



Proven Expertise and Integrity

November 22, 2017

Board of Directors
Middlesex School District
Montpelier, Vermont

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Middlesex School District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), 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 July 6, 2017. 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 of Notes to Financial Statements. We noted no transactions entered into by Middlesex School District 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 estimate(s) affecting the governmental activities and general fund, information of the Middlesex School District's financial statements was (were):

- Allowance for uncollectible accounts
- Depreciation expense which is based on the estimated useful lives of capital assets

Management's process for determining the above estimates is based on firm concepts and reasonable assumptions of both historical and future events. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are of particular importance because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are reflected in the deposits and investments, capital assets, long-term liabilities and fund balance footnotes.

Qualitative Aspects of Accounting Practices (Continued)

The financial statement disclosures are neutral, consistent, and clear.

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 clearly trivial, and communicate them to the appropriate level of management. We did not identify or propose any adjustments of misstatements as a result of audit procedures that 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, a disagreement with management is 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 dated October 11, 2017.

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 Middlesex School District'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 Middlesex School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

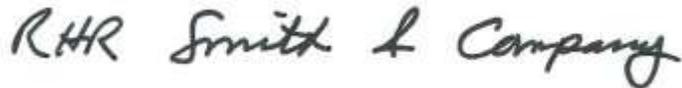
We applied certain limited procedures to the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the 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 Best,

A handwritten signature in cursive script that reads "RHR Smith & Company".

RHR Smith & Company, CPAs

Audited Financial Statements
and Other Financial Information

Middlesex School District

June 30, 2017



Proven Expertise and Integrity

MIDDLESEX SCHOOL DISTRICT

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JUNE 30, 2017

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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Board of Directors
Middlesex School District
Montpelier, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Middlesex School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Middlesex 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.

Auditors' 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 of 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.

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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, business-type activities, each major fund, and the aggregate remaining fund information of Middlesex School District as of June 30, 2017, 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 pension information on pages 4 through 11 and 57 through 60 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's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules 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 November 28, 2017, on our consideration of the Middlesex School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the Middlesex School District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
November 28, 2017

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

(UNAUDITED)

The following management's discussion and analysis of the Middlesex School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

The School District's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and pension information, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the School District's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the School District's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have separate columns for the two different types of School District activities. The types of activities presented for the School District are:

- *Governmental activities* – The activities in this section are mostly supported by intergovernmental revenues (federal and state grants), support from the town and charges for services. Most of the School District's basic services are reported in governmental activities, which include direct services, support services, fiscal services, operations and maintenance and transportation.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. The activity for the School District includes the food service fund.

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 School District, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the School District can be classified into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds: Most of the basic services provided by the School District are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the School District's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the School District.

Because the focus of governmental funds is narrower than that of 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 near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this

comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The School District presents two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The School District's major fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the School District legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The School District maintains one proprietary fund, the food service fund. This fund is used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

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 the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Net Position - Fiduciary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the School District's governmental and business-type activities. The School District's total net position for governmental activities increased by \$94,241 from \$846,999 to \$941,240. For business-type activities, the School District's total net position decreased by \$1,170 from \$137,351 to \$136,181.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for governmental activities to a balance of \$67,152 at the end of the fiscal year. For business-type activities, the balance decreased to (\$1,310).

Table 1
Middlesex School District
Net Position
June 30,

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|--|--------------------------------|---------------------|---------------------------------|-------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Assets: | | | | |
| Current Assets | \$ 274,068 | \$ 272,210 | \$ 15,552 | \$ 10,757 |
| Capital Assets | 4,007,895 | 4,022,902 | 122,110 | 128,454 |
| Total Assets | <u>\$ 4,281,963</u> | <u>\$ 4,295,112</u> | <u>\$ 137,662</u> | <u>\$ 139,211</u> |
| Deferred Outflows of Resources: | | | | |
| Deferred Outflows Related to Pensions | \$ 66,988 | \$ 40,042 | \$ - | \$ - |
| Total Deferred Outflows of Resources | <u>\$ 66,988</u> | <u>\$ 40,042</u> | <u>\$ -</u> | <u>\$ -</u> |
| Liabilities: | | | | |
| Current Liabilities | \$ 281,191 | \$ 114,067 | \$ - | \$ - |
| Long-term Debt Outstanding | 3,126,450 | 3,374,088 | - | - |
| Total Liabilities | <u>\$ 3,407,641</u> | <u>\$ 3,488,155</u> | <u>\$ -</u> | <u>\$ -</u> |
| Deferred Inflows of Resources: | | | | |
| Unearned Revenues | \$ - | \$ - | \$ 1,481 | \$ 1,860 |
| Deferred Inflows Related to Pensions | 70 | - | - | - |
| Total Deferred Inflows of Resources | <u>\$ 70</u> | <u>\$ -</u> | <u>\$ 1,481</u> | <u>\$ 1,860</u> |
| Net Position: | | | | |
| Net Investment in Capital Assets | \$ 811,064 | \$ 725,114 | \$ 122,110 | \$ 128,454 |
| Restricted | 63,024 | 151,316 | 15,381 | - |
| Unrestricted (Deficit) | 67,152 | (29,431) | (1,310) | 8,897 |
| Total Net Position | <u>\$ 941,240</u> | <u>\$ 846,999</u> | <u>\$ 136,181</u> | <u>\$ 137,351</u> |

Revenues and Expenses

Revenues for the School District's governmental activities increased by 14.00%, while total expenses increased by 19.15%. The increase in revenues was due to increases in all revenue categories. The increase in expenses was mainly due to increases in student services, general administrative services, area administrative services, on-behalf payments, interest on long-term debt and capital outlay, offset by decreases in direct services, instructional staff services and operations and maintenance.

Revenues for the School District's business-type activities increased by 6.16%, while total expenses decreased by 3.41%.

Table 2
Middlesex School District
Changes in Net Position
For the Years Ended June 30,

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|--|--------------------------------|-------------------|---------------------------------|-------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Revenues | | | | |
| <i>Program Revenues:</i> | | | | |
| Charges for services | \$ - | \$ - | \$ 65,224 | \$ 95,792 |
| Operating grants and contributions | 406,262 | 145,455 | 27,700 | - |
| <i>General Revenues:</i> | | | | |
| Grants and contributions not restricted to specific programs | 3,168,031 | 2,991,115 | - | - |
| Miscellaneous | 55,882 | 47,900 | 8,771 | - |
| Total Revenues | <u>3,630,175</u> | <u>3,184,470</u> | <u>101,695</u> | <u>95,792</u> |
| Expenses | | | | |
| Direct services | 1,544,806 | 1,928,142 | - | - |
| Support services: | | | - | - |
| Student services | 137,524 | 113,819 | - | - |
| Instructional staff services | 166,030 | 194,868 | - | - |
| General administrative services | 70,749 | 59,354 | - | - |
| Area administrative services | 730,121 | 269,364 | - | - |
| Fiscal services | 83,988 | 79,736 | - | - |
| Operations and maintenance | 200,671 | 211,899 | - | - |
| Transportation | 93,068 | 93,666 | - | - |
| Other support services | - | 5,992 | - | - |
| On-behalf payments | 361,527 | - | - | - |
| Program expenses | 6,050 | - | 115,585 | 119,665 |
| Interest on long-term debt | 90,510 | - | - | - |
| Capital outlay | 38,170 | - | - | - |
| Total Expenses | <u>3,523,214</u> | <u>2,956,840</u> | <u>115,585</u> | <u>119,665</u> |
| Transfers | <u>(12,720)</u> | <u>(146,999)</u> | <u>12,720</u> | <u>146,999</u> |
| Change in Net Position | 94,241 | 80,631 | (1,170) | 123,126 |
| Net Position - July 1, | <u>846,999</u> | <u>766,368</u> | <u>137,351</u> | <u>14,225</u> |
| Net Position - June 30 | <u>\$ 941,240</u> | <u>\$ 846,999</u> | <u>\$ 136,181</u> | <u>\$ 137,351</u> |

Financial Analysis of the School District's Fund Statements

Governmental funds: The financial reporting focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the School District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
Middlesex School District
Fund Balances - Governmental Funds
June 30,

| | 2017 | 2016 |
|------------------------|-------------|-------------|
| Major Funds: | | |
| General Fund: | | |
| Assigned | \$ 107,187 | \$ 128,016 |
| Total General Fund | \$ 107,187 | \$ 128,016 |
| Nonmajor Funds: | | |
| Capital Projects Funds | | |
| Restricted | \$ 63,024 | \$ 23,300 |
| Total Nonmajor Funds | \$ 63,024 | \$ 23,300 |

The general fund total fund balance decreased by \$20,829 from the prior fiscal year. The total fund balance for the nonmajor funds increased by \$39,724 from the prior year.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues exceeded budgeted revenues by \$68,606 due primarily due to special education reimbursements.

The general fund actual expenditures were over budget by \$89,435. This is due to additional special education programs costs.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2017, the net book value of capital assets recorded by the School District decreased by \$97,651. This decrease was due to current year capital additions of \$18,783 less current year depreciation expense of \$116,434.

**Table 4
Middlesex School District
Capital Assets (Net of Depreciation)
June 30,**

| | 2017 | 2016 |
|---|--------------|--------------|
| Buildings, building improvements and land improvements | \$ 3,700,264 | \$ 3,804,610 |
| Infrastructure | 192,974 | 198,498 |
| Furniture and equipment | 236,767 | 224,548 |
| Total | \$ 4,130,005 | \$ 4,227,656 |

Debt

At June 30, 2017, the School District had \$3,196,831 in notes outstanding versus \$3,374,087 last year. Other obligations include accrued vacation time and net pension liability. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The 2017-2018 budget could be severely impacted by the reduction of funding from the State.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School District at 1130 Gallison Hill Road, Montpelier, Vermont 05602.

MIDDLESEX SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 206,965 | \$ - | \$ 206,965 |
| Investments | 4,079 | - | 4,079 |
| Accounts receivable (net of allowance for uncollectibles) | - | 1,559 | 1,559 |
| Due from other funds | 63,024 | 13,822 | 76,846 |
| Inventory | - | 171 | 171 |
| Total current assets | <u>274,068</u> | <u>15,552</u> | <u>289,620</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land and other assets not being depreciated | - | - | - |
| Buildings, building improvements and other assets, net of accumulated depreciation | 4,007,895 | 122,110 | 4,130,005 |
| Total noncurrent assets | <u>4,007,895</u> | <u>122,110</u> | <u>4,130,005</u> |
| TOTAL ASSETS | <u>4,281,963</u> | <u>137,662</u> | <u>4,419,625</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 66,988 | - | 66,988 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>66,988</u> | <u>-</u> | <u>66,988</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 4,348,951</u> | <u>\$ 137,662</u> | <u>\$ 4,486,613</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 615 | \$ - | \$ 615 |
| Due to other funds | 103,242 | - | 103,242 |
| Total current liabilities | <u>281,191</u> | <u>-</u> | <u>281,191</u> |
| Noncurrent liabilities: | | | |
| Noncurrent portion of long-term obligations: | | | |
| Bonds payable | 2,975,000 | - | 2,975,000 |
| Notes payable | 44,508 | - | 44,508 |
| Accrued compensated absences | 208 | - | 208 |
| Net pension liability | 106,734 | - | 106,734 |
| Total noncurrent liabilities | <u>3,126,450</u> | <u>-</u> | <u>3,126,450</u> |
| TOTAL LIABILITIES | <u>3,407,641</u> | <u>-</u> | <u>3,407,641</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue | - | 1,481 | 1,481 |
| Deferred inflows related to pensions | 70 | - | 70 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>70</u> | <u>1,481</u> | <u>1,551</u> |
| NET POSITION | | | |
| Net investment in capital assets | 811,064 | 122,110 | 933,174 |
| Restricted | 63,024 | 15,381 | 78,405 |
| Unrestricted | 67,152 | (1,310) | 65,842 |
| TOTAL NET POSITION | <u>941,240</u> | <u>136,181</u> | <u>1,077,421</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 4,348,951</u> | <u>\$ 137,662</u> | <u>\$ 4,486,613</u> |

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue & Changes in Net Position | | |
|---------------------------------|---------------------|-------------------------|-------------------------------------|-----------------------------------|--|----------------------------------|--------------------|
| | | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Governmental Activities | Business - type Activities | Total |
| Governmental activities: | | | | | | | |
| Direct services | \$ 1,544,806 | \$ - | \$ - | \$ - | \$ (1,544,806) | \$ - | \$ (1,544,806) |
| Support services: | | | | | | | |
| Student services | 137,524 | - | - | - | (137,524) | - | (137,524) |
| Instructional staff services | 166,030 | - | - | - | (166,030) | - | (166,030) |
| General administrative services | 70,749 | - | - | - | (70,749) | - | (70,749) |
| Area administrative services | 730,121 | - | - | - | (730,121) | - | (730,121) |
| Fiscal services | 83,988 | - | - | - | (83,988) | - | (83,988) |
| Operations and maintenance | 200,671 | - | - | - | (200,671) | - | (200,671) |
| Transportation | 93,068 | - | 38,685 | - | (54,383) | - | (54,383) |
| Program expenses | 6,050 | - | 6,050 | - | - | - | - |
| On-behalf payments | 361,527 | - | 361,527 | - | - | - | - |
| Interest on long-term debt | 90,510 | - | - | - | (90,510) | - | (90,510) |
| Capital outlay | 38,170 | - | - | - | (38,170) | - | (38,170) |
| Total governmental activities | <u>3,523,214</u> | <u>-</u> | <u>406,262</u> | <u>-</u> | <u>(3,116,952)</u> | <u>-</u> | <u>(3,116,952)</u> |
| Business-type activities: | | | | | | | |
| Food service | 115,585 | 65,224 | 27,700 | - | - | (22,661) | (22,661) |
| Total business-type activities | <u>115,585</u> | <u>65,224</u> | <u>27,700</u> | <u>-</u> | <u>-</u> | <u>(22,661)</u> | <u>(22,661)</u> |
| Total government | <u>\$ 3,638,799</u> | <u>\$ 65,224</u> | <u>\$ 433,962</u> | <u>\$ -</u> | <u>(3,116,952)</u> | <u>(22,661)</u> | <u>(3,139,613)</u> |

STATEMENT B (CONTINUED)
MIDDLESEX SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|--------------|
| Changes in net position: | | | |
| Net (expense) revenue | (3,116,952) | (22,661) | (3,139,613) |
| General revenues: | | | |
| Grants and contributions not restricted to specific programs | 3,168,031 | - | 3,168,031 |
| Miscellaneous | 55,882 | 8,771 | 64,653 |
| Transfers | (12,720) | 12,720 | - |
| Total general revenues and transfers | 3,211,193 | 21,491 | 3,232,684 |
| Change in net position | 94,241 | (1,170) | 93,071 |
| NET POSITION - JULY 1, | 846,999 | 137,351 | 984,350 |
| NET POSITION - JUNE 30 | \$ 941,240 | \$ 136,181 | \$ 1,077,421 |

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2017

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|--------------------------------|--------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 206,965 | \$ - | \$ 206,965 |
| Investments | 4,079 | - | 4,079 |
| Due from other funds | - | 63,024 | 63,024 |
| TOTAL ASSETS | <u>\$ 211,044</u> | <u>\$ 63,024</u> | <u>\$ 274,068</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 615 | \$ - | \$ 615 |
| Due to other governments | 26,396 | - | 26,396 |
| Due to other funds | 76,846 | - | 76,846 |
| TOTAL LIABILITIES | <u>103,857</u> | <u>-</u> | <u>103,857</u> |
| FUND BALANCES | | | |
| Nonspendable | - | - | - |
| Restricted | - | 63,024 | 63,024 |
| Committed | - | - | - |
| Assigned | 107,187 | - | 107,187 |
| Unassigned | - | - | - |
| TOTAL FUND BALANCES | <u>107,187</u> | <u>63,024</u> | <u>170,211</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| | <u>\$ 211,044</u> | <u>\$ 63,024</u> | <u>\$ 274,068</u> |

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

| | Total Governmental Funds |
|---|--------------------------------|
| | Funds |
| Total Fund Balances | \$ 170,211 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation | 4,007,895 |
| Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds | 66,988 |
| Long-term liabilities shown below are not due and payable in the current period and therefore are not reported in the funds shown above: | |
| Bonds payable | (3,150,000) |
| Notes payable | (46,831) |
| Accrued compensated absences | (219) |
| Net pension liability | (106,734) |
| Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds | (70) |
| Net position of governmental activities | \$ 941,240 |

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|--------------------------------|--------------------------------|
| REVENUES | | | |
| Intergovernmental revenues | \$ 3,328,280 | \$ 6,050 | \$ 3,334,330 |
| Interest income | 46,933 | - | 46,933 |
| Miscellaneous revenues | 8,516 | 433 | 8,949 |
| TOTAL REVENUES | <u>3,383,729</u> | <u>6,483</u> | <u>3,390,212</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Direct services | 1,445,176 | - | 1,445,176 |
| Support services: | | | |
| Student services | 136,513 | - | 136,513 |
| Instructional staff services | 160,941 | - | 160,941 |
| General administrative services | 70,749 | - | 70,749 |
| Area administrative services | 725,528 | - | 725,528 |
| Fiscal services | 83,988 | - | 83,988 |
| Operations and maintenance | 190,301 | - | 190,301 |
| Transportation | 93,068 | - | 93,068 |
| On-behalf payments | 121,564 | - | 121,564 |
| Program expenses | - | 6,050 | 6,050 |
| Debt service: | | | |
| Principal | 177,256 | - | 177,256 |
| Interest | 90,510 | - | 90,510 |
| Capital outlay | - | 56,953 | 56,953 |
| TOTAL EXPENDITURES | <u>3,295,594</u> | <u>63,003</u> | <u>3,358,597</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>88,135</u> | <u>(56,520)</u> | <u>31,615</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 96,244 | 96,244 |
| Transfers (out) | (108,964) | - | (108,964) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(108,964)</u> | <u>96,244</u> | <u>(12,720)</u> |
| NET CHANGE IN FUND BALANCES | (20,829) | 39,724 | 18,895 |
| FUND BALANCES - JULY 1 | <u>128,016</u> | <u>23,300</u> | <u>151,316</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 107,187</u> | <u>\$ 63,024</u> | <u>\$ 170,211</u> |

See accompanying independent auditors' report and notes to 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, 2017

| | |
|---|-------------------------|
| Net change in fund balances - total governmental funds (Statement D) | <u>\$ 18,895</u> |
| Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because: | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets: | |
| Capital asset acquisitions | 18,783 |
| Depreciation expense | (110,090) |
| | <u>(91,307)</u> |
| Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds | <u>26,947</u> |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position | <u>177,256</u> |
| Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds | <u>(70)</u> |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds: | |
| Accrued compensated absences | 5,152 |
| Net pension liability | (42,632) |
| | <u>(37,480)</u> |
| Change in net position of governmental activities (Statement B) | <u><u>\$ 94,241</u></u> |

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2017

| | Business-type Activities | Governmental Activities |
|--|-----------------------------|-----------------------------|
| | Enterprise Fund | Internal Service Fund |
| | Food Service | |
| ASSETS | | |
| Current assets: | | |
| Accounts receivable (net of allowance for uncollectibles) | \$ 1,559 | \$ - |
| Inventory | 171 | - |
| Due from other funds | 13,822 | - |
| Total current assets | <u>15,552</u> | <u>-</u> |
| Noncurrent assets: | | |
| Capital assets: | | |
| Buildings | 8,643 | - |
| Equipment | 142,623 | - |
| Less: accumulated depreciation | (29,156) | - |
| Total noncurrent assets | <u>122,110</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$ 137,662</u> | <u>\$ -</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ - | \$ - |
| Due to other funds | - | - |
| Total current liabilities | <u>-</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred revenue | 1,481 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>1,481</u> | <u>-</u> |
| NET POSITION | | |
| Net investment in capital assets | 122,110 | - |
| Restricted | 15,381 | - |
| Unrestricted (deficit) | (1,310) | - |
| TOTAL NET POSITION | <u>136,181</u> | <u>-</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 137,662</u> | <u>\$ -</u> |

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

| | Business-type Activities | Governmental Activities |
|--|-----------------------------|-----------------------------|
| | Enterprise Fund | Internal Service Fund |
| | Food Service | |
| OPERATING REVENUES | | |
| Intergovernmental | \$ 27,700 | \$ 12,147 |
| Charges for services | 65,224 | - |
| Miscellaneous | 8,771 | - |
| TOTAL OPERATING REVENUES | <u>101,695</u> | <u>12,147</u> |
| OPERATING EXPENSES | | |
| Salaries | 50,778 | - |
| Benefits | 21,619 | 12,124 |
| Repairs and maintenance | 398 | 23 |
| Supplies and food | 33,973 | - |
| Depreciation | 6,344 | - |
| Other | 2,473 | - |
| TOTAL OPERATING EXPENSES | <u>115,585</u> | <u>12,147</u> |
| OPERATING INCOME (LOSS) | <u>(13,890)</u> | <u>-</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Transfers in | 12,720 | - |
| Transfers (out) | - | - |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>12,720</u> | <u>-</u> |
| CHANGES IN NET POSITION | (1,170) | - |
| NET POSITION - JULY 1 | <u>137,351</u> | <u>-</u> |
| NET POSITION - JUNE 30 | <u>\$ 136,181</u> | <u>\$ -</u> |

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Business-type Activities | Governmental Activities |
|---|-----------------------------|-----------------------------|
| | Enterprise Fund | Internal Service Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$ 73,995 | \$ - |
| Intergovernmental receipts | 26,286 | 12,147 |
| Internal activity - receipts (payments) from/to other funds | (3,490) | - |
| Payments to suppliers | (109,511) | (12,147) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(12,720)</u> | <u>-</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers in (out) | 12,720 | - |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | <u>12,720</u> | <u>-</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | - | - |
| CASH AND CASH EQUIVALENTS - JULY 1 | <u>-</u> | <u>-</u> |
| CASH AND CASH EQUIVALENTS - JUNE 30 | <u>\$ -</u> | <u>\$ -</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | |
| Operating income (loss) | \$ (13,890) | \$ - |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Depreciation expense | 6,344 | - |
| Changes in operating assets, liabilities and deferred inflows of resources: | | |
| (Increase) decrease in due from other governments | (1,414) | - |
| (Increase) decrease in inventory | 109 | - |
| (Increase) decrease in due from other funds | (3,490) | - |
| (Decrease) increase in deferred revenue | (379) | - |
| (Decrease) increase in due to other funds | - | - |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ (12,720)</u> | <u>\$ -</u> |

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017

| | <u>Agency Funds</u> |
|----------------------------|-------------------------------|
| | <u>Student Activities</u> |
| ASSETS | |
| Due from other governments | <u>\$ 8,525</u> |
| TOTAL ASSETS | <u><u>\$ 8,525</u></u> |
| LIABILITIES | |
| Deposits held for others | <u>\$ 8,525</u> |
| TOTAL LIABILITIES | <u><u>\$ 8,525</u></u> |

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Middlesex School District was incorporated under the laws in the State of Vermont. The School District operates under the Board of Directors-superintendent form of government and provides the following services: direct services, support services, fiscal services, operations and maintenance and transportation.

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The School District's combined financial statements include all accounts and all operations of the School District. We have determined that the School District has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet specified criteria. Management has determined the impact of this Statement is not material to the financial statements.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 77, "*Tax Abatement Disclosures*". The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. Management has determined that this Statement is not applicable.

Statement No. 80, "*Blending Requirements for Certain Component Units*". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements-in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 82, "*Pension Issues*". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School District's food service fund is categorized as a business-type activity. All other activities of the School District are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The School District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions and business-type activities (instruction, administration, etc.). The functions are also supported by general government revenues (certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The School District does not allocate indirect costs. All costs are charged directly to the corresponding departments.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the School District are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the School District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the School District:

Major Funds:

- a. The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Nonmajor Funds:

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the School District:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the School District's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

MIDDLESEX SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The School District's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Vermont to the Vermont State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

| | |
|----------------------------------|---------------------|
| Revenues per budgetary basis | \$ 3,262,165 |
| Add: On-behalf payments | 121,564 |
| Total GAAP basis | <u>\$ 3,383,729</u> |
| | |
| Expenditures per budgetary basis | \$ 3,282,994 |
| Add: On-behalf basis | 121,564 |
| Total GAAP basis | <u>\$ 3,404,558</u> |

The following procedures are followed in establishing budgetary data reflected in the financial statements:

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Early in the first half of the year the School District prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town School District was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the School District.
4. The School District does not adopt budgets for Special Revenue Funds.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the School District's policy to value investments at fair value. None of the School District's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The School District Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

The Middlesex School District has no formal investment policy but instead follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowances for uncollectible accounts netted with accounts receivable were \$1,559 for the year ended June 30, 2017. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2017.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximate market, using the first-in, first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). The food service fund inventory consists of food service supplies and food on hand at the end of the year.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the School District. The School District has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

| | |
|-------------------------|----------------|
| Buildings | 20 - 50 years |
| Infrastructure | 50 - 100 years |
| Machinery and equipment | 3 - 50 years |

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists of bonds and notes payable, accrued compensated absences and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The District's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2017, the School District's liability for compensated absences is \$219.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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 Vermont State Teachers' Retirement System (VSTRS) and the Vermont Municipal Employees' Retirement System (VMERS) Plans and additions to/deductions from the VSTRS and VMERS Plans' fiduciary net position have been determined on the same basis as they are reported by the VSTRS and VMERS Plans. 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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the School District. The inhabitants of the School District through School District meetings are the highest level of decision-making authority of the School District. Commitments may be established, modified, or rescinded only through a School District meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Directors.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School District meeting vote has provided otherwise in its commitment or assignment actions.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently has no deferred outflows of resources.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, deferred revenues, which is reported in both the statements of net position and governmental funds balance sheet. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided, operating or capital grants and contributions, including special assessments).

Operating/Non-Operating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The School District does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the School District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

The School District's investment policies, which follow state statutes, authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all School District funds.

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

MIDDLESEX SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2017, the School District's cash balance of \$206,965 was comprised of bank deposits of \$321,749. Of these bank deposits, \$14,079 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining balance of \$307,670 was collateralized with securities held by the financial institution in the School District's name.

| Account Type | Bank Balance |
|----------------------|-----------------|
| Checking accounts | \$ 10,000 |
| Repurchase agreement | 307,670 |
| ICS | 4,079 |
| | \$ 321,749 |

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the School District does not have a policy for custodial credit risk for investments.

At June 30, 2017, the School District had no investments.

Credit risk – Statutes for the State of Vermont authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The School District does not have an investment policy on credit risk. Generally, the School District invests excess funds in savings accounts and various insured certificates of deposit.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2017 consisted of the following individual fund receivables and payables:

| | Receivables (Due from) | Payables (Due to) |
|-----------------------------|---------------------------|----------------------|
| General Fund | \$ - | \$ 76,846 |
| Nonmajor Governmental Funds | 63,024 | - |
| Enterprise Funds | 13,822 | |
| | \$ 76,846 | \$ 76,846 |

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017:

| | Balance, 07/01/16 | Additions | Disposals | Balance 6/30/17 |
|----------------------------------|----------------------|-------------|-----------|--------------------|
| <u>Governmental activities:</u> | | | | |
| Depreciated assets: | | | | |
| Land improvements | \$ 6,875 | \$ - | \$ - | \$ 6,875 |
| Buildings | 242,075 | - | - | 242,075 |
| Building improvements | 4,235,966 | - | - | 4,235,966 |
| Infrastructure | 220,542 | - | - | 220,542 |
| Furniture and equipment | 162,832 | 18,783 | - | 181,615 |
| | 4,868,290 | 18,783 | - | 4,887,073 |
| Less: accumulated depreciation | (769,088) | (110,090) | - | (879,178) |
| | 4,099,202 | (91,307) | - | 4,007,895 |
| Net governmental capital assets | \$ 4,099,202 | \$ (91,307) | \$ - | \$ 4,007,895 |
| <u>Business-type activities:</u> | | | | |
| Depreciated assets: | | | | |
| Buildings | \$ 8,643 | \$ - | \$ - | \$ 8,643 |
| Furniture and equipment | 142,623 | - | - | 142,623 |
| | 151,266 | - | - | 151,266 |
| Less: accumulated depreciation | (22,812) | (6,344) | - | (29,156) |
| Net business-type capital assets | \$ 128,454 | \$ (6,344) | \$ - | \$ 122,110 |

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS (CONTINUED)

| | |
|--|------------|
| S.S. - area administration | 4,593 |
| Operations & maintenance | 10,370 |
| Total governmental activities depreciation | 110,090 |
| Food service | 6,344 |
| Total depreciation expense | \$ 116,434 |

NOTE 5 - SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2017, was as follows:

| | Balance, 7/1/16 | Additions | Reductions | Balance, 6/30/17 |
|-------------------------------|--------------------|--------------|----------------|---------------------|
| Tax/revenue anticipation note | \$ - | \$ 1,433,601 | \$ (1,433,601) | \$ - |
| Totals | \$ - | \$ 1,433,601 | \$ (1,433,601) | \$ - |

On July 1, 2016, the School District issued a tax/revenue anticipation note through Union Bank in anticipation of revenues to meet its operating obligations during the fiscal year. The note allowed principal draws up to \$1,433,601 at 2.75% interest with a maturity date of June 30, 2017. On June 30, 2017, the note was paid in full. Interest expense for the note was \$39,316.

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2017:

| | Balance, 7/1/16 | Additions | Deletions | Balance, 6/30/17 | Current Year Portion |
|---------------------------------|--------------------|-----------|--------------|---------------------|-------------------------|
| Bond payable | \$ 3,325,000 | \$ - | \$ (175,000) | \$ 3,150,000 | \$ 175,000 |
| Note payable | 49,087 | - | (2,256) | 46,831 | 2,323 |
| Accrued compensated absences | 5,371 | - | (5,152) | 219 | 11 |
| Net pension liability | 64,102 | 42,632 | - | 106,734 | - |
| Total | \$ 3,443,560 | \$ 42,632 | \$ (182,408) | \$ 3,303,784 | \$ 177,334 |

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the bond payable as of June 30, 2017:

\$3,500,000 Community Bank, N.A. bond payable, with principal payments due in annual installments of \$175,000. Interest of 2.75% paid semi-annually. The proceeds from the note were used for school building improvements. The bond matures on December 1, 2034. \$ 3,150,000

The following is a summary of the note payable as of June 30, 2017:

\$55,468 Vermont Environmental Protection Agency note payable, due in annual principal, interest and administrative fee installments of \$3,728. Interest of 1% and an administrative fee of 2% is charged per annum. On March 3, 2014 the note payable was amended, reducing the principal amount due by \$22,660 and \$73,527, to reflect loan forgiveness and an ARRA subsidy, respectively. The proceeds from the note were used to finance a water project. The note matures on January 1, 2033. \$ 46,831

The following is a summary of outstanding bond and note principal and interest requirements for the following fiscal years ending June 30:

| Year Ending June 30, | Principal | Interest | Total Debt Service |
|-------------------------|---------------------|-------------------|-----------------------|
| 2018 | \$ 177,323 | 85,630 | \$ 262,953 |
| 2019 | 177,393 | 80,748 | 258,141 |
| 2020 | 177,465 | 76,062 | 253,527 |
| 2021 | 177,539 | 70,977 | 248,516 |
| 2022 | 177,615 | 66,089 | 243,704 |
| 2023-2027 | 889,300 | 257,176 | 1,146,476 |
| 2028-2032 | 891,577 | 134,573 | 1,026,150 |
| 2033-2037 | 528,619 | 21,785 | 550,404 |
| | <u>\$ 3,196,831</u> | <u>\$ 793,040</u> | <u>\$ 3,989,871</u> |

NOTE 7 - RESTRICTED FUND BALANCES

At June 30, 2017, the School District had the following restricted fund balances:

Nonmajor capital projects funds (See Schedule G) \$ 63,024

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - ASSIGNED FUND BALANCE

At June 30, 2017, the School District had the following assigned fund balances:

| | |
|--------------------------------|-------------------|
| General fund: | |
| Reserved for future operations | <u>\$ 107,187</u> |

NOTE 9 - FINANCIAL INFORMATION

The detailed budget to actual report can be found on Schedules 1, A and B.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private District teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2016 (the most recent period available), the retirement system consisted of 288 participating employers.

The plan was established effective July 1, 1947, and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the Secretary of Education (ex-officio); the State Treasurer (ex-officio), the Commissioner of Financial Regulation (ex-officio); two members and one alternate elected by active members of the System under rules adopted by the Board; and one retired member and one alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

MIDDLESEX SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance & Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

The VSTRS provides retirement, and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. There are two levels of contributions and benefits in the System: Group A - for public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A; and Group C - for public school teachers employed within the State of Vermont on or after July 1, 1990. Group C also includes those teachers hired prior to July 1, 1990 and were in Group B on July 1, 1990. When Act 74 became effective on June 30, 2010, Group C was further bifurcated into Groups #1 and #2. Group #1 contains members who were at least 57 years of age or had at least 25 years of service, and Group #2 contains members who were less than 57 years of age and had less than 25 years of service.

Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

| VSTRS | Group A | Group C – Group # 1 | Group C – Group # 2 |
|--|--|--|--|
| Normal service retirement eligibility (no reduction) | Age 60 or 30 years of service | Age 62 or with 30 years of service | Age 65 or when the sum of age and service equals 90 |
| Average Final Compensation (AFC) | Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives | Highest 3 consecutive years, excluding all payments for anything other than service actually performed | Highest 3 consecutive years, excluding all payments for anything other than service actually performed |

MIDDLESEX SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

| | | | |
|---|--|--|--|
| Benefit formula – normal service retirement | 1.67% x creditable service x AFC | 1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC | 1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC, 2.0% after attaining 20 years |
| Maximum Benefit Payable | 100% of AFC | 53.34% of AFC | 60% of AFC |
| Post-Retirement COLA | Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1% | 50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1% | 50% CPI, up to a maximum of 5%, minimum of 1% after 12 months of normal retirement or age 65 |
| Earl Retirement Eligibility | Age 55 with 5 years of service | Age 55 with 5 years of service | Age 55 with 5 years of service |
| Early Retirement Reduction | Actuarial reduction | 6% per year from age 62 | Actuarial reduction |

Other post-employment benefits are available to all plan members include the following:

| VSTRS | Group A | Group C – Group # 1 | Group C – Group # 2 |
|------------------|---|---|---|
| Medical Benefits | Health subsidy based on member's service credit | Health subsidy based on member's service credit | Health subsidy based on member's service credit |
| Dental | Members pays full premium | Members pays full premium | Members pays full premium |

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the District's employees included in the teacher's retirement plan which approximates \$121,564 or 11.59% of total payroll for employees covered under the plan.

MIDDLESEX SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Employee contribution rates by plan group follow:

| VSTRS | Group A | Group C – Group # 1 | Group C – Group # 2 |
|------------------------|----------------------|--|--|
| Employee Contributions | 5.5% of gross salary | 5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14 | 5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14 |

Employee contributions totaled \$53,969 during the year and were paid by the District to the State of Vermont. The District has no other liability under the plan. The District's total payroll for all employees covered under this plan was \$1,048,873 for the year ended June 30, 2017.

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. Employees of the District other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year.

The general administration and responsibility for formulating administrative policy and procedures of the Retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four

MIDDLESEX SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

nominees is jointly submitted by the Vermont League of Cities and Districts and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance & Management website at:

http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

The pension plan is divided into four membership groups:

- Group A – general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B & C – general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D – sworn police officers, firefighters and emergency medical personnel

The District participates in Group B. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

| VMERS | Group A | Group B | Group C | Group D |
|---------------------------------------|--|--|--------------------------------|--------------------------------|
| Normal service retirement eligibility | Age 65 with 5 years of service, or age 55 with 35 years of service | Age 62 with 5 years of service, or age 55 with 30 years of service | Age 55 with 5 years of service | Age 55 with 5 years of service |
| Average Final Compensation (AFC) | Highest 5 consecutive years | Highest 3 consecutive years | Highest 3 consecutive years | Highest 2 consecutive years |

MIDDLESEX SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

| | | | | |
|--|---------------------------------|--|--|--|
| Benefit formula – normal service Retirement (no reduction) | 1.4% x creditable service x AFC | 1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC | 2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC | 2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC |
| Maximum Benefit Payable | 60% of AFC | 60% of AFC | 50% of AFC | 50% of AFC |
| Post-Retirement COLA | 50% of CPI, up to 2% per year | 50% of CPI, up to 3% per year | 50% of CPI, up to 3% per year | 50% of CPI, up to 3% per year |
| Early Retirement Eligibility | Age 55 with 5 years of service | Age 55 with 5 years of service | N/A | Age 50 with 20 years of service |
| Early Retirement Reduction | 6% per year from age 65 ** | 6% per year from age 62 ** | N/A | No reduction |

** - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

Members of all groups may qualify for vested deferred allowance, disability allowances and death benefit allowance subject to meeting various eligibility requirements. Benefits are based on AFC and service.

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund, and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

MIDDLESEX SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

| VMERS | Group A | Group B | Group C | Group D |
|------------------------|----------------------|------------------------|-----------------------|------------------------|
| Employee Contributions | 2.5% of gross salary | 4.875% of gross salary | 10.0% of gross salary | 11.35% of gross salary |
| Employer Contributions | 4.0% of gross salary | 5.5% of gross salary | 7.25% of gross salary | 9.85% of gross salary |

Employee contributions are withheld pre-income tax by the District and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2017, and 2016 totaled \$8,037 and \$7,924, respectively. The District contributed \$12,860 and \$12,605 for the years ended June 30, 2017 and 2016, respectively. The District's total payroll for the year ended June 30, 2017 for all employees covered under this plan was \$321,490.

Pension Liabilities

VSTRS Plan

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2017. The State's portion of the collective net pension liability that was associated with the District was as follows:

| | |
|---|----------------------------|
| District's proportionate share of the net pension liability | \$ - |
| State's proportionate share of the net pension liability associated with the District | <u>1,812,460</u> |
| Total | <u><u>\$ 1,812,460</u></u> |

The State of Vermont's proportionate share of the net pension liability associated with the District is equal to the collective net pension liability, actuarially measured as of June 30, 2016, multiplied by the District's proportionate share percentage. The District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2016, the District's proportion was 0%.

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VMERS Plan

At June 30, 2017, the District reported a liability of \$106,734 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The District's proportion of the net pension liabilities were based on a projection of the District's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2016, the District's proportion was .08294% for VMERS, which was a decrease of .00002% from its proportion measured as of June 30, 2015 for VMERS.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the District recognized pension expense of \$128,386 and revenue of \$128,386 for support provided by the State of Vermont for the VSTRS plan. In the same period, the District recognized net pension expense of \$15,755 for the VMERS plan. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | VSTRS | | VMERS | |
|--|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ - | \$ 2,193 | \$ - |
| Changes of assumptions | - | - | 17,141 | - |
| Net difference between projected and actual earnings on pension plan investments | - | - | 34,608 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | - | 186 | 70 |
| Contributions subsequent to the measurement date | - | - | 12,860 | - |
| Total | \$ - | \$ - | \$ 66,988 | \$ 70 |

MIDDLESEX SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

\$12,860 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | VSTRS | | VMERS |
|--------------------------|-------|---|-----------|
| Plan year ended June 30: | | | |
| 2017 | \$ | - | \$ 14,097 |
| 2018 | | - | 14,097 |
| 2019 | | - | 19,894 |
| 2020 | | - | 5,970 |
| 2021 | | - | - |
| Thereafter | | - | - |

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five-year period ending June 30, 2014:

Investment Rate of Return: For both plans, 7.95% per annum.

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments for both plans are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

MIDDLESEX SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Salary Increases: Representative values of the assumed annual rates of future salary increases for the VSTRS plan are as follows:

| Age | Annual Rate of Salary Increase |
|-----|--------------------------------|
| 25 | 8.15% |
| 30 | 6.84% |
| 35 | 5.97% |
| 40 | 5.29% |
| 45 | 4.80% |
| 50 | 4.46% |
| 55 | 4.22% |
| 60 | 4.12% |
| 64 | 4.12% |

Salary increases for the VMERS plan are 5.00% per year, including inflation.

Deaths After Retirement: The VSTRS plan used the RP-2000 Mortality Tables projected to 2029 using Scale BB for terminated vested members and beneficiaries and retirees; the RP-2000 Disabled Life Table with projection to 2020 using Scale AA for disabled retirees. The tables used contain a margin to reflect anticipated mortality improvement after the valuation date

Mortality rates for active participants in the VMERS plan for Groups A, B, C and D were based on the RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB. Groups A, B, and C with a 60% Blue Collar and 40% White Collar adjustment and Group D with a 100% Blue Collar adjustment. The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

Spouse's Age: For both plans, husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments: For the VSTRS plan, adjustments are assumed to occur on January 1 following one year of retirement at the rate of 3% per annum for Group A members and 1.5% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement).

Cost-of-Living adjustments to benefits of terminated vested and retired participants were assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D of the VMERS plan.

MIDDLESEX SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Cost Method: For both plans is the Entry Age Normal – Level Percentage of Pay.

For the VSTRS plan, the *asset valuation method* used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year’s asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

A smoothing *asset valuation method* was used for funding purposes in the VMERS plan, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

The *long-term expected rate of return* on both plan 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 variable and the asset classes. These best estimate ranges were combined to produce forecasts 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 develop in the future over economic cycles.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2016 are summarized in the following table:

| Asset Class | Long-term Expected Real Rate of Return |
|----------------|---|
| Equity | 8.54% |
| Fixed income | 2.36% |
| Alternative | 8.35% |
| Multi-strategy | 4.90% |

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.95% for the VSTRS plan and the VMERS plan. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the 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 7.95% for the VSTRS plan and the VMERS plan, 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 (6.95%) or 1 percentage point higher (8.95%) than the current rate:

| | 1% Decrease | Discount Rate | 1% Increase |
|--|----------------|------------------|----------------|
| <u>VSTRS:</u> | | | |
| Discount rate | 6.95% | 7.95% | 8.95% |
| District's proportionate share of the net pension liability | \$ - | \$ - | \$ - |
| <u>VMERS:</u> | | | |
| Discount rate | 6.95% | 7.95% | 8.95% |
| District's proportionate share of the net pension liability | \$ 177,190 | \$ 106,734 | \$ 47,743 |

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the VSTRS and VMERS or their participating employers. VSTRS and VMERS do not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance & Management website at: http://finance.vermont.gov/reports_and_publications/cafr

Changes in Assumptions

The actuarial assumptions regarding the incidence of mortality, terminations, retirements, and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014 for VSTRS and VMERS plans.

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, students and guests; as well as natural disasters for which the School District either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. 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.

The School District is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker compensation, multi-line intermunicipal school program, and unemployment compensation program, and the Vermont Education Health Initiative (VEHI) for medical benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont School Districts and is owned by the participating Districts. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, VEHI has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - RISK MANAGEMENT (CONTINUED)

pooling agreement does not permit the pool to make additional assessments to its members.

Multi-Line Intermunicipal School Program provides coverage for property; inland marine and boiler and 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 member assessed their proportionate share of the deficit.

NOTE 12 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the School District's financial position.

The School District participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the School District's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 13 - RELATED ORGANIZATION

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

MIDDLESEX SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the School District's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 15 - SUBSEQUENT EVENT

On July 3, 2017, the School District issued a tax/revenue anticipation note through Union Bank in anticipation of revenues to meet its operating obligations during the 2018 fiscal year. The note allows principal draws up to \$1,506,987 at 2.79% interest per annum with a maturity date of June 30, 2018.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information

MIDDLESEX SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance Positive (Negative) |
|---------------------------------------|-------------------|-------------------|-------------------|------------------------------------|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 128,016 | \$ 128,016 | \$ 128,016 | \$ - |
| Resources (Inflows): | | | | |
| Intergovernmental: | | | | |
| State/Town support | 2,764,216 | 2,764,216 | 2,764,216 | - |
| Other | 390,320 | 390,320 | 442,500 | 52,180 |
| Interest income | 38,223 | 38,223 | 46,933 | 8,710 |
| Miscellaneous | 800 | 800 | 8,516 | 7,716 |
| Amounts Available for Appropriation | <u>3,321,575</u> | <u>3,321,575</u> | <u>3,390,181</u> | <u>68,606</u> |
| Charges to Appropriations (Outflows): | | | | |
| Direct services | 1,487,810 | 1,487,810 | 1,445,176 | 42,634 |
| Support services: | | | | |
| Student services | 107,124 | 107,124 | 136,513 | (29,389) |
| Instructional staff services | 166,145 | 166,145 | 160,941 | 5,204 |
| General administrative services | 64,728 | 64,728 | 70,749 | (6,021) |
| Area administrative services | 609,364 | 609,364 | 725,528 | (116,164) |
| Fiscal services | 82,895 | 82,895 | 83,988 | (1,093) |
| Operations and maintenance | 204,563 | 204,563 | 190,301 | 14,262 |
| Transportation | 94,199 | 94,199 | 93,068 | 1,131 |
| Debt service: | | | | |
| Principal | 178,729 | 178,729 | 177,256 | 1,473 |
| Interest | 89,038 | 89,038 | 90,510 | (1,472) |
| Transfers to other funds | 108,964 | 108,964 | 108,964 | - |
| Total Charges to Appropriations | <u>3,193,559</u> | <u>3,193,559</u> | <u>3,282,994</u> | <u>(89,435)</u> |
| Budgetary Fund Balance, June 30 | <u>\$ 128,016</u> | <u>\$ 128,016</u> | <u>\$ 107,187</u> | <u>\$ (20,829)</u> |

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

| | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|---------------------|
| <u>VSTRS:</u> | | | | |
| Proportion of the net pension liability | 0.15% | 0.15% | 0.15% | 0.18% |
| District's proportionate share of the net pension liability | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with the District | 1,195,386 | 1,812,460 | 1,454,267 | \$ 1,855,412 |
| Total | <u>\$ 1,195,386</u> | <u>\$ 1,812,460</u> | <u>\$ 1,454,267</u> | <u>\$ 1,855,412</u> |
| Covered-employee payroll | \$ 987,082 | \$ 851,934 | \$ 860,110 | \$ 1,034,368 |
| Proportionate share of the net pension liability as a percentage of its covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 55.31% | 58.22% | 64.02% | 60.59% |
| <u>VMERS:</u> | | | | |
| Proportion of the net pension liability | 0.08% | 0.08% | 0.08% | 0.08% |
| District's proportionate share of the net pension liability associated with the District | 106,734 | 64,102 | 7,544 | \$ 29,903 |
| Total | <u>\$ 106,734</u> | <u>\$ 64,102</u> | <u>\$ 7,544</u> | <u>\$ 29,903</u> |
| Covered-employee payroll | \$ 315,000 | \$ 291,000 | \$ - | \$ - |
| Proportionate share of the net pension liability as a percentage of its covered-employee payroll | 33.88% | 22.03% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 80.95% | 87.42% | 98.32% | 92.71% |

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT
 SCHEDULE OF CONTRIBUTIONS
 LAST 10 FISCAL YEARS*

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-----------------|-----------------|-----------------|-----------------|
| <u>VSTRS:</u> | | | | |
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 1,048,873 | \$ 987,082 | \$ 851,934 | \$ 860,110 |
| Contributions as a percentage of covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% |
| <u>VMERS:</u> | | | | |
| Contractually required contribution | \$ 12,860 | \$ 12,605 | \$ 11,623 | \$ 10,662 |
| Contributions in relation to the contractually required contribution | <u>(12,860)</u> | <u>(12,605)</u> | <u>(11,623)</u> | <u>(10,662)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 321,490 | \$ 315,000 | \$ 291,000 | \$ - |
| Contributions as a percentage of covered-employee payroll | 4.00% | 4.00% | 3.99% | 0.00% |

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Changes of Assumptions

The actuarial assumptions regarding the incidence of mortality, terminations, retirements, and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014 for VSTRS and VMERS plans.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

MIDDLESEX SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2017

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|-------------------------------------|---------------------|---------------------|---------------------|------------------------------------|
| Resources (Inflows): | | | | |
| Intergovernmental revenues: | | | | |
| Education spending grant | \$ 2,764,216 | \$ 2,764,216 | \$ 2,764,216 | \$ - |
| Transportation aid | 35,785 | 35,785 | 38,685 | 2,900 |
| Special education reimbursement | 271,429 | 271,429 | 318,119 | 46,690 |
| Mainstream block grant | 59,888 | 59,888 | 59,888 | - |
| E-rate | 3,100 | 3,100 | 4,335 | 1,235 |
| Essential early education | 20,118 | 20,118 | 20,118 | - |
| Tuition | - | - | 1,355 | 1,355 |
| Interest income | 38,223 | 38,223 | 46,933 | 8,710 |
| Miscellaneous: | | | | |
| Other receipts | 800 | 800 | 8,516 | 7,716 |
| Amounts Available for Appropriation | <u>\$ 3,193,559</u> | <u>\$ 3,193,559</u> | <u>\$ 3,262,165</u> | <u>\$ 68,606</u> |

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|------------------|------------------|------------------------------------|
| Direct services - | | | | |
| Instructional services - | | | | |
| Salaries | \$ 827,717 | \$ 827,717 | \$ 809,846 | \$ 17,871 |
| Benefits | 295,519 | 295,519 | 264,019 | 31,500 |
| Professional services | 3,600 | 3,600 | 5,505 | (1,905) |
| Repairs & maintenance | - | - | - | - |
| Travel | 400 | 400 | 181 | 219 |
| General supplies | 20,150 | 20,150 | 19,380 | 770 |
| Books & periodicals | 2,800 | 2,800 | 4,440 | (1,640) |
| Equipment | - | - | 2,154 | (2,154) |
| Preschool program - | | | | |
| Salaries | 55,776 | 55,776 | 57,494 | (1,718) |
| Benefits | 12,249 | 12,249 | 21,294 | (9,045) |
| Professional services | - | - | 17,195 | (17,195) |
| Travel | 16,798 | 16,798 | 24,736 | (7,938) |
| General supplies | 1,400 | 1,400 | 195 | 1,205 |
| Instructional services-special education - | | | | |
| Salaries | 151,474 | 151,474 | 144,461 | 7,013 |
| Benefits | 59,508 | 59,508 | 56,661 | 2,847 |
| Professional services | 28,145 | 28,145 | 1,600 | 26,545 |
| English language learner - | | | | |
| Salaries | 10,866 | 10,866 | - | 10,866 |
| Benefits | 908 | 908 | 77 | 831 |
| Supervisory union services | - | - | 15,938 | (15,938) |
| Travel | 500 | 500 | - | 500 |
| | <u>1,487,810</u> | <u>1,487,810</u> | <u>1,445,176</u> | <u>42,634</u> |
| Support services - | | | | |
| Students - | | | | |
| Guidance services | | | | |
| Salaries | 38,493 | 38,493 | 39,583 | (1,090) |
| Benefits | 16,360 | 16,360 | 15,501 | 859 |
| Supplies & materials | 300 | 300 | 102 | 198 |
| Health services | | | | |
| Salaries | 41,653 | 41,653 | 66,010 | (24,357) |
| Benefits | 9,118 | 9,118 | 14,197 | (5,079) |
| Repairs & maintenance | 350 | 350 | 92 | 258 |
| Travel | 150 | 150 | 178 | (28) |
| General supplies | 700 | 700 | 850 | (150) |
| | <u>107,124</u> | <u>107,124</u> | <u>136,513</u> | <u>(29,389)</u> |

Variance

SCHEDULE B (CONTINUED)
MIDDLESEX SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|-----------------|----------------|------------------------------------|
| Support services (continued) - | | | | |
| Instructional staff - | | | | |
| Assessment-curriculum | | | | |
| Supervisory union services | 18,477 | 18,477 | 18,477 | - |
| School library services | | | | |
| Salaries | 39,566 | 39,566 | 38,734 | 832 |
| Benefits | 13,164 | 13,164 | 9,238 | 3,926 |
| Supplies & materials | 4,385 | 4,385 | 3,257 | 1,128 |
| Equipment | 350 | 350 | - | 350 |
| General administration - | | | | |
| Technology services | | | | |
| Salaries | 13,189 | 13,189 | 12,912 | 277 |
| Benefits | 6,297 | 6,297 | 5,208 | 1,089 |
| Supervisory union services | 43,897 | 43,897 | 43,897 | - |
| Property services | 5,700 | 5,700 | 5,462 | 238 |
| Communications | 5,200 | 5,200 | 4,395 | 805 |
| Supplies & materials | 15,920 | 15,920 | 19,361 | (3,441) |
| | <u>166,145</u> | <u>166,145</u> | <u>160,941</u> | <u>5,204</u> |
| Board of Education services | | | | |
| Salaries-clerical | 605 | 605 | 1,664 | (1,059) |
| Benefits | 519 | 519 | 302 | 217 |
| Professional services | 5,100 | 5,100 | 12,781 | (7,681) |
| Purchased services | 5,000 | 5,000 | 1,560 | 3,440 |
| General supplies | - | - | 701 | (701) |
| Dues & fees | 1,200 | 1,200 | 1,437 | (237) |
| Office of superintendent | | | | |
| Supervisory union services | 51,304 | 51,304 | 51,304 | - |
| Supervisory union services-criminal registry | 1,000 | 1,000 | 1,000 | - |
| | <u>64,728</u> | <u>64,728</u> | <u>70,749</u> | <u>(6,021)</u> |
| Area administration - | | | | |
| Office of the principal | | | | |
| Salaries | 139,199 | 139,199 | 162,734 | (23,535) |
| Benefits | 51,561 | 51,561 | 53,782 | (2,221) |
| Professional services | 750 | 750 | 6,844 | (6,094) |
| Purchased services | 2,400 | 2,400 | 1,637 | 763 |
| Supplies & materials | 2,600 | 2,600 | 1,712 | 888 |
| Equipment | - | - | 340 | (340) |
| Dues & fees | 800 | 800 | 440 | 360 |

SCHEDULE B (CONTINUED)
MIDDLESEX SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|------------------------------------|
| Support services (continued) - | | | | |
| Area administration (continued) - | | | | |
| Assessment-supervisory union | | | | |
| Legal | - | - | 3,364 | (3,364) |
| Supervisory union services-shared-special ed | 341,242 | 341,242 | 423,863 | (82,621) |
| Supervisory union services-special ed | 61,922 | 61,922 | 61,922 | - |
| Supervisory union services-early education | 8,890 | 8,890 | 8,890 | - |
| | <u>609,364</u> | <u>609,364</u> | <u>725,528</u> | <u>(116,164)</u> |
| Fiscal services | | | | |
| Supervisory union services | 40,522 | 40,522 | 40,522 | - |
| Interest expense | 38,223 | 38,223 | 39,316 | (1,093) |
| Audit services | 4,150 | 4,150 | 4,150 | - |
| | <u>82,895</u> | <u>82,895</u> | <u>83,988</u> | <u>(1,093)</u> |
| Debt service | | | | |
| Principal | 178,729 | 178,729 | 177,256 | 1,473 |
| Interest | 89,038 | 89,038 | 90,510 | (1,472) |
| | <u>267,767</u> | <u>267,767</u> | <u>267,766</u> | <u>1</u> |
| Operations and maintenance - | | | | |
| Salaries | 59,982 | 59,982 | 63,238 | (3,256) |
| Benefits | 28,301 | 28,301 | 28,421 | (120) |
| Professional services | 8,700 | 8,700 | 22,002 | (13,302) |
| Property services | 33,280 | 33,280 | 23,392 | 9,888 |
| Purchased services | 9,300 | 9,300 | 8,920 | 380 |
| General supplies | 9,000 | 9,000 | 9,631 | (631) |
| Energy | 56,000 | 56,000 | 33,743 | 22,257 |
| Equipment | - | - | 954 | (954) |
| | <u>204,563</u> | <u>204,563</u> | <u>190,301</u> | <u>14,262</u> |
| Transportation - | | | | |
| Student transportation services | - | - | 376 | (376) |
| Shared SU services | 90,199 | 90,199 | 90,199 | - |
| Student transportation - field trips | 4,000 | 4,000 | 2,493 | 1,507 |
| | <u>94,199</u> | <u>94,199</u> | <u>93,068</u> | <u>1,131</u> |
| Transfers to other funds - | | | | |
| Food service fund | 12,720 | 12,720 | 12,720 | - |
| Building maintenance | 60,000 | 60,000 | 60,000 | - |
| Computer maintenance | 36,244 | 36,244 | 36,244 | - |
| | <u>108,964</u> | <u>108,964</u> | <u>108,964</u> | <u>-</u> |
| TOTAL DEPARTMENTAL OPERATIONS | <u>\$ 3,193,559</u> | <u>\$ 3,193,559</u> | <u>\$ 3,282,994</u> | <u>\$ (89,435)</u> |

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

| | Special Revenue Funds | Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|------------------------------|---|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Due from other funds | \$ - | \$ 63,024 | \$ 63,024 |
| TOTAL ASSETS | <u>\$ -</u> | <u>\$ 63,024</u> | <u>\$ 63,024</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable | - | - | - |
| Restricted | - | 63,024 | 63,024 |
| Committed | - | - | - |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| TOTAL FUND BALANCES | <u>-</u> | <u>63,024</u> | <u>63,024</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ -</u> | <u>\$ 63,024</u> | <u>\$ 63,024</u> |

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

| | Special Revenue Funds | Capital Projects Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|------------------------------|---|
| | <u> </u> | <u> </u> | <u> </u> |
| REVENUES | | | |
| Intergovernmental | \$ 6,050 | \$ - | \$ 6,050 |
| Other | - | 433 | 433 |
| TOTAL REVENUES | <u>6,050</u> | <u>433</u> | <u>6,483</u> |
| EXPENDITURES | | | |
| Capital outlay | - | 56,953 | 56,953 |
| Other | 6,050 | - | 6,050 |
| TOTAL EXPENDITURES | <u>6,050</u> | <u>56,953</u> | <u>63,003</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>-</u> | <u>(56,520)</u> | <u>(56,520)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 96,244 | 96,244 |
| Transfers (out) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>96,244</u> | <u>96,244</u> |
| NET CHANGE IN FUND BALANCES | - | 39,724 | 39,724 |
| FUND BALANCES - JULY 1 | <u>-</u> | <u>23,300</u> | <u>23,300</u> |
| FUND BALANCES - JUNE 30 | <u>\$ -</u> | <u>\$ 63,024</u> | <u>\$ 63,024</u> |

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

MIDDLESEX SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

| | <u>EPSDT</u> | <u>Artist in Residency Grant</u> | <u>Total</u> |
|--|--------------|--------------------------------------|--------------|
| ASSETS | | | |
| Due from other funds | \$ - | \$ - | \$ - |
| TOTAL ASSETS | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| LIABILITIES | | | |
| Due to other funds | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable | - | - | - |
| Restricted | - | - | - |
| Committed | - | - | - |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| TOTAL FUND BALANCES | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

| | <u>EPSDT</u> | <u>Artist in Residency Grant</u> | <u>Total</u> |
|---|--------------|--------------------------------------|--------------|
| REVENUES | | | |
| Intergovernmental | \$ 3,550 | \$ 2,500 | \$ 6,050 |
| TOTAL REVENUES | <u>3,550</u> | <u>2,500</u> | <u>6,050</u> |
| EXPENDITURES | | | |
| Other | 3,550 | 2,500 | 6,050 |
| TOTAL EXPENDITURES | <u>3,550</u> | <u>2,500</u> | <u>6,050</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>-</u> | <u>-</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | - |
| Transfers (out) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | - | - | - |
| FUND BALANCES - JULY 1 | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES - JUNE 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See accompanying independent auditors' report and notes to financial statements.

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

MIDDLESEX SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
 JUNE 30, 2017

| | <u>Technology</u> | <u>Building Maintenance</u> | <u>Total</u> |
|--|-------------------|---------------------------------|------------------|
| ASSETS | | | |
| Due from other funds | \$ 2,241 | \$ 60,783 | \$ 63,024 |
| TOTAL ASSETS | <u>\$ 2,241</u> | <u>\$ 60,783</u> | <u>\$ 63,024</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable | - | - | - |
| Restricted | 2,241 | 60,783 | 63,024 |
| Committed | - | - | - |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| TOTAL FUND BALANCES | <u>2,241</u> | <u>60,783</u> | <u>63,024</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 2,241</u> | <u>\$ 60,783</u> | <u>\$ 63,024</u> |

MIDDLESEX SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Technology</u> | <u>Building Maintenance</u> | <u>Total</u> |
|---|-------------------|---------------------------------|------------------|
| REVENUES | | | |
| Other | \$ - | \$ 433 | \$ 433 |
| TOTAL REVENUES | <u>-</u> | <u>433</u> | <u>433</u> |
| EXPENDITURES | | | |
| Capital outlay | 37,729 | 19,224 | 56,953 |
| TOTAL EXPENDITURES | <u>37,729</u> | <u>19,224</u> | <u>56,953</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(37,729)</u> | <u>(18,791)</u> | <u>(56,520)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 36,244 | 60,000 | 96,244 |
| Transfers (out) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>36,244</u> | <u>60,000</u> | <u>96,244</u> |
| NET CHANGE IN FUND BALANCES | (1,485) | 41,209 | 39,724 |
| FUND BALANCES - JULY 1 | <u>3,726</u> | <u>19,574</u> | <u>23,300</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 2,241</u> | <u>\$ 60,783</u> | <u>\$ 63,024</u> |

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

MIDDLESEX SCHOOL DISTRICT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2017

| | Land and Non-depreciable Assets | Buildings, Building Improvements & Land Improvements | Furniture, Fixtures, Equipment & Vehicles | Infrastructure | Total |
|--------------------------------|---------------------------------------|--|--|----------------|--------------|
| Direct Services | \$ - | \$ 3,717,703 | \$ - | \$ - | \$ 3,717,703 |
| S.S. - Students | - | 53,470 | - | - | 53,470 |
| S.S. - Staff | - | 272,474 | - | - | 272,474 |
| S.S. - Area Administration | - | 240,953 | - | - | 240,953 |
| Operations & Maintenance | - | 200,316 | 181,615 | 220,542 | 602,473 |
| Food Service | - | - | 151,266 | - | 151,266 |
| Total General Capital Assets | - | 4,484,916 | 332,881 | 220,542 | 5,038,339 |
| Less: Accumulated Depreciation | - | (784,652) | (96,114) | (27,568) | (908,334) |
| Net General Capital Assets | \$ - | \$ 3,700,264 | \$ 236,767 | \$ 192,974 | \$ 4,130,005 |

See accompanying independent auditors' report and notes to financial statements.

MIDDLESEX SCHOOL DISTRICT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2017

| | General Capital Assets 7/1/16 | Additions | Deletions | General Capital Assets 6/30/17 |
|--------------------------------|--|--------------------|-------------|---|
| Direct Services | \$ 3,698,920 | \$ 18,783 | \$ - | \$ 3,717,703 |
| S.S. - Students | 53,470 | - | - | 53,470 |
| S.S. - Staff | 272,474 | - | - | 272,474 |
| S.S. - Area Administration | 240,953 | - | - | 240,953 |
| Operations & Maintenance | 602,473 | - | - | 602,473 |
| Food Service | 151,266 | - | - | 151,266 |
| Total General Capital Assets | 5,019,556 | 18,783 | - | 5,038,339 |
| Less: Accumulated Depreciation | (791,900) | (116,434) | - | (908,334) |
| Net General Capital Assets | <u>\$ 4,227,656</u> | <u>\$ (97,651)</u> | <u>\$ -</u> | <u>\$ 4,130,005</u> |

See accompanying independent auditors' report and notes to financial statements.



Proven Expertise and Integrity

INDEPENDENT AUDITORS' 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

Board of Directors
Middlesex School District
Montpelier, 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, business-type activities, each major fund, and the aggregate remaining fund information of the Middlesex School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Middlesex School District's basic financial statements, and have issued our report thereon dated November 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Middlesex School District'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 the Middlesex School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Middlesex School District'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 the Middlesex School District'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 or 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.

A handwritten signature in cursive script that reads "RHR Smith & Company".

Buxton, Maine
Vermont Registration No. 092.0000697
November 28, 2017