

TOWN OF MIDDLESEX, VERMONT
ANNUAL FINANCIAL REPORT
JUNE 30, 2011

TOWN OF MIDDLESEX, VERMONT
ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

Board of Selectmen
Town of Middlesex, Vermont
Middlesex, Vermont 05602

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middlesex, Vermont, as of and for the year ended June 30, 2011, which collectively comprise the Town of Middlesex, Vermont basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Middlesex, Vermont management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

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

Board of Selectmen
Town of Middlesex, Vermont

In accordance with Government Auditing Standards, I have also issued my report dated December 6, 2011, on my consideration of the Town of Middlesex, Vermont internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming my opinions on the financial statements that collectively comprise the Town of Middlesex, Vermont basic financial statements. The combining other non-major governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining other non-major governmental fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

William Yacavoni
Certified Public Accountant
License # 92-0000153
December 6, 2011

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

This section of the Town of Middlesex, Vermont annual financial report presents our discussion and analysis of the Town of Middlesex, Vermont financial performance during the fiscal year ended June 30, 2011. Please read this in conjunction with the Town of Middlesex, Vermont financial statements which follow this section.

Financial Highlights

The Town of Middlesex, Vermont assets exceeded its liabilities by \$1,192,543 (net assets) for the year ended June 30, 2011. This compares to the previous year when assets exceeded liabilities by \$1,115,191.

	Governmental Activities	
	June 30, 2011	June 30, 2010
<u>ASSETS</u>		
Current and Other Assets	\$ 480,734	\$ 430,072
Capital and Non-Current Assets	<u>1,746,194</u>	<u>1,840,400</u>
TOTAL ASSETS	<u>\$2,226,928</u>	<u>\$2,270,472</u>
<u>LIABILITIES</u>		
Current Liabilities	\$ 7,714	\$ 4,099
Long-Term Liabilities	<u>1,026,671</u>	<u>1,151,182</u>
TOTAL LIABILITIES	<u>\$1,034,385</u>	<u>\$1,155,281</u>
<u>NET ASSETS</u>		
Invested in Capital Assets Net of Related Debt	\$ 719,523	\$ 689,218
Restricted	139,846	167,806
Unrestricted	<u>333,174</u>	<u>258,167</u>
TOTAL NET ASSETS	<u>\$1,192,543</u>	<u>\$1,115,191</u>

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

Total net assets at June 30, 2011 are comprised of the following:

- 1) Capital assets, net of related debt of \$719,523, include property, and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- 2) Net assets of \$139,846 are restricted by constraints imposed from outside the Town, such as grantors, taxpayers, and laws or regulations.
- 3) Unrestricted net assets of \$333,174 represent the portion available to maintain Town continuing obligation to citizens and creditors.
- 4) During the year ended June 30, 2011, the net assets of the Town of Middlesex, Vermont increased by \$77,352.

	Governmental Activities		
	June 30, 2011	June 30, 2010	%
			Change
Revenue:			
Program Revenue:			
Operating Grants and Contributions	\$ 19,947	\$ 0	--
General Revenue:			
Property Taxes	762,550	732,277	4.1
Intergovernmental	191,061	294,824	(35.2)
Interest on Investments	10,206	12,610	(19.1)
Licenses and Fees	25,366	35,641	(28.8)
Other	35,369	56,987	(37.9)
Total Revenue	<u>1,044,499</u>	<u>1,132,339</u>	(7.8)
Expenses:			
General Government	241,162	255,808	(5.7)
Highways	525,268	471,891	11.3
Public Safety	109,898	118,327	(7.1)
Debt Service	37,701	38,662	(2.5)
Employee Benefits	53,118	57,225	(7.2)
Total Expenses	<u>967,147</u>	<u>941,913</u>	2.7
Increase in Net Assets	77,352	190,426	
Net Assets - Beginning	<u>1,115,191</u>	<u>924,765</u>	
Net Assets - Ending	<u>\$1,192,543</u>	<u>\$1,115,191</u>	

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

The Town revenue was down 7.8% from the prior year and expenses were up 2.7%. The revenue of the Town was down substantially as the Town received a \$105,075 grant during fiscal year ended June 30, 2010 from the State of Vermont for the replacement of a culvert.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Town of Middlesex, Vermont basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide Financial Statements

The Town annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Town-wide statement of financial position presenting information that includes all of the Town assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall economic health of the Town would extend to other nonfinancial factors such as diversification of the taxpayer base in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the Town net assets changed during the current fiscal year. All current year revenue and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the Town distinct activities or functions on revenue provided by the Town taxpayers.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

The Town has one kind of fund:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenue, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Financial Analysis of the Town Funds

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$444,898. Of this total, \$192,180 was unassigned indicating availability for continuing Town service requirements.

Major Government Funds

The General Fund is the Town primary operating fund. The fund balance of the General Fund increased by \$74,420.

General Fund Budgetary Highlights

For the year ended June 30, 2011, the taxpayers approved the budget for the General Fund of \$1,003,955. This was up 12.8% over the previous year budget of \$890,350. Actual expenditures for the year ended June 30, 2011 were less than the budgeted expenditures by \$5,204.

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

Capital Assets

The Town investment in capital assets net of accumulated depreciation as of June 30, 2011 was \$1,746,194. The Board of Selectmen has set a cost of \$5,000 as the minimum amount of an item to be classified as a capital asset of the Town. The Town had no purchases meeting that level during the year ended June 30, 2011.

Long-Term Debt

At the end of the fiscal year, the Town had total debt outstanding of \$1,026,671. This debt is expected to reach maturity in November, 2029.

Contacting the Town Financing Management

This financial report is designed to provide a general overview of the Town finances and demonstrate the Town commitment to public accountability. If you have questions about this report, or would like to request additional information, contact the Town finance department at 5 Church Street, Middlesex, Vermont 05602.

TOWN OF MIDDLESEX, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
 <u>ASSETS</u>	
Current Assets:	
Cash	\$ 280,353
Investments	119,365
Accounts Receivable	36,305
Delinquent Taxes Receivable	<u>44,711</u>
Total Current Assets	<u>480,734</u>
Non-Current Assets:	
Land, Buildings, and Equipment - Net of Accumulated Depreciation of \$844,999	<u>1,746,194</u>
TOTAL ASSETS	<u>\$2,226,928</u>
 <u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ <u>7,714</u>
Non-Current Liabilities:	
Notes and Bonds Payable	<u>1,026,671</u>
TOTAL LIABILITIES	<u>\$1,034,385</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets - Net of Related Debt	\$ 719,523
Restricted	139,846
Unrestricted	<u>333,174</u>
TOTAL NET ASSETS	<u>\$1,192,543</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF MIDDLESEX, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grant and Contributions</u>	
Governmental Activities:				
General Government	\$241,162	\$ 0	\$ 0	\$ (241,162)
Highways	525,268	0	19,947	(505,321)
Public Safety	109,898	0	0	(109,898)
Debt Service	37,701	0	0	(37,701)
Employee Benefits	<u>53,118</u>	<u>0</u>	<u>0</u>	<u>(53,118)</u>
Total Governmental Activities	<u>\$967,147</u>	<u>\$ 0</u>	<u>\$ 19,947</u>	<u>(947,200)</u>
General Revenue:				
Property Taxes				762,550
Intergovernmental				191,061
Interest on Investments				10,206
Licenses and Fees				25,366
Other				<u>35,369</u>
Total General Revenue				<u>1,024,552</u>
Change in Net Assets				77,352
Net Assets - Beginning				<u>1,115,191</u>
Net Assets - Ending				<u>\$1,192,543</u>

The accompanying notes to the basic financial statements are an integral part of this statement

TOWN OF MIDDLESEX, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General Fund</u>	<u>Listers Fund</u>	<u>Building Fund</u>	<u>Cemetery Fund</u>	<u>Highway Construction/ Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>							
Cash	\$143,818	\$ 26,182	\$ 36,183	\$ 2,578	\$ 46,790	\$ 24,802	\$280,353
Investments	0	0	0	119,365	0	0	119,365
Accounts Receivable	36,305	0	0	0	0	0	36,305
Due from Other Funds	3,182	0	0	0	0	0	3,182
Delinquent Taxes Receivable	<u>44,711</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>44,711</u>
TOTAL ASSETS	<u>\$228,016</u>	<u>\$ 26,182</u>	<u>\$ 36,183</u>	<u>\$121,943</u>	<u>\$ 46,790</u>	<u>\$ 24,802</u>	<u>\$483,916</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts Payable	\$ 7,714	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,714
Due to Other Funds	0	0	0	0	0	3,182	3,182
Deferred Revenue	<u>28,122</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,122</u>
Total Liabilities	<u>35,836</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,182</u>	<u>39,018</u>
Fund Balances:							
Restricted	0	0	0	121,943	0	17,903	139,846
Assigned	0	26,182	36,183	0	46,790	3,717	112,872
Unassigned	<u>192,180</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>192,180</u>
Total Fund Balances	<u>192,180</u>	<u>26,182</u>	<u>36,183</u>	<u>121,943</u>	<u>46,790</u>	<u>21,620</u>	<u>444,898</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$228,016</u>	<u>\$ 26,182</u>	<u>\$ 36,183</u>	<u>\$121,943</u>	<u>\$ 46,790</u>	<u>\$ 24,802</u>	<u>\$483,916</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF MIDDLESEX, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total Fund Balances - Governmental Funds	\$ 444,898
1. Capital assets used in Governmental Funds are not financial resources and, therefore, are not reported in the Governmental Funds financial statements net of accumulated depreciation.	1,746,194
2. Notes and Bonds payable not requiring current financial resources have not been included in the Governmental Funds financial statements.	(1,026,671)
3. Deferred Revenue:	
a. Property taxes not collected within 60 days of balance sheet date, therefore, not recorded as current financial resources in the Governmental Funds financial statements.	<u>28,122</u>
Net Assets of Governmental Activities	<u>\$ 1,192,543</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF MIDDLESEX, VERMONT
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Listers Fund	Building Fund	Cemetery Fund	Highway Construction/ Bridge Fund	Other Governmental Funds	Total Governmental Funds
Revenue:							
Property Taxes	\$ 816,379	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 816,379
Intergovernmental	202,344	8,664	0	0	0	0	211,008
Licenses and Fees	23,292	0	0	0	0	2,074	25,366
Interest on Investments	5,266	116	107	4,366	233	118	10,206
Unrealized Gain on Marketable Securities	0	0	0	8,569	0	0	8,569
Other	25,890	0	0	410	0	500	26,800
Total Revenue	<u>1,073,171</u>	<u>8,780</u>	<u>107</u>	<u>13,345</u>	<u>233</u>	<u>2,692</u>	<u>1,098,328</u>
Expenditures:							
General Government	223,766	9,447	0	5,980	0	1,969	241,162
Highways	460,463	0	0	0	0	1,205	461,668
Public Safety	79,292	0	0	0	0	0	79,292
Debt Service	162,212	0	0	0	0	0	162,212
Employee Benefits	53,118	0	0	0	0	0	53,118
Total Expenditures	<u>978,851</u>	<u>9,447</u>	<u>0</u>	<u>5,980</u>	<u>0</u>	<u>3,174</u>	<u>997,452</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>94,320</u>	<u>(667)</u>	<u>107</u>	<u>7,365</u>	<u>233</u>	<u>(482)</u>	<u>100,876</u>

Other Financing Sources/(Uses):							
Transfers In	0	0	0	0	17,250	2,650	19,900
Transfers Out	<u>(19,900)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(19,900)</u>
Total Other Financing Sources/(Uses)	<u>(19,900)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,250</u>	<u>2,650</u>	<u>0</u>
Net Changes in Fund Balances	74,420	(667)	107	7,365	17,483	2,168	100,876
Fund Balances - Beginning	<u>117,760</u>	<u>26,849</u>	<u>36,076</u>	<u>114,578</u>	<u>29,307</u>	<u>19,452</u>	<u>344,022</u>
Fund Balances - Ending	<u>\$ 192,180</u>	<u>\$ 26,182</u>	<u>\$ 36,183</u>	<u>\$121,943</u>	<u>\$ 46,790</u>	<u>\$ 21,620</u>	<u>\$ 444,898</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF MIDDLESEX, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Total Net Changes in Fund Balances - Governmental Funds	\$100,876
1. Current year long-term debt principal payments reported as expenditures in the Governmental Funds financial statements are shown as a reduction in long-term debt in the government-wide financial statements.	124,511
2. Depreciation is not recognized as an expense in the Governmental Funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net assets.	(94,206)
3. The change in deferred revenue, excluding deferred revenue relating to grants, is eliminated within the government-wide financial statements.	<u>(53,829)</u>
Change in Net Assets of Governmental Activities	<u>\$ 77,352</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF MIDDLESEX, VERMONT
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u> <u>Original</u> <u>and Final</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenue:			
Property Taxes	\$766,126	\$ 816,379	\$ 50,253
State Aid - Highways	111,000	130,526	19,526
Interest on Investments	4,000	5,266	1,266
School Reimbursement	4,000	4,000	0
Licenses and Fees	25,000	23,292	(1,708)
Interest on Delinquent Taxes	8,000	11,848	3,848
State Aid - Railroad Tax	1,100	1,425	325
State Land Use/State Pilot	54,729	70,393	15,664
Other	<u>0</u>	<u>10,042</u>	<u>10,042</u>
Total Revenue	<u>973,955</u>	<u>1,073,171</u>	<u>99,216</u>
Expenditures:			
General Government:			
Selectmen:			
Selectmen	3,150	3,150	0
Selectboard Clerk	18,000	17,984	16
Advertising/Printing	1,500	1,667	(167)
Legal Fees	5,000	348	4,652
Town Report	4,000	3,660	340
Dues - VLCT	2,478	2,478	0
Tree Warden	500	0	500
Discretionary Expenditures	<u>5,000</u>	<u>4,368</u>	<u>632</u>
Total Selectmen	<u>39,628</u>	<u>33,655</u>	<u>5,973</u>
Elections	<u>2,300</u>	<u>873</u>	<u>1,427</u>
Administration:			
Salaries	49,754	49,925	(171)
Office Supplies	2,000	2,212	(212)
Equipment Repairs	250	1,263	(1,013)
Equipment Purchase	2,000	1,157	843

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF MIDDLESEX, VERMONT
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u> <u>Original</u> <u>and Final</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
General Government (Continued):			
Administration (Continued):			
Listers Mileage/Expenses	\$ 2,200	\$ 3,321	\$ (1,121)
Courses/Seminars	750	95	655
Clerical Mileage	400	105	295
Telephone	2,500	3,165	(665)
Postage	1,800	3,152	(1,352)
Listing Wages	7,500	7,266	234
Auditing	3,100	3,250	(150)
Copier Lease	2,030	2,167	(137)
Mapping	500	500	0
Total Administration	<u>74,784</u>	<u>77,578</u>	<u>(2,794)</u>
Town Hall:			
Electricity	1,500	1,760	(260)
Fuel Oil	4,000	3,702	298
Grounds	2,000	1,120	880
Repairs	6,000	7,719	(1,719)
Total Town Hall	<u>13,500</u>	<u>14,301</u>	<u>(801)</u>
Total General Government	<u>130,212</u>	<u>126,407</u>	<u>3,805</u>
Public Safety:			
Law Enforcement:			
Constable	1,500	918	582
Ambulance	49,034	49,034	0
Speed Enforcement	1,000	445	555
Courses/Seminars	100	0	100
Health Officer	500	0	500
Dog Pound	700	700	0
Total Law Enforcement	<u>52,834</u>	<u>51,097</u>	<u>1,737</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF MIDDLESEX, VERMONT
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u> <u>Original</u> <u>and Final</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Public Safety (Continued):			
Fire Department:			
Radio Dispatch	\$ 9,000	\$ 8,995	\$ 5
Fuel Oil	5,000	5,462	(462)
Equipment Repairs	3,000	1,901	1,099
Supplies	300	32	268
Equipment Purchase	3,400	4,976	(1,576)
Telephone	1,200	885	315
Fast Squad Supplies	1,500	866	634
Electricity	1,000	1,057	(57)
Building Maintenance	500	2,313	(1,813)
Other	<u>3,350</u>	<u>1,708</u>	<u>1,642</u>
Total Fire Department	<u>28,250</u>	<u>28,195</u>	<u>55</u>
Total Public Safety	<u>81,084</u>	<u>79,292</u>	<u>1,792</u>
Town Insurance:			
Workers' Compensation	12,000	10,100	1,900
Unemployment Compensation	1,889	2,192	(303)
Property and Casualty	<u>19,253</u>	<u>17,918</u>	<u>1,335</u>
Total Town Insurance	<u>33,142</u>	<u>30,210</u>	<u>2,932</u>
Employee Benefits:			
Social Security/Medicare	18,711	19,816	(1,105)
Retirement	10,764	10,935	(171)
Life Insurance	300	992	(692)
Health Insurance	<u>25,567</u>	<u>21,375</u>	<u>4,192</u>
Total Employee Benefits	<u>55,342</u>	<u>53,118</u>	<u>2,224</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF MIDDLESEX, VERMONT
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u> <u>Original</u> <u>and Final</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Highways:			
Salaries	\$157,294	\$ 163,703	\$ (6,409)
Utilities	3,000	2,583	417
Plant Maintenance	12,000	4,924	7,076
Equipment - Maintenance	40,000	36,579	3,421
Street Lights	2,000	1,934	66
Gas, Oil, Diesel	50,000	66,160	(16,160)
Culverts and Bridges	6,000	5,600	400
Construction/Paving	100,208	110,682	(10,474)
Winter Maintenance	45,000	18,593	26,407
Summer Maintenance	30,000	30,539	(539)
Signs	750	0	750
Courses/Seminars	400	30	370
Emergency Road Repairs	<u>0</u>	<u>19,136</u>	<u>(19,136)</u>
Total Highways	<u>446,652</u>	<u>460,463</u>	<u>(13,811)</u>
Cemetery Care:			
Labor	4,240	5,940	(1,700)
Materials	1,000	25	975
Repairs to Cemetery	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Total Cemetery Care	<u>6,240</u>	<u>5,965</u>	<u>275</u>
Recreation:			
Wrightsville Beach	905	905	0
Learn to Swim	<u>1,200</u>	<u>1,237</u>	<u>(37)</u>
Total Recreation	<u>2,105</u>	<u>2,142</u>	<u>(37)</u>
Debt Service:			
Principal	124,532	124,511	21
Interest	<u>38,562</u>	<u>37,701</u>	<u>861</u>
Total Debt Service	<u>163,094</u>	<u>162,212</u>	<u>882</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF MIDDLESEX, VERMONT
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other:			
County Taxes	\$ 15,477	\$ 15,477	\$ 0
Solid Waste Management	5,800	3,631	2,169
Regional Planning Commission	<u>1,968</u>	<u>1,968</u>	<u>0</u>
Total Other	<u>23,245</u>	<u>21,076</u>	<u>2,169</u>
Planning Commission:			
Printing	600	50	550
Mapping, Etc.	300	0	300
Advertising	500	475	25
Supplies and Postage	600	83	517
Conservation Commission	<u>1,000</u>	<u>186</u>	<u>814</u>
Total Planning Commission	<u>3,000</u>	<u>794</u>	<u>2,206</u>
Zoning Board of Adjustment	<u>4,075</u>	<u>1,308</u>	<u>2,767</u>
Special Articles	<u>35,864</u>	<u>35,864</u>	<u>0</u>
Total Expenditures	<u>984,055</u>	<u>978,851</u>	<u>5,204</u>
Excess/(Deficiency) of Revenue Over Expenditures	(10,100)	94,320	104,420
Other Financing Sources/(Uses):			
Transfers Out	<u>(19,900)</u>	<u>(19,900)</u>	<u>0</u>
Excess/(Deficiency) of Revenue Over Expenditures and Other Financing Uses	<u>\$(30,000)</u>	74,420	<u>\$104,420</u>
Fund Balance - Beginning		<u>117,760</u>	
Fund Balance - Ending		<u>\$ 192,180</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Middlesex, Vermont (the "Town") is a public entity operating under the applicable laws and regulations of the State of Vermont. It is governed by a five member Board of Selectmen (the "Board") elected by registered voters of the Town. The Town prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in the Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants.

During 2003-2004, the Town implemented GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB Statement No. 34), GASB Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, Certain Financial Statement Disclosures which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, district-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that district-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and district-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The government-wide financial statements follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the Town of Middlesex, Vermont has elected not to apply FASB Standards issued after November 30, 1989.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Reporting Entity

The Board of Selectmen (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. There are no component units included within the reporting entity.

Town-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities are Town-wide financial statements. They report information on all of the Town of Middlesex, Vermont nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenue. The Town has no business type activities that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Town-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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

Revenue from local sources consist primarily of property taxes. Property tax revenue and revenue received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenue is recorded as revenue when received in cash because it is generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenue until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the Town to refund all or part of the unused amount.

Fund Accounting

The Town reports the following major governmental funds:

1. General Fund - The General Fund is the Town primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. Listers Fund - This Fund accounts for monies to be used for continuing reappraisals of Town property.
3. Building Fund - This Fund accounts for monies appropriated by the taxpayers annually, to be utilized on improvements/renovations to Town owned buildings.
4. Cemetery Fund - During 2004-2005, the Cemetery Association approved turning over its funds to be maintained by the Town. These monies are to be used for upkeep to the Cemetery.
5. Highway Construction/Bridge Fund - This Fund accounts for monies appropriated from the Town General Fund and monies received from federal and state governments to maintain roads and bridges in the Town.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Investments

All investments are reported at fair value as of the end of the fiscal year.

Capital Assets

Capital assets which include land, buildings, furniture, and equipment are reported in the applicable governmental activities column in the Town-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

All assets that meet the above criteria have been reported in the financial statements except for infrastructure assets. The Town is reporting infrastructure assets beginning with those acquired during the year ended June 30, 2005. Infrastructure assets acquired in prior years are not reported in these financial statements.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

- Infrastructure and Bridges - 40 Years
- Buildings - 40 Years
- Highway Equipment and Dump Trucks - 10 Years
- Fire Trucks - 10 Years
- Vehicles - 7 Years

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Budgets

The administration and finance office of the Town are responsible for preparing the annual revenue and expenditures budgets. This budget is presented to the Board of Selectmen and once the Board has adopted the budget, it is sent to the voters of the Town. The budget is voted on annually in March.

Net Assets and Fund Balance

Town-Wide Financial Statements

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

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

Restricted - The component of net assets that is legally restricted for specific purposes.

Unrestricted - The difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt, or Net Assets Restricted.

Governmental Fund Financial Statements

In the fund financial statements, governmental funds report fund balances as follows:

Restricted Fund Balance - Fund balances are reported as restricted when constraints by outside sources or provisions are placed on the use of the resources.

Committed Fund Balance - These fund balances represent monies that must be spent on specific purposes. These amounts cannot be expended for any other purpose unless the government removes or changes the specified use by taking the same type of action, i.e.: legislation, resolution it employed to previously to commit these amounts.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Assigned Fund Balance - These amounts are for constraints by the government's intent to be used for specific purposes but are not restricted or committed.

Unassigned Fund Balance - These monies are not restricted or committed and have not been assigned to other funds. These monies are available for budgeting in future periods.

Liability for Compensated Absences

Employees of the Town of Middlesex, Vermont are granted sick leave and vacation leave in varying amounts. Employees can only utilize sick leave when sick and are not compensated for unused sick days. Employees are reimbursed for unused vacation days when terminating employment with the Town. All vacation leave is used or lost if not taken each year. Vacation pay is charged to operations when taken by the employee.

Note 2: CASH DEPOSITS

The Town of Middlesex, Vermont invests its funds in interest-bearing accounts. The depository bank places approved pledged securities in a collateral pool sufficient to cover the Town deposits in excess of the amount of deposits insured by the Federal Deposit Insurance Corporation (FDIC).

At June 30, 2011, the carrying amount of the Town deposits (cash, certificate of deposits and savings accounts) was \$280,353 and the bank balance was \$287,866. These amounts were covered by FDIC or collateralized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$280,353	\$287,866

The cash deposits during the fiscal year were entirely covered by FDIC or by pledged securities.

Deposits and investments at June 30, 2011 consisted of the following:

Cash on Hand	\$ 120
Demand Deposits with Financial Institutions	<u>280,233</u>
Total	<u>\$280,353</u>

TOWN OF MIDDLESEX, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011

Note 3: CAPITAL ASSET ACTIVITY

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>
Buildings and Improvements	\$ 983,581	\$ 0	\$ 0	\$ 983,581
Equipment and Trucks	821,475	0	0	821,475
Infrastructure	313,837	0	0	313,837
Land	<u>472,300</u>	<u>0</u>	<u>0</u>	<u>472,300</u>
Total	2,591,193	0	0	2,591,193
Less: Accumulated Depreciation	<u>750,793</u>	<u>94,206</u>	<u>0</u>	<u>844,999</u>
Capital Assets - Net	<u>\$1,840,400</u>	<u>\$(94,206)</u>	<u>\$ 0</u>	<u>\$1,746,194</u>

Depreciation expense was charged to governmental functions as follows:

Highway Fund	\$ 63,600
Public Safety Fund	<u>30,606</u>
Total	<u>\$ 94,206</u>

Note 4: LONG-TERM OBLIGATIONS

At June 30, 2011, the Town of Middlesex, Vermont had the following long-term obligations outstanding:

Fire Truck Bond Payable to the Vermont Municipal Bond Bank, Variable Interest Currently at 3.30%, Annual Principal Payments of \$15,000, Matures December, 2014.	\$ 60,000
Highway Truck Note Payable to the Merchant's Bank, Interest at 1.90%, Annual Principal Payments of \$10,979, Matures February, 2014.	32,938

TOWN OF MIDDLESEX, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011

Highway Truck Note Payable to the People's United Bank, Interest at 2.25%, Annual Principal Payments of \$20,040, Matures November, 2016.	\$ 120,240
Fire Station Construction Bond Payable to the Vermont Municipal Bond Bank, Net Interest of 4.19%, Variable Annual Principal Payments, Matures November, 2029.	780,000
Highway Truck Note Payable to the People's United Bank, Interest at 2.50%, Annual Principal Payments of \$19,893, Matures September 13, 2011.	19,893
Backhoe Note Payable to the Merchant's Bank, Interest at 2.20%, Annual Principal Payments of \$13,600, Matures September, 2011.	<u>13,600</u>
Total	<u>\$1,026,671</u>

Annual debt service requirements are as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 124,513	\$ 34,707	\$ 159,220
2013	91,019	31,900	122,919
2014	91,019	29,755	120,774
2015	80,040	27,407	107,447
2016	60,040	25,468	85,508
2017-2021	220,040	102,946	322,986
2022-2026	200,000	61,557	261,557
2027-2030	<u>160,000</u>	<u>15,693</u>	<u>175,693</u>
Total	<u>\$1,026,671</u>	<u>\$329,433</u>	<u>\$1,356,104</u>

Changes in long-term obligations were as follows:

Outstanding Obligations - July 1, 2010	\$1,151,182
Additions of New Debt	0
Repayments	<u>(124,511)</u>
Outstanding Obligations - June 30, 2011	<u>\$1,026,671</u>

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 5: ACCOUNTS RECEIVABLE

Accounts receivable represents monies owed to the Town at June 30, 2011 and consisted of the following:

Intergovernmental	\$ 19,947
Other	<u>16,358</u>
Total	<u>\$ 36,305</u>

Note 6: RISK MANAGEMENT

The Town is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

Note 7: RETIREMENT EXPENSE

All Town of Middlesex, Vermont employees who are considered full-time are covered under the Vermont Municipal Employee Retirement System. This system requires that both the Town and employee contribute to the plan, which provides retirement, disability and death benefits.

There are three plans available to members. Plan A requires employee contributions of 2.5% and employer contributions of 4.0%. Plan B requires employee contributions of 4.5% and employer contributions of 5.0%, and Plan C requires employee contributions of 9.0% and employer contributions of 6.0%. Employees are eligible for normal retirement after reaching age 65 under Plan A, provided they have completed five (5) years of services. Employees are eligible for normal retirement under Plan B and Plan C after reaching age 62, provided they have completed five (5) years of service.

Early retirement at a reduced payment is available as early as age 55, provided the employee has completed the five (5) years of service.

All employees of the Town of Middlesex, Vermont are covered under Plan B. Covered wages paid under the plan were \$218,702. Contributions by employees were \$9,842 and contributions by the Town of Middlesex, Vermont were \$10,935.

The law requires the retirement fund to remain in actuarial balance. This guarantees to the members the availability of funds to pay their benefits when they retire.

TOWN OF MIDDLESEX, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011

Note 8: PROPERTY TAXES

The Town is responsible for assessing and collecting property taxes for the Town School District as well as for the Town itself. Property taxes are assessed based on valuations as of April 1, annually. Property taxes are due in two equal installments on September 15 and February 15. The Town allowed a 2.0% discount if taxes were paid in full by August 6. All payments after the above dates are subject to interest charged at 0.7% per month. All taxes delinquent at February 15 are assessed an 8.0% penalty.

For the year ended June 30, 2011, property taxes were assessed and accounted for as follows:

Municipal Property Valuation	\$1,918,871	
Tax Rate	X <u>.4100</u>	
Municipal Property Taxes Billed		\$ 786,737
Homestead Property Valuation	1,428,559	
Tax Rate	X <u>1.3777</u>	
Homestead Property Taxes Billed		1,968,126
Non-Homestead Property Valuation	490,312	
Tax Rate	X <u>1.3945</u>	
Non-Homestead Property Taxes Billed		683,740
Penalty for Late Filed Homestead Declarations		<u>362</u>
Total Property Taxes Billed		3,438,965
Add: Delinquent Taxes Receivable - July 1, 2010		<u>138,750</u>
Total to be Accounted For		<u>\$ 3,577,715</u>
Accounted For As Follows:		
Property Taxes Collected		\$ 3,506,344
Discounts Allowed		27,777
Abatements/Adjustments		(1,117)
Delinquent Taxes Receivable - June 30, 2011		<u>44,711</u>
Total Accounted For		<u>\$ 3,577,715</u>

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Recognition of Property Taxes:

Property Taxes Billed	\$ 3,438,965
Add: Deferred Revenue - July 1, 2010	81,951
Less: Deferred Revenue - June 30, 2011	(28,121)
Less: Taxes Collected for Town School District	(2,649,756)
Add: Abatements/Adjustments	1,117
Less: Discounts Allowed	<u>(27,777)</u>
Property Taxes Recognized	<u>\$ 816,379</u>

Note 9: DEFERRED REVENUE

Deferred revenue at June 30, 2011 is comprised of the following:

General Fund:

Property Taxes Not Collected Within 60 Days of the Balance Sheet Date (NCGA Interpretation - 3)	<u>\$ 28,121</u>
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Note 10: CLAIMS AND JUDGMENTS

The Town of Middlesex, Vermont participates in a number of federal and state programs that are fully or partially funded by grants. Expenditures financed by these grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government.

At June 30, 2011, significant amounts of grant expenditures have not been audited but the Town believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Town.

Note 11: FUND DEFICIT

At June 30, 2011, the Conservation Commission Fund was operating with a \$1,106 deficit. The Board of Selectmen believes this deficit will be covered from donations to be received in the next fiscal year.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 12: INTERFUND RECEIVABLES/PAYABLES

As of June 30, 2011, interfund receivables and payables that resulted from interfund transactions were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 3,182	\$ 0
Conservation Commission Fund	<u>0</u>	<u>3,182</u>
Total	<u>\$ 3,182</u>	<u>\$ 3,182</u>

Note 13: BUDGETED DEFICIT

The Town of Middlesex, Vermont budgeted a \$30,000 deficit in the General Fund for the year ended June 30, 2011. It was the Board of Selectmen intent to utilize a portion of the fund balance brought forward from the prior year to reduce the tax request.

TOWN OF MIDDLESEX, VERMONT
 COMBINIG BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2011

	<u>Conservation Commission</u>	<u>Resurfacing Fund</u>	<u>Records Restoration</u>	<u>Milford Leonard Fund</u>	<u>Town Forest Fund</u>	<u>Total Other Governmental Funds</u>
<u>ASSETS</u>						
Cash	\$ <u>2,076</u>	\$ <u>3,717</u>	\$ <u>7,350</u>	\$ <u>11,619</u>	\$ <u>40</u>	\$ <u>24,802</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Due to Other Funds	\$ <u>3,182</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>3,182</u>
Fund Balances:						
Restricted	(1,106)	0	7,350	11,619	40	17,903
Assigned	<u>0</u>	<u>3,717</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,717</u>
Total Fund Balances	<u>(1,106)</u>	<u>3,717</u>	<u>7,350</u>	<u>11,619</u>	<u>40</u>	<u>21,620</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>2,076</u>	\$ <u>3,717</u>	\$ <u>7,350</u>	\$ <u>11,619</u>	\$ <u>40</u>	\$ <u>24,802</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF MIDDLESEX, VERMONT
 COMBINIG STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Conservation Commission</u>	<u>Resurfacing Fund</u>	<u>Records Restoration</u>	<u>Milford Leonard Fund</u>	<u>Town Forest Fund</u>	<u>Total Other Governmental Funds</u>
Revenue:						
Interest	\$ 7	\$ 12	\$ 35	\$ 64	\$ 0	\$ 118
Licenses and Fees	0	0	2,074	0	0	2,074
Other	<u>500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>500</u>
Total Revenue	<u>507</u>	<u>12</u>	<u>2,109</u>	<u>64</u>	<u>0</u>	<u>2,692</u>
Expenditures:						
General Government	560	0	659	750	0	1,969
Highways	<u>0</u>	<u>1,205</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,205</u>
Total Expenditures	<u>560</u>	<u>1,205</u>	<u>659</u>	<u>750</u>	<u>0</u>	<u>3,174</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>(53)</u>	<u>(1,193)</u>	<u>1,450</u>	<u>(686)</u>	<u>0</u>	<u>(482)</u>
Other Financing Sources/(Uses):						
Transfers In	<u>0</u>	<u>2,650</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,650</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(53)	1,457	1,450	(686)	0	2,168
Fund Balances - Beginning	<u>(1,053)</u>	<u>2,260</u>	<u>5,900</u>	<u>12,305</u>	<u>40</u>	<u>19,452</u>
Fund Balances - Ending	<u>\$ (1,106)</u>	<u>\$ 3,717</u>	<u>\$ 7,350</u>	<u>\$ 11,619</u>	<u>\$ 40</u>	<u>\$ 21,620</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Board of Selectmen
Town of Middlesex, Vermont
Middlesex, Vermont 05602

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middlesex, Vermont for the year ended June 30, 2011, which collectively comprise the Town of Middlesex, Vermont basic financial statements, and have issued my report thereon dated December 6, 2011. As part of the examination, a study was made of the Town of Middlesex, Vermont system of internal accounting control to the extent I considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of the engagement was to express an opinion on the basic financial statements, not to provide assurance on the internal control structure.

During my audit, I noted certain immaterial matters regarding the internal control structure as well as other matters I believe require attention from management.

If you would like to discuss any of the recommendations further, please feel free to contact me.

William Yacavoni
Certified Public Accountant
License # 92-0000153
December 6, 2011

TOWN OF MIDDLESEX, VERMONT
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011

PROPERTY TAX RECONCILIATION

In the past few years, I have recommended that the Treasurer/Bookkeeper perform a reconciliation of property taxes billed, collected, and becoming delinquent.

A proper reconciliation provides accountability of all property taxes billed. The reconciliation consists of billings, collections, adjustments, and the amount of taxes becoming delinquent. The reconciliation, when properly performed, reduces the risks that errors or irregularities could occur and not be detected.

The best reconciliation process is to utilize the Town general ledger and reports from the tax administration software. Each month, the Treasurer can verify the taxes receivable in the general ledger agree to the list of unpaid property owners in the tax administration software. This process will properly account for all items recommended above.

SEGREGATION OF DUTIES

Due to limited staff and elected officers, the Town Treasurer performs the bookkeeping functions and also has check-signing authority. Proper internal controls requires a segregation of duties between the bookkeeping functions and the authority to sign checks. This segregation of duties prevents one person from both perpetrating and concealing errors or irregularities.

To mitigate this issue, one of the local auditors reviews the monthly bank reconciliation. Although this review is beneficial it does not replace a proper segregation of duties. A better method would be to require two signatures (Treasurer/Assistant Treasurer) on each check.

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

Board of Selectmen
Town of Middlesex, Vermont
Middlesex, Vermont 05602

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middlesex, Vermont, as of and for the year ended June 30, 2011, which collectively comprise the Town of Middlesex, Vermont basic financial statements and have issued my report thereon dated December 6, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Middlesex, Vermont internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Middlesex, Vermont internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Middlesex, Vermont internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Middlesex, Vermont ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Middlesex, Vermont financial statements that is more than inconsequential will not be prevented or detected by the Town of Middlesex, Vermont internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Middlesex, Vermont internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Middlesex, Vermont financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I also noted certain matters that I reported to management of the Town of Middlesex, Vermont, in a separate letter dated December 6, 2011.

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

William Yacavoni
Certified Public Accountant
License # 92-0000153
December 6, 2011

December 6, 2011

To the Board of Selectmen
Town of Middlesex, Vermont

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middlesex, Vermont for the year ended June 30, 2011, and have issued my report thereon dated December 6, 2011. Professional standards require that I provide you with the following information related to my audit.

My Responsibility Under U. S. Generally Accepted Auditing Standards

As stated in my engagement letter dated November 29, 2011, my responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you.

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 the Town of Middlesex, Vermont are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. I noted no transactions entered into by the Town of Middlesex, Vermont during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 financial statements was:

Management's estimated useful lives of depreciable capital assets of the Town of Middlesex, Vermont are based on the Town of Middlesex, Vermont past history of similar assets or average useful lives of other assets. I evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of long-term obligations (bonds, notes, and capital leases) used to finance governmental activities.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

There were no material misstatements detected as a result of audit procedures.

Disagreements with Management

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

Management Representations

I have requested certain representations from management that are included in the management representation letter dated December 6, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town of Middlesex, Vermont financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town of Middlesex, Vermont auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

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

Very truly yours,

William Yacavoni
Certified Public Accountant