund	Enterprise Fund	Agency Fund	
<b>ASSETS:</b>						
<b>Current Assets:</b>						
Cash	\$ 151,766		\$ 3,300,512			\$ 3,452,278
Due From Other Funds		\$ 2,292	18,496	\$ 12,725	\$ 7,269	40,782
Accounts Receivable - State	11,888					11,888
Accounts Receivable - Supervisory Union				1,230		1,230
Accounts Receivable - Other	2,347			1,330	511	4,188
Inventory	-	-	-	299	-	299
Total Current Assets	<u>166,001</u>	<u>2,292</u>	<u>3,319,008</u>	<u>15,584</u>	<u>7,780</u>	<u>3,510,665</u>
<b>Other Assets:</b>						
Fixed Assets - net	-	-	-	512	-	512
Total Other Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>512</u>	<u>-</u>	<u>512</u>
<b>TOTAL ASSETS</b>	<u>\$ 166,001</u>	<u>\$ 2,292</u>	<u>\$ 3,319,008</u>	<u>\$ 16,096</u>	<u>\$ 7,780</u>	<u>\$ 3,511,177</u>
<b>LIABILITIES &amp; FUND EQUITY:</b>						
<b>Liabilities:</b>						
Due To Other Funds	\$ 40,782					\$ 40,782
Accounts Payable - Other	3,643			\$ 262	\$ 85	3,990
Accrued Interest Payable			\$ 55,847			55,847
Deferred Revenue		\$ 2,292		1,609		3,901
Amount Held for Agency Funds	-	-	-	-	7,695	7,695
Total Liabilities	<u>44,425</u>	<u>2,292</u>	<u>55,847</u>	<u>1,871</u>	<u>7,780</u>	<u>112,215</u>
<b>Fund Equity:</b>						
<b>Fund Balances:</b>						
Committed	121,576		3,263,161			3,384,737
Net Position	-	-	-	14,225	-	14,225
Total Fund Equity	<u>121,576</u>	<u>-</u>	<u>3,263,161</u>	<u>14,225</u>	<u>-</u>	<u>3,398,962</u>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<u>\$ 166,001</u>	<u>\$ 2,292</u>	<u>\$ 3,319,008</u>	<u>\$ 16,096</u>	<u>\$ 7,780</u>	<u>\$ 3,511,177</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 Position  
 Governmental Funds  
 June 30, 2015

Fund Balances – total governmental funds	\$ 3,384,737
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:</p>	
Governmental capital assets	1,615,726
Less accumulated depreciation	(657,419)
<p>Bonds payable and contractual obligations have not been included in the governmental fund financial statements.</p>	
Bonds Payable	(3,500,000)
Notes Payable	(51,278)
<p>Accrued liabilities have not been reflected in the governmental fund financial statements:</p>	
Net Pension Liability	(7,543)
Vested Vacation Payable	(6,368)
Deferred Inflows	<u>(23,261)</u>
Net Position of Governmental Activities	<u>\$ 766,368</u>

The accompanying notes are an integral part of these financial statements

Middlesex School District  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types  
 For The Year Ended June 30, 2015

EXHIBIT IV

	General Fund	Special Revenue Fund	Capital Project Fund	Totals (Memorandum Only)
<b>REVENUES:</b>				
Earnings on Investments	\$ 32,790		\$ 68,205	\$ 100,995
Rental Income	40			40
Miscellaneous	2,530			2,530
Private/Local	510	\$ 33,045	4,300	37,855
State	<u>2,561,356</u>	<u>-</u>	<u>-</u>	<u>2,561,356</u>
<b>TOTAL REVENUES</b>	<u>2,597,226</u>	<u>33,045</u>	<u>\$ 72,505</u>	<u>2,702,776</u>
<b>EXPENDITURES:</b>				
Direct Services	1,490,558	30,127		1,520,685
Support Services:				
Students	148,968			148,968
Instructional Staff	186,491	10,000		196,491
General Administration	56,389			56,389
Area Administration	254,491			254,491
Fiscal Services	66,267			66,267
Operation and Maintenance of Building	199,275			199,275
Transportation	91,054	1,785		92,839
Community Services		1,133		1,133
Construction Services			385,490	385,490
Debt Services	<u>8,728</u>	<u>-</u>	<u>-</u>	<u>8,728</u>
<b>TOTAL EXPENDITURES</b>	<u>2,502,221</u>	<u>43,045</u>	<u>385,490</u>	<u>2,930,756</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	95,005	(10,000)	(312,985)	(227,980)
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond Proceeds			3,500,000	3,500,000
Transfers In		5,000	68,000	73,000
Transfers Out	<u>(85,720)</u>	<u>-</u>	<u>-</u>	<u>(85,720)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	9,285	(5,000)	3,255,015	3,259,300
<b>FUND BALANCE, JULY 1, 2014</b>	<u>112,291</u>	<u>5,000</u>	<u>8,146</u>	<u>125,437</u>
<b>FUND BALANCE JUNE 30, 2015</b>	<u>\$ 121,576</u>	<u>\$ -</u>	<u>\$ 3,263,161</u>	<u>\$ 3,384,737</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, 2015

Net Changes in fund Balances – total governmental funds \$ 3,259,300

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	350,961
Less current year depreciation	(30,359)

Bond proceeds provide current financial resources to governmental  
 funds, but issuing debt increases long-term liabilities in the  
 statement of Net Position. Repayment of bond principal is an  
 expenditure in the governmental funds, but the repayment  
 reduces long-term liabilities in the Statement of Net Position.

Bond proceeds	(3,500,000)
Repayment of notes	56,850

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:

Deferred Outflows	11,774
Vested Vacation Payable Change	(2,252)
Deferred Inflows	(23,261)
Net Pension Liabilities	(7,543)

When recognizing the sale of capital assets, the governmental funds  
 report the total proceeds of the sale. Only the gain or loss on  
 the sale is reported on the Statement of Net Position.

(5,295)

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 district-wide financial statements.

10,261

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 (continued)  
For The Year Ended June 30, 2015

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 district-wide financial statements.	\$ <u>          0</u>
Change in Net Position of Governmental Funds	\$ <u>  120,436</u>

The accompanying notes are an integral part of these financial statements

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, 2015

EXHIBIT V

Operating Revenue:		
Sales	\$ 48,286	
Miscellaneous	<u>9,195</u>	
Total Operating Revenue		\$ 57,481
Operating Expenses:		
Salaries and Benefits	65,198	
Property Services	777	
Travel	548	
Supplies and Food	28,281	
Commodities	3,902	
Utilities	420	
Depreciation	<u>50</u>	
Total Operating Expenses		<u>99,176</u>
Operating Income (Loss)		(41,695)
Non-Operating Revenue (Loss)		
State Sources:		
Restricted Grants		
School Lunch Match	662	
Child Nutrition Breakfast	170	
Child Nutrition Other	192	
Reduced Lunch Initiative	549	
Federal Sources:		
Restricted Grants		
School Breakfast Program	4,815	
School Lunch Program	16,516	
Commodities	3,902	
Loss on Disposal of Assets	<u>(176)</u>	
Total Non-Operating Revenue (Loss)		<u>26,630</u>
Increase (Decrease) Before Transfers		(15,065)
Operating Transfers In		<u>12,720</u>
Increase (Decrease) in Net Position		(2,345)
Net Position, July 1, 2014		<u>16,570</u>
Net Position, June 30, 2015		<u>\$ 14,225</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, 2015

EXHIBIT VI

Cash Flows From Operating Activities:		
Received From Customers	\$ 59,376	
Payments To Employees and Fringe Benefits	(65,198)	
Payments To Vendors and Supplies	<u>(33,523)</u>	
Net Cash Used By Operating Activities		\$ (39,345)
Cash Flows From Noncapital Financing Activities:		
State Aid Received	27,094	
Support From General Fund	<u>12,251</u>	
Net Cash Used By Noncapital Financing Activities		39,345
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, 2014		<u>-</u>
Cash, June 30, 2015		<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities:		
Cash Provided From Operating Activities:		
Operating Income (Loss)		\$ (41,695)
Adjustments to Reconcile Net Income to Cash Provided (Used) By Operating Activities:		
Depreciation	\$ 50	
(Increase) Decrease in Accounts Receivable - Other	1,378	
(Increase) Decrease in Inventory	143	
Increase (Decrease) in Accounts Payable - Other	262	
Increase (Decrease) in Deferred Revenue	<u>517</u>	
Total Adjustments		<u>2,350</u>
Net Cash Provided (Used) By Operating Activities		<u>\$ (39,345)</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, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

Reporting Entity:

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

The school board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, 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. The School District is a component of the Town of Middlesex.

Basic Financial Statements - District-wide:

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

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

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

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

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

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

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

**Basic Financial Statements – Fund Financial Statements:**

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

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

**Governmental Fund Types:**

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

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

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

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

Proprietary Fund Types:

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

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

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

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

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

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

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

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

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

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

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

Other Accounting Policies:

Cash and Cash Equivalents:

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

Interfund Receivables and Payables:

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

Transfers:

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

Deposits and Investments:

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

Accounts Receivable:

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

Inventory:

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

Deferred Inflows of Resources:

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

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

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

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

Capital Assets:

Capital assets, which include land, construction in progress, buildings, improvements, furniture, equipment, infrastructure, and vehicles, are reported in the applicable governmental activities column in the governmental wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year (categories of assets are depreciated over the following lives; land improvements 10-40 years, buildings 25-50 years, building improvements 10-50 years, infrastructure 10-50 years, furniture & equipment 3-20 years, and vehicles 3-15 years). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets, except for land and construction in progress are depreciated using the straight line method over the estimated useful lives with a full year of depreciation taken in the year acquired and none taken in the year of disposal. Land and construction in progress are not depreciated.

Long-term Obligations:

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

Pensions:

*VSTR*. For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the Vermont Teachers Retirement System (VTRS), information about VTRS's fiduciary net position and additions to/deductions from VSTR's fiduciary net position have been determined on the same basis as they are reported by VSTR. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pensions:

*VMERS*. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (VMERS) and additions

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

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

to/deductions from VMERS's fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Budgetary Data:**

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

The School Board with assistance from the Supervisory Union and the School District's Administration drafts a budget. The operating budget includes proposed expenditures by line item and the means of financing them.

The budget is adopted by the School Board for presentation to the voters as a warning or article in the annual report.

The voters vote on the total expense amount and not the individual line items at the School District's annual meeting or subsequent special meetings.

**Encumbrances:**

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

**Use of Estimates:**

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

**Net Resources and Fund Balance:**

**District-wide Financial Statements:**

When the School District incurs an expense for which it may use either restricted or unrestricted

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

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

net position, it generally uses restricted net position first. Net position on the Statement of net position includes the following:

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

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

Restricted For Capital Projects – The component of net position 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 – All other net positions that do not meet the definition of “Restricted for Other Purposes” or “Net Investment in Capital Assets, net of Related Debt”.

Fund Based Financial Statements:

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

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

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

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

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

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

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

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.

**NOTE 2 – CASH, CASH EQUIVALENTS, AND REPURCHASE AGREEMENTS**

Cash and cash equivalent deposits with financial institutions at June 30th amounted to \$3,452,278. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

Interest Rate Risk:

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

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

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

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

FDIC insures all accounts held by the same financial institution up to a combined total of \$250,000. There are some special provisions which increase this limit.

Concentration of Credit Risk:

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

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

These four levels of risk are as follows:

- Category 1    Repurchase Agreements - Deposits which are invested in government securities held by the School District or by its agent in the School District's name.
- Category 2    Collateralized Accounts - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Bank's name.
- Category 3    Letter of Credit - Private commercial insurance protection or letter of credit issued by the financial institution to cover funds in excess of FDIC limits.
- Category 4    Deposits which are not collateralized or insured. (includes cash on hand)

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

Balances held in each area are as follows:

	Carrying Amount	Bank Balance
- Insured (FDIC) and/or (SIPC)	\$ 12,720	\$ 10,000
- Category 1	3,438,958	4,479,584
- Category 2	0	0
- Category 3	0	0
- Category 4	600	0
Total deposits	\$3,452,278	\$4,489,584

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

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

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 \$4,479,584 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, 2015, is as follows:

Fund Financial Statements:		
Receivable Fund	Payable Fund	Amount
Agency Fund:		
Student Activities	General Fund	<u>\$ 7,269</u>
Enterprise Fund:		
Food Program	General Fund	<u>\$12,725</u>
Capital Project Fund:		
Capital Project	General Fund	<u>\$18,496</u>
Special Revenue Fund:		
Zero Waste Water Grant	General Fund	\$ 1,425
Whole Kids Garden	General Fund	<u>867</u>
Total Special Revenue Fund		<u>\$ 2,292</u>
District-wide Financial Statements:		
Receivable Fund	Payable Fund	Amount
Business Type	Governmental Type	\$12,725
Agency Fund	Governmental Type	<u>7,269</u>
Total		<u>\$19,994</u>

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 4 – CAPITAL ASSETS**

Capital activity for the School District for the year ended June 30, 2015, was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Construction in Progress	\$ 0	\$329,643	\$ 0	\$ 329,643
Total capital assets not being depreciated	0	329,643	0	329,643
Capital Assets being depreciated:				
Land Improvements	6,875	0	0	6,875
Buildings	263,837	0	21,762	242,075
Building Improvements	711,467	0	0	711,467
Infrastructure	220,542	0	0	220,542
Furniture and Equipment	124,085	21,318	26,479	118,924
Total other capital assets at historical costs	1,326,806	21,318	48,241	1,299,883
Less accumulated depreciation:				
Land Improvements	1,032	344	0	1,376
Buildings	263,837	0	21,762	242,075
Building Improvements	345,154	14,754	0	359,908
Infrastructure	11,022	5,511	0	16,533
Furniture and Equipment	62,761	9,750	21,184	51,327
Total accum. Depr.	683,806	30,359	42,946	671,219
Capital Assets being depr., Net	643,000	(9,041)	5,295	628,664
Governmental activities Capital Assets, Net	\$ 643,000	\$320,602	\$ 5,295	\$ 958,307
Business-type activities:				
Building	\$ 8,643	\$ 0	\$ 0	\$ 8,643
Furniture and Equipment	23,245	0	7,145	16,100
Less accum. Depr.	31,150	50	6,969	24,231
Business-type activities Capital Assets, Net	\$ 738	\$ (50)	\$ 176	\$ 512

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

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

Depreciation expense was charged to functions as follows:

Governmental activities:		
Direct Services		\$19,849
Support Services:		
Students		165
Instructional Staff		1,030
General Administration		0
Area Administration		646
Fiscal Services		0
Operation and Maintenance of Plant		8,669
Transportation		0
Other Support Services		<u>0</u>
Total governmental activities depreciation expense		<u>\$30,359</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, 2015. Teachers do not receive vacation benefits. Administrative and maintenance personnel are granted vacation leave in varying amounts. The School District has a liability for unused vacation that was allowed to be carried forward. No liability is shown in the fund based financial statement. The liability is reported in the Statement of Net Position as an accrued liability and represents a reconciling item between the fund and District-wide presentations. The amount accrued at year end was \$6,368. Vacation pay is charged to operations when taken by the employee of the School District.

**NOTE 6 – SHORT-TERM DEBT**

Short-term debt activity consisted of the following for the year ended June 30, 2015:

	Balance July 1, 2014	Borrowings	Retirements	Balance June 30, 2015
Revenue Anticipation Note, Issued July 1, 2014, Interest at 2.85%, due June 30, 2015	<u>\$ 0</u>	<u>\$944,221</u>	<u>\$944,221</u>	<u>\$ 0</u>

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 7 - UNEARNED REVENUE (DEFERRED INFLOWS)**

The unearned revenues reported at year end are summarized as following:

Federal funds	\$ 0
State funds	0
Other funds	<u>3,901</u>
Total unearned revenues	<u>\$3,901</u>

**NOTE 8 - SICK LEAVE**

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

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

There is currently no vesting of sick days or sick day buyouts at June 30, 2015. Sick time is only paid out upon retirement based on certain stipulations.

**NOTE 9 – OPEB AND TERMINATION BENEFITS**

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

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

During any school year, the School Board may, at its sole discretion, offer an early retirement option to a predetermined number of employees who retire after 15 consecutive years of part-time or full-time service within the Washington Central Supervisory Union. The details of the

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 9 – OPEB AND TERMINATION BENEFITS (CONTINUED)**

incentive for Support Staff may vary from year to year. The details of this program for teachers are as follows:

- A) The School District will pay 50% of the employee's retirement year salary in 3 equal annual installments on September 1<sup>st</sup> of each year following retirement.
- B) The teacher shall be entitled to 12 months of single health insurance coverage for the teacher under the District's policy or 20% of the teacher's premium for single health insurance coverage under the Vermont Teacher's Retirement System's health insurance program, whichever is less.

This incentive was not offered by the board in fiscal year 2014-2015; therefore, there is no actual or contingent liability beyond FY 14-15.

Per the Master Teacher Agreement, any teacher who has worked in the District for 5 years and retires pursuant to the Vermont Teachers Retirement laws will be paid \$10 per day for accumulated sick leave up to a maximum of seventy-five (75) days. At June 30, 2015, three (3) teachers vested in this buy back for a total contingent liability of \$2,010.

Support Staff are currently not offered a sick day buy back.

Any employee who retired and received the sick day buy back was paid prior to June 30, 2015.

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

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

	Balance July 1, 2014	Borrowings	Retirements	Balance June 30, 2015
<b><u>BONDS:</u></b>				
Merchants Bank, Loan & Bond Purchase Agreement, interest at 2.75%, principal				

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)**

	Balance July 1, 2014	Borrowings	Retirements	Balance June 30, 2015
payments of \$175,000 due annually on December 1 <sup>st</sup> of each year from 2015 until 2034; originally borrowed \$3.5 million on July 1, 2015, to fund a major renovations and bldg. additions project at the school	\$ 0	\$3,500,000	\$ 0	\$3,500,000
TOTAL BONDS	\$ 0	\$3,500,000	\$ 0	\$3,500,000

**NOTES:**

Vermont Environmental Protection Agency Drinking Water State Revolving Fund Note Payable, interest at 1% and admin. fee at 2%, principal payments ranging from \$920 to \$1,613 due annually on March 1<sup>st</sup> beginning in 2014 until 2033; originally approved to borrow \$25,000 on October 28, 2010, for a water project. Loan was forgiven by the State of VT

\$ 24,724	\$	0	\$24,724	\$	0
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Vermont Environmental Protection Agency Drinking Water State Revolving Fund Note Payable, interest at 0% and admin. fee at 0%, principal payments of \$5,000 due annually on March 1<sup>st</sup> beginning in 2014 until 2018; originally approved to borrow \$35,731 on January 16, 2009, for a water project. Loan balance was forgiven by the State of Vermont

25,000	0	25,000	0
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Vermont Environmental Protection Agency Drinking Water State Revolving Fund Note Payable, interest at 1% and admin. fee at 2%, principal

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)**

	Balance July 1, 2014	Borrowings	Retirements	Balance June 30, 2015
payments ranging from \$2,064 to \$3,620 due annually on March 1 <sup>st</sup> beginning in 2014 until 2033; originally approved to borrow \$151,655 in 2011 for a water project. In FY13 \$22,660 was forgiven by the State of Vermont and a \$73,527 ARRA subsidy grant was received.	\$ 53,404	\$ 0	\$ 2,126	\$ 51,278
State of Vermont, Department of Environmental Conservation Note Payable, interest at 0%, principal payments of \$5,000 due annually on July 1 <sup>st</sup> beginning in 2010 until 2015; originally approved to borrow \$25,000 in May 2009, to replace an underground water storage tank.	<u>5,000</u>	<u>0</u>	<u>5,000</u>	<u>0</u>
TOTAL NOTES	<u>\$108,128</u>	<u>\$ 0</u>	<u>\$56,850</u>	<u>\$ 108,128</u>
Total Bonds and Notes	<u>\$108,128</u>	<u>\$3,500,000</u>	<u>\$56,850</u>	<u>\$3,551,278</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, 2016	\$ 177,190	\$ 87,728	\$ 264,918
2017	177,256	90,510	267,766
2018	177,323	85,630	262,954
2019	177,393	80,748	258,141
2020	177,463	76,062	253,526
2021-2025	888,479	306,084	1,194,563
2026-2030	890,626	183,607	1,074,233
2031-2035	<u>885,547</u>	<u>60,909</u>	<u>946,456</u>
Totals	<u>\$3,551,278</u>	<u>\$971,278</u>	<u>\$4,522,556</u>

The following is a summary of other long term obligation:

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)**

	Balance July 1, 2014	Increases	Retirements	Balance June 30, 2015
OTHER LONG-TERM OBLIGATIONS:				
OPEB and Termination Benefits	<u>\$10,261</u>	<u>\$ 0</u>	<u>\$10,261</u>	<u>\$ 0</u>

**NOTE 11 – 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:

Reserved for Construction Project Manager FY 15-16	\$ 4,000
Reserved for General Operations at Board Discretion	<u>117,576</u>
Total	<u>\$ 121,576</u>

Capital Projects Fund:

Renovations	<u>\$3,263,161</u>
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**NOTE 12 – NET RESOURCES RESTRICTED (District-wide Financial Statements)**

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

Net Resources Restricted For Capital Projects:

Renovations	<u>\$3,263,161</u>
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Net Resources Restricted For Other Purposes:

Reserved for Construction Project Manager FY 15-16	\$ 4,000
Reserved for General Operations at Board Discretion	<u>117,576</u>
Total	<u>\$ 121,576</u>

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 13 – 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 \$68,000 were transferred from the General Fund to the Capital Project Fund for the purpose of paying for future major maintenance.

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

Funds of \$12,720 were transferred from the General Fund to the Enterprise Fund – Food Program for the purpose of subsidizing operations.

**NOTE 14 - PENSIONS**

**VERMONT TEACHERS' RETIREMENT SYSTEM**

*Plan Description.* VSTR is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the Vermont State Teachers Retirement System (VSTR) that provides benefits for teaching-certified employees of participating school districts. Title 16 of the Vermont State Statutes grants the authority to establish and amend the benefit terms to the VSTR Board of Trustee. VSTR issues a publicly available financial report that can be obtained at [www.vermonttreasurer.gov/retirement/vstr-financial-reports](http://www.vermonttreasurer.gov/retirement/vstr-financial-reports).

*Benefits provided.* VSTR provides retirement, disability, and death benefits. Retirement benefits vary based on group classification (Group A or Group C), years of service, and age at retirement. Details of benefits are explained in Vermont Statutes Annotated Title 16 Section 1937. Five years of service is required for disability eligibility. Details of disability benefits are explained in Vermont Statutes Annotated Title 16 section 1938. Details of death benefits are explained in Vermont Statutes Annotated Title 16 section 1940.

Public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A are eligible for group A benefits. Public school teachers employed within the State of Vermont on or after July 1, 1990 are automatically a Group C member. All employees hired before July 1, 1990, who were a Group B member, are now a Group C member.

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 14 – PENSIONS (CONTINUED)**

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

*Contributions.* Per Vermont Statutes Annotated Title 16 Section 1944, contribution requirements of the active employees and the participating school districts are established and may be amended by the VSTR Board. Title 16 also requires the State to contribute 100 percent of school districts’ contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees are required to contribute 5.5% for Group A, 6% for Group C with less than 5 years of employment and 5% for Group C with more than 5 years of employment of their annual pay. The school districts’ contractually required contribution rate for the year ended June 30, 2015, was 12.75 percent of annual school district payroll of which 0 percent of payroll was required from the school districts and 12.75 percent of payroll was required from the State. State contributions to the pension plan were \$137,007 for the year ended June 30, 2015.

*Pension Liability, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension*

At June 30, 2014, the State reported a liability of \$1,454,257 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the date. The State’s proportion of the net pension liability was based on a projection of the State’s long-term share of contributions to the pension plan relative to the total projected contributions of the state and all participating school districts, actuarially determined. At June 30, 2014, the State’s proportion was 100 percent.

As a result of its requirement to contribute to VSTR, the State recognized expense of \$60,062 for the year ended June 30, 2014. At June 30, 2014, the State reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to VSTR.

	Deferred Outflows <u>Of Resources</u>	Deferred Inflows <u>Of Resources</u>
Differences between expected and actual experience	\$0	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	(142,117)
Change in proportional share	0	(241,039)
State contributions subsequent to the measurement date	<u>0</u>	<u>0</u>
Total	<u>\$0</u>	<u>\$(383,156)</u>

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 14 – PENSIONS (CONTINUED)**

VERMONT TEACHERS’ RETIREMENT SYSTEM (CONTINUED)

\$(289,611) reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources as a result of the State’s requirement to contribute to VSTR will be recognized in expenses as follows:

Year ended June 30:	
2016	\$(123,319)
2017	(123,319)
2018	(42,973)
2019	0
2020	0
Thereafter	0

*Actuarial assumptions.* The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3-3.25 percent
Salary increases	4.25 – 8.4 percent, average, including inflation
Investment rate of return	13.83 percent, net of pension plan investment expense, Including inflation

Mortality rates were based on the 12995 Buck Mortality Tables for Males or Females, as appropriate.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2010. Expectation of life after disability was based on RP 2000 Disabled Life Tables.

The long-term expected rate of return on System investments was determined using best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. These best estimate ranges were combined to produce forecast of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 14 – PENSIONS (CONTINUED)**

VERMONT TEACHERS’ RETIREMENT SYSTEM (CONTINUED)

percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.6.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.94%
Equity	31.5	6.70
Alternative	15.3	6.26
Multi-Strategy	20.0	5.98

*Discount rate.* The discount rate used to measure the total pension liability was 8.15 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined, and that contributions from the State will be made at current statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the State’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the State’s proportionate share of the net pension liability calculated using the discount rate of 8.15 percent, as well as what the State’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage -point lower (7.15 percentage) or 1-percentage -point higher (9.15 percentage) than the current rate:

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 14 – PENSIONS (CONTINUED)**

VERMONT TEACHERS’ RETIREMENT SYSTEM (CONTINUED)

	1% Decrease <u>(7.15%)</u>	Discount Rate <u>(8.15%)</u>	1% Increase <u>(9.15%)</u>
State’s proportionate share of The net pension liability	\$1,909,905	\$1,454,267	\$1,071,788

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued VSTR financial report.

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

Employees of the District are provided with pensions through the Vermont Municipal Employees’ Retirement System (VMERS) – a cost-sharing multiple-employer defined benefit pension plan administered by a board of five trustees, known as the Retirement Board. Vermont Statutes Annotated title 24 Section 5062 grants the responsibility for the proper operation and effective provision of the Retirement System to the Retirement Board. VMERS issues a publicly available financial report that can be obtained at [www.vermonttreasurer.gov/retirement/muni-financial-reports](http://www.vermonttreasurer.gov/retirement/muni-financial-reports).

*Benefits provided.* VMERS provides retirement, disability and death benefits. Details of benefits can be obtained at [www.vermonttreasurer.gov/retirement/muni-group-plans](http://www.vermonttreasurer.gov/retirement/muni-group-plans) and [www.vermonttreasurer.gov/retirement/muni-group-comparisons](http://www.vermonttreasurer.gov/retirement/muni-group-comparisons).

*Contributions.* Per Title 24 Chapter 125 of the Vermont Statutes, contribution requirements of the active employees and the participating School District are established and may be amended by the Retirement Board. Employees and the School District’s contributions vary based on group classification (Group A, B, C, or D)

	Group A	Group B	Group C	Group D
Employees' Contributions (% of gross wages)	2.5%	4.75%	9.75%	11.25%
The School District’s contributions (% of gross wages)	4.0%	5.375%	7.0%	9.75%

Further information on contributions can be obtained at [www.vermonttreasurer.gov/retirement/muni-group-comparisons](http://www.vermonttreasurer.gov/retirement/muni-group-comparisons).

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 14 – PENSIONS (CONTINUED)**

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

The School District contractually required contribution rate for the year ended June 30, 2015, was the percentage of annual payroll from the above table, which is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$11,623 for the year ended June 30, 2015.

*Pension Liability, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions.*

At June 30, 2015, the School District reported a liability of \$7,543 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating School Districts actuarially determined. At June 30, 2014, the School District's proportion was 0.0827 percent, which was an increase of 0.006 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2014, the School District recognized a pension expense of \$11,411. At June 30, 2014, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows <u>Of Resources</u>	Deferred Inflows <u>Of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual		
Earnings on pension plan investments	0	(23,261)
Changes in proportion and differences between		
School District contributions and		
Proportionate share of contributions	152	0
School District contributions subsequent		
To the measurement date	<u>0</u>	<u>0</u>
Total	<u>\$152</u>	<u>\$(23,261)</u>

\$(17,220) reported as deferred outflows/inflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 14 – PENSIONS (CONTINUED)**

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

as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expenses as follows:

Year ended June 30:	
2016	\$(5,740)
2017	(5,740)
2018	(5,740)
2019	0
2020	0
Thereafter	0

*Actuarial assumptions.* The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3-3.25 percent
Salary increases	5 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, Including inflation

Mortality rates were based on the 12995 Buck Mortality Tables for Males or Females, as appropriate.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2010. Expectation of life after disability was based on RP 2000 Disabled Life Tables.

The long-term expected rate of return on System investments was determined using best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. These best estimate ranges were combined to produce forecast of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 14 – PENSIONS (CONTINUED)**

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

develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.6.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.94%
Equity	31.5	6.70
Alternative	15.5	6.26
Multi-Strategy	20.0	5.98

*Discount rate.* The discount rate used to measure the total pension liability was 8.23 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from School Districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 8.23 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.23 percentage) or 1-percentage-point higher (9.23 percentage) than the current rate:

	1% Decrease <u>(7.23%)</u>	Discount Rate <u>(8.23%)</u>	1% Increase <u>(9.23%)</u>
School District's proportionate share of The net pension liability	\$63,550	\$7,544	\$(39,444)

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 14 – PENSIONS (CONTINUED)**

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

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued VMERS financial report.

**NOTE 15 - RISK MANAGEMENT**

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

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

In addition, Middlesex School District as a member of Vermont School Boards Association (Association), participates in that entity's public entity risk pools. The Association has set up two insurance 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 are 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 through VSBIT. They obtain such coverage through other outside 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

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 15 - RISK MANAGEMENT (CONTINUED)**

are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

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

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

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

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

**NOTE 16 - OPERATING LEASES**

On December 5, 2013, the Middlesex School District entered into a lease agreement with Canon Financial Solutions of America for the lease of a copier. The total amount due is \$11,280, to be

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 16 - OPERATING LEASES (CONTINUED)**

paid in monthly installments of \$188 over 5 years. The following is a schedule of future minimum lease payments under this lease.

During the year ended June 30, 2016	\$2,256
2017	2,256
2018	2,256
2019	<u>1,316</u>
Total	<u>\$8,084</u>

Total minimum lease payments made this year were \$2,256.

**NOTE 17 - SUBSEQUENT EVENTS**

On July 1, 2015, the School District borrowed \$1,341,151 through a Revenue Anticipation Note with the Merchants Bank at 2.85% interest. Any outstanding principle and interest are due at maturity on June 30, 2016.

On July 1, 2015, the School District took out a 20 year Loan and Bond Purchase Agreement with the Merchants Bank in the amount of \$3,500,000 at a fixed interest rate of 2.75% for the purpose of financing a major renovations and additions project at Rumney Memorial School. The repayment of this loan is reflected above in NOTE 10 – LONG-TERM OBLIGATIONS.

**NOTE 18 - COMMITMENTS**

In January 2015, the Middlesex School District entered into a contract with Black River Design Architects for architectural services on the Rumney Memorial School Renovations and Additions Project. Work on this project is to commence in January 2015 and shall last if need be until the projected completion of the project in March 2016. The cost of the contract is on a time and materials basis. As of June 30, 2015, \$217,712 has been paid towards this contract.

On January 20, 2015, the Middlesex School District entered into a contract with WF Project Inspections for “Clerks of the Works” services in an amount not to exceed of \$60,354, for the Rumney Memorial School Renovations and Additions Project. Work on this project is set to commence on January 21, 2015, and be completed by March 10, 2016. As of June 30, 2015, \$4,235 has been paid towards this contract.

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 18 – COMMITMENTS (CONTINUED)**

On June 8, 2015, the Middlesex School District entered into a contract with Wright & Morrissey, Inc. in the amount of \$2,861,183, for the construction phase of the Rumney Memorial School Renovations and Additions Project. Work on this project is set to commence on June 8, 2015, with substantial completion of work to be taken place by March 2016. As of June 30, 2015, \$0 has been paid towards this contract. In July 2015, \$85,592 was paid for June 2015 services.

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, 2015, may be impaired. It is the opinion of the School District, that 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.

The School District is responsible for the withholding and paying over of certain payroll taxes and related items. At June 30, 2015, School District showed a liability for any taxes due and unpaid. These taxes are subject to audit by the State and federal government. It is the opinion of the School District, that there are no significant contingent liabilities relating to compliance with the rules and regulations governing these or other taxes.

**NOTE 19 - RELATED PARTY**

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

Middlesex School District  
Notes to Financial Statements (continued)  
For The Year Ended June 30, 2015

**NOTE 19 - RELATED PARTY (CONTINUED)**

The Middlesex School District offers a computer purchase program to permanent contractual employees. The program allows an employee to purchase one computer per year that is paid for by the School District. The employee must reimburse the School District through payroll withholdings. The computer must be paid off within 26 pay periods or upon termination from employment, whichever occurs first. At June 30, 2015, there was a \$0 balance owed to the Middlesex School District.

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

**NOTE 20 - CONTINGENCY**

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

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

Middlesex School District  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
General Fund  
For The Year Ended June 30, 2015

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES:</b>				
Earnings on Investments		\$ 24,000	\$ 32,790	\$ 8,790
Rental Income		-	40	40
Miscellaneous		800	2,530	1,730
Private:				
E-Rate		3,100	510	(2,590)
State:				
Education Spending Grant		2,246,325	2,246,325	-
Transportation Aid		34,529	34,444	(85)
Mainstream Block Grant		59,751	59,751	-
SPED Expenditure Reimbursement		209,888	196,738	(13,150)
SPED Expenditure Reimbursement - Prior Year		-	29	29
Extraordinary Reimbursement		-	(893)	(893)
Essential Early Education		<u>24,962</u>	<u>24,962</u>	<u>-</u>
<b>TOTAL REVENUES</b>		<u>2,603,355</u>	<u>2,597,226</u>	<u>(6,129)</u>
<b>EXPENDITURES:</b>				
Instructional Services 1100:				
Regular Salaries	110	756,221	707,487	48,734
Temporary Salaries	120	22,000	41,365	(19,365)
Health Insurance	210	116,613	116,404	209
Social Security	220	58,023	54,526	3,497
Retirement	240	1,300	1,014	286
Section 125	245	992	992	-
Workers Compensation	250	6,548	4,953	1,595
Unemployment Compensation	260	470	417	53
Tuition Reimbursement	270	19,000	23,421	(4,421)
Dental Insurance	280	7,169	6,717	452
Disability Benefits	285	4,002	1,905	2,097
Professional Education Services	320	1,800	1,068	732
Other Professional Services	330	3,500	4,941	(1,441)
Rentals and Leases	440	4,700	4,523	177
Travel	580	400	56	344
Supplies	610	25,150	18,985	6,165
Books and Periodicals	640	<u>3,500</u>	<u>2,742</u>	<u>758</u>
Subtotal		<u>1,031,388</u>	<u>991,516</u>	<u>39,872</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  
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For The Year Ended June 30, 2015

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Instructional Services ELL 1100:				
Regular Salaries	110	\$ -	\$ 3,960	\$ (3,960)
Temporary Salaries	120	6,989	585	6,404
Social Security	220	535	303	232
Workers Compensation	250	56	56	-
Unemployment Compensation	260	4	4	-
Travel	580	500	57	443
Subtotal		<u>8,084</u>	<u>4,965</u>	<u>3,119</u>
Preschool Program 1101:				
Regular Salaries	110	54,448	73,073	(18,625)
Temporary Salaries	120	-	14,727	(14,727)
Health Insurance	210	5,616	5,566	50
Social Security	220	4,092	6,517	(2,425)
Retirement	240	-	1	(1)
Section 125	245	110	110	-
Workers Compensation	250	434	434	-
Unemployment Compensation	260	34	34	-
Tuition Reimbursement	270	1,000	-	1,000
Dental Benefits	280	432	426	6
Disability Benefits	285	283	227	56
Other Professional Services	330	-	5,440	(5,440)
SU Shared Services	332	-	19,264	(19,264)
Travel	580	150	765	(615)
Supplies	610	1,400	2,553	(1,153)
Equipment	730	-	2,040	(2,040)
Subtotal		<u>67,999</u>	<u>131,177</u>	<u>(63,178)</u>
Instructional Services - Special Education 1210:				
Regular Salaries	110	251,735	265,413	(13,678)
Temporary Salaries	120	3,917	3,183	734
Health Benefits	210	71,209	48,131	23,078
Social Security	220	18,634	19,422	(788)
Retirement	240	5,356	5,580	(224)
Section 125	245	457	457	-
Workers Compensation	250	2,040	2,040	-
Unemployment Compensation	260	157	157	-
Tuition Reimbursement	270	6,000	2,093	3,907
Dental Benefits	280	4,059	3,534	525
Disability Benefits	285	1,303	802	501

The accompanying notes are an integral part of these financial statements

Middlesex School District  
Statement of Revenues, Expenditures, and Changes  
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For The Year Ended June 30, 2015

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Other Professional Services	330	\$ 10,000	\$ 5,006	\$ 4,994
Communications	530	150	296	(146)
Travel	580	50	173	(123)
Supplies	610	1,000	1,096	(96)
Books and Periodicals	640	4,500	5,317	(817)
Software	670	-	200	(200)
Equipment	730	2,000	-	2,000
Subtotal		<u>382,567</u>	<u>362,900</u>	<u>19,667</u>
Guidance Services 2120:				
Salaries	110	34,972	35,003	(31)
Health Insurance	210	10,828	10,900	(72)
Social Security	220	2,535	1,816	719
Section 125	245	55	55	-
Workers Compensation	250	279	279	-
Unemployment Compensation	260	22	22	-
Tuition Reimbursement	270	500	1,450	(950)
Dental Benefits	280	316	315	1
Disability Benefits	285	182	105	77
Other Professional Services	330	-	38	(38)
Travel	580	-	51	(51)
Supplies	610	200	56	144
Books and Periodicals	640	100	139	(39)
Subtotal		<u>49,989</u>	<u>50,229</u>	<u>(240)</u>
Health Services 2130:				
Salaries	110	39,650	38,262	1,388
Temporary Salaries	120	1,000	201	799
Health Insurance	210	11,188	4,123	7,065
Social Security	220	2,965	2,702	263
Retirement	240	-	2	(2)
Workers Compensation	250	324	324	-
Unemployment Compensation	260	25	25	-
Tuition Reimbursement	270	460	426	34
Dental Benefits	280	316	385	(69)
Disability Benefits	285	206	110	96
Other Professional Services	330	-	38	(38)
Repairs and Maintenance	430	350	-	350
Travel	580	150	-	150

The accompanying notes are an integral part of these financial statements

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

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Supplies	610	\$ 700	\$ 294	\$ 406
Subtotal		<u>57,334</u>	<u>46,892</u>	<u>10,442</u>
Speech Services 2152:				
Salaries	110	36,566	36,780	(214)
Temporary Salaries	120	-	430	(430)
Health Insurance	210	10,828	10,846	(18)
Social Security	220	2,657	2,532	125
Section 125	245	55	55	-
Workers Compensation	250	292	292	-
Unemployment Compensation	260	22	22	-
Dental Benefits	280	316	422	(106)
Disability Benefits	285	<u>190</u>	<u>104</u>	<u>86</u>
Subtotal		<u>50,926</u>	<u>51,483</u>	<u>(557)</u>
Physical Therapy Services 2190:				
Other Professional Services	330	<u>3,000</u>	<u>364</u>	<u>2,636</u>
Subtotal		<u>3,000</u>	<u>364</u>	<u>2,636</u>
Curriculum Assessment 2212:				
Supervisory Union Services	331	<u>18,427</u>	<u>18,427</u>	<u>-</u>
Subtotal		<u>18,427</u>	<u>18,427</u>	<u>-</u>
School Library Services 2222:				
Salaries	110	45,412	45,396	16
Health Insurance	210	13,567	12,349	1,218
Social Security	220	3,298	3,148	150
Section 125	245	55	55	-
Workers Compensation	250	362	362	-
Unemployment Compensation	260	28	28	-
Tuition Reimbursement	270	600	102	498
Dental Benefits	280	211	538	(327)
Disability Benefits	285	236	130	106
Repairs and Maintenance	430	250	-	250
Supplies	610	1,000	40	960
Books and Periodicals	640	4,000	2,386	1,614
Audio Visual Materials	650	800	-	800
Computer Software	670	500	213	287
Equipment	730	<u>350</u>	<u>636</u>	<u>(286)</u>
Subtotal		<u>70,669</u>	<u>65,383</u>	<u>5,286</u>

The accompanying notes are an integral part of these financial statements

Middlesex School District  
Statement of Revenues, Expenditures, and Changes  
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For The Year Ended June 30, 2015

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Technology Services 2225:				
Salaries	110	\$ 12,676	\$ 12,404	\$ 272
Health Insurance	210	3,609	4,519	(910)
Social Security	220	923	888	35
Workers Compensation	250	101	101	-
Unemployment Compensation	260	8	8	-
Tuition Reimbursement	270	1,000	-	1,000
Dental Benefits	280	105	132	(27)
Disability Benefits	285	66	42	24
Supervisory Union Services	331	41,095	41,095	-
Repairs and Maintenance	430	2,974	138	2,836
Communications	530	6,060	3,557	2,503
Supplies	610	2,636	4,938	(2,302)
Computer Software	670	5,204	8,352	(3,148)
Equipment	730	<u>26,244</u>	<u>26,507</u>	<u>(263)</u>
Subtotal		<u>102,701</u>	<u>102,681</u>	<u>20</u>
Board of Education Services 2310:				
Salaries	110	605	872	(267)
Social Security	220	119	67	52
Tuition Reimbursement	270	400	-	400
Technical Services - Treasurer	310	3,000	3,000	-
Legal Services	360	2,100	498	1,602
Advertising	540	2,500	513	1,987
Printing	550	2,500	1,574	926
Supplies	610	-	50	(50)
Dues and Fees	810	<u>1,200</u>	<u>1,205</u>	<u>(5)</u>
Subtotal		<u>12,424</u>	<u>7,779</u>	<u>4,645</u>
Office of Superintendent 2321:				
Supervisory Union Services	331	47,610	47,610	-
SU Shared Services	332	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Subtotal		<u>48,610</u>	<u>48,610</u>	<u>-</u>
Office of Principal 2410:				
Regular Salaries	110	88,511	88,511	-
Clerical Salaries	110	39,668	39,684	(16)
Temporary Salaries	120	1,915	8,198	(6,283)
Health Insurance	210	30,952	30,970	(18)
Social Security	220	9,551	9,634	(83)

The accompanying notes are an integral part of these financial statements

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

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Retirement	240	\$ 1,587	\$ 1,587	\$ -
Section 125	245	124	124	-
Workers Compensation	250	1,038	1,038	-
Unemployment Compensation	260	80	80	-
Tuition Reimbursement	270	1,500	2,805	(1,305)
Dental Benefits	280	1,212	1,259	(47)
Disability Benefits	285	667	356	311
Other Professional Services	330	750	298	452
Postage	530	1,200	1,022	178
Travel	580	1,200	800	400
Supplies	610	2,000	2,306	(306)
Books and Periodicals	640	600	173	427
Dues and Fees	810	800	225	575
Subtotal		183,355	189,070	(5,715)
Special Education Administration 2420:				
Supervisory Union Services	331	55,355	55,355	-
Supervisory Union Services - Early Ed	333	10,066	10,066	-
Subtotal		65,421	65,421	-
Fiscal Services 2520:				
Supervisory Union Services	331	35,280	35,280	-
Subtotal		35,280	35,280	-
Fiscal Services 2523:				
Current Interest	830	24,000	26,837	(2,837)
Subtotal		24,000	26,837	(2,837)
Auditing Services 2526:				
Audit	370	3,500	4,150	(650)
Subtotal		3,500	4,150	(650)
Operation & Maintenance of Building 2600:				
Regular Salaries	110	63,090	59,228	3,862
Temporary Salaries	120	-	331	(331)
Health Insurance	210	18,046	17,937	109
Social Security	220	3,977	4,251	(274)
Retirement	240	2,524	2,369	155
Section 125	245	55	55	-
Workers Compensation	250	503	503	-
Unemployment Compensation	260	39	39	-
Dental Benefits	280	527	535	(8)

The accompanying notes are an integral part of these financial statements

Middlesex School District  
Statement of Revenues, Expenditures, and Changes  
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For The Year Ended June 30, 2015

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Disability Benefits	285	\$ 179	\$ 157	\$ 22
Other Professional Services	330	-	6,367	(6,367)
SU Shared Services	332	1,000	1,000	-
Water and Sewer	411	5,000	5,095	(95)
Disposal Services	421	3,180	1,924	1,256
Snow Removal	422	6,500	5,390	1,110
Lawn Care Services	424	5,500	2,830	2,670
Contracted Repairs	430	20,000	18,922	1,078
Rentals and Leases	441	1,600	1,464	136
Insurance	520	5,383	5,496	(113)
Travel	580	300	90	210
Supplies	610	9,000	10,053	(1,053)
Electricity	622	29,000	27,210	1,790
Oil	624	<u>24,000</u>	<u>28,029</u>	<u>(4,029)</u>
Subtotal		<u>199,403</u>	<u>199,275</u>	<u>128</u>
Student Transportation Services 2711:				
Contracted Services	519	<u>86,660</u>	<u>86,067</u>	<u>593</u>
Subtotal		<u>86,660</u>	<u>86,067</u>	<u>593</u>
Student Transportation Services 2720:				
Field Trips	519	<u>3,708</u>	<u>4,987</u>	<u>(1,279)</u>
Subtotal		<u>3,708</u>	<u>4,987</u>	<u>(1,279)</u>
Debt Services 5100:				
Principal Retirement	910	<u>10,390</u>	<u>8,728</u>	<u>1,662</u>
Subtotal		<u>10,390</u>	<u>8,728</u>	<u>1,662</u>
Other Outlays 5200:				
Student Accounts	990	<u>1,800</u>	<u>-</u>	<u>1,800</u>
Subtotal		<u>1,800</u>	<u>-</u>	<u>1,800</u>
<b>TOTAL EXPENDITURES</b>		<u><b>2,517,635</b></u>	<u><b>2,502,221</b></u>	<u><b>15,414</b></u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>		<b>85,720</b>	<b>95,005</b>	<b>9,285</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers To Special Revenue Fund		(5,000)	(5,000)	-
Transfers To Capital Project Fund		(68,000)	(68,000)	-

The accompanying notes are an integral part of these financial statements

Middlesex School District  
Statement of Revenues, Expenditures, and Changes  
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For The Year Ended June 30, 2015

Schedule 1

	Object	Budget	Actual	Variance - Favorable (Unfavorable)
Transfers To Enterprise Fund		<u>\$ (12,720)</u>	<u>\$ (12,720)</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		-	9,285	9,285
FUND BALANCE, JULY 1, 2014		<u>-</u>	<u>112,291</u>	<u>112,291</u>
FUND BALANCE, JUNE 30, 2015		<u>\$ -</u>	<u>\$ 121,576</u>	<u>\$ 121,576</u>

The accompanying notes are an integral part of these financial statements

Middlesex School District  
 Combining Balance Sheet  
 Special Revenue Funds  
 June 30, 2015

Schedule 2

	Whole Kids Garden	Zero Waste Grant	Totals
<b>ASSETS:</b>			
Current Assets:			
Due From Other Funds	\$ 867	\$ 1,425	\$ 2,292
Total Current Assets	<u>867</u>	<u>1,425</u>	<u>2,292</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 867</u></b>	<b><u>\$ 1,425</u></b>	<b><u>\$ 2,292</u></b>
<b>LIABILITIES &amp; FUND BALANCES:</b>			
Liabilities:			
Deferred Revenues	\$ 867	\$ 1,425	\$ 2,292
Total Liabilities	<u>867</u>	<u>1,425</u>	<u>2,292</u>
Fund Balances:			
Committed	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b><u>\$ 867</u></b>	<b><u>\$ 1,425</u></b>	<b><u>\$ 2,292</u></b>

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, 2015

Schedule 3

	EPSDT Mini Grant	Internal Service Fund	Computer Fund	Whole Kids Garden	Totals
REVENUES:					
Private/Local	\$ 6,000	\$ 25,912	-	\$ 1,133	\$ 33,045
TOTAL REVENUES	<u>6,000</u>	<u>25,912</u>	<u>\$ -</u>	<u>1,133</u>	<u>33,045</u>
EXPENDITURES:					
Direct Services	4,215	25,912			30,127
Support Services:					
Instructional Staff			10,000		10,000
Transportation	1,785				1,785
Community Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,133</u>	<u>1,133</u>
TOTAL EXPENDITURES	<u>6,000</u>	<u>25,912</u>	<u>10,000</u>	<u>1,133</u>	<u>43,045</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(10,000)	-	(10,000)
OTHER FINANCING SOURCES (USES):					
Transfers In	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	(5,000)	-	(5,000)
FUND BALANCE, JULY 1, 2014	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
FUND BALANCE JUNE 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<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, 2015

Schedule 4

	Balance July 1, 2014	Receipts	Disbursements	Transfers	Balance June 30, 2015
<b>Assets:</b>					
Due From Other Funds	\$ 8,688	\$ 13,818	\$ 15,237	\$ -	\$ 7,269
Accounts Receivable - Other	<u>-</u>	<u>511</u>	<u>-</u>	<u>-</u>	<u>511</u>
<b>Total Assets</b>	<b><u>\$ 8,688</u></b>	<b><u>\$ 14,329</u></b>	<b><u>\$ 15,237</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,780</u></b>
<b>Liabilities:</b>					
Accounts Payable - Other	\$ 50	\$ 85	\$ 50	\$ -	\$ 85
Amount Held for Agency Funds	<u>8,638</u>	<u>14,244</u>	<u>15,187</u>	<u>-</u>	<u>7,695</u>
<b>Total Liabilities</b>	<b><u>\$ 8,688</u></b>	<b><u>\$ 14,329</u></b>	<b><u>\$ 15,237</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,780</u></b>

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, 2015, 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 December 16, 2015.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

## ***Angolano & Company***

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

December 16, 2015



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July 17, 2015

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, 2015. 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 14, 2015. 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, 2015. 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 Resources in Notes 11 and 12 to the financial statements as to how any surplus is to be used in future fiscal years.

Other Post Employment Benefits (OPEB) and Termination Benefits in Note 9 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