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

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, 2012, which collectively comprise the Town of Middlesex, Vermont basic financial statements and have issued my report thereon dated December 17, 2012. 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 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.

Board of Selectmen  
Town of Middlesex, Vermont

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 deficiencies, significant deficiencies or material weaknesses. 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.

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 17, 2012

**WILLIAM YACAVONI**  
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301 North Main Street  
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December 17, 2012

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, 2012, and have issued my report thereon dated December 17, 2012. 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 December 13, 2012, 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, 2012. 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. 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 17, 2012.

*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

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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Selectmen  
Town of Middlesex, Vermont

In accordance with Government Auditing Standards, I have also issued my report dated December 17, 2012, 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, grants, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Middlesex, Vermont's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



William Yacavoni  
Certified Public Accountant  
License # 92-0000153  
December 17, 2012

TOWN OF MIDDLESEX, VERMONT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2012

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, 2012. 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 \$1,310,142 (net assets) for the year ended June 30, 2012. This compares to the previous year when assets exceeded liabilities by \$1,192,543.

	Governmental Activities	
	June 30, 2012	June 30, 2011
<u>ASSETS</u>		
Current and Other Assets	\$ 548,752	\$ 480,734
Capital and Non-Current Assets	<u>1,676,220</u>	<u>1,746,194</u>
TOTAL ASSETS	<u>\$2,224,972</u>	<u>\$2,226,928</u>
<u>LIABILITIES</u>		
Current Liabilities	\$ 7,150	\$ 7,714
Long-Term Liabilities	<u>907,680</u>	<u>1,026,671</u>
TOTAL LIABILITIES	<u>\$ 914,830</u>	<u>\$1,034,385</u>
<u>NET ASSETS</u>		
Invested in Capital Assets Net of Related Debt	\$ 768,540	\$ 719,523
Restricted	144,182	139,846
Unrestricted	<u>397,420</u>	<u>333,174</u>
TOTAL NET ASSETS	<u>\$1,310,142</u>	<u>\$1,192,543</u>

TOWN OF MIDDLESEX, VERMONT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2012

Total net assets at June 30, 2012 are comprised of the following:

- 1) Capital assets, net of related debt of \$768,540, 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 \$144,182 are restricted by constraints imposed from outside the Town, such as grantors, taxpayers, and laws or regulations.
- 3) Unrestricted net assets of \$397,420 represent the portion available to maintain Town continuing obligation to citizens and creditors.
- 4) During the year ended June 30, 2012, the net assets of the Town of Middlesex, Vermont increased by \$117,599.

	Governmental Activities		
	June 30, 2012	June 30, 2011	%
			Change
Revenue:			
Program Revenue:			
Operating Grants and Contributions	\$ 61,219	\$ 19,947	206.9
General Revenue:			
Property Taxes	802,175	762,550	5.2
Intergovernmental	202,900	191,061	6.2
Interest on Investments	12,373	10,206	21.2
Licenses and Fees	30,308	25,366	19.5
Other	21,488	35,369	(39.2)
Total Revenue	1,130,463	1,044,499	8.2
Expenses:			
General Government	241,365	241,162	0.0
Highways	559,967	525,268	6.6
Public Safety	121,428	109,898	10.5
Debt Service	34,654	37,701	(8.1)
Employee Benefits	55,450	53,118	4.4
Total Expenses	1,012,864	967,147	4.7
Increase in Net Assets	117,599	77,352	
Net Assets - Beginning	1,192,543	1,115,191	
Net Assets - Ending	\$1,310,142	\$1,192,543	

TOWN OF MIDDLESEX, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012

The Town revenue was up 8.2% from the prior year and expenses were up 4.7%. Both the revenue and expenses were higher than last year as the Town incurred damage to their roads which was partially reimbursed by State and Federal grants.

#### 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, 2012

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 \$487,868. Of this total, \$203,895 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 \$11,715.

#### General Fund Budgetary Highlights

For the year ended June 30, 2012, the taxpayers approved the budget for the General Fund of \$1,027,233. This was up 2.3% over the previous year budget of \$1,003,955. Actual expenditures for the year ended June 30, 2012 were more than the budgeted expenditures by \$72,794.

TOWN OF MIDDLESEX, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012

Capital Assets

The Town investment in capital assets net of accumulated depreciation as of June 30, 2012 was \$1,676,220. 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 one purchase meeting that level during the year ended June 30, 2012.

Long-Term Debt

At the end of the fiscal year, the Town had total debt outstanding of \$907,680. 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, 2012

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 370,251
Investments	113,913
Accounts Receivable	3,673
Delinquent Taxes Receivable	<u>60,915</u>
Total Current Assets	<u>548,752</u>
Non-Current Assets:	
Land, Buildings, and Equipment - Net of Accumulated Depreciation of \$941,069	<u>1,676,220</u>
TOTAL ASSETS	<u>\$2,224,972</u>
 <u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	<u>\$ 7,150</u>
Non-Current Liabilities:	
Notes and Bonds Payable	<u>907,680</u>
TOTAL LIABILITIES	<u>\$ 914,830</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets - Net of Related Debt	\$ 768,540
Restricted	144,182
Unrestricted	<u>397,420</u>
TOTAL NET ASSETS	<u>\$1,310,142</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, 2012

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenue</u> Operating Grant and Contributions	<u>Net (Expense) Revenue and Change in Net Assets</u>
Governmental Activities:				
General Government	\$ 241,365	\$ 0	\$ 0	\$ (241,365)
Highways	559,967	0	61,219	(498,748)
Public Safety	121,428	0	0	(121,428)
Debt Service	34,654	0	0	(34,654)
Employee Benefits	<u>55,450</u>	<u>0</u>	<u>0</u>	<u>(55,450)</u>
Total Governmental Activities	<u>\$1,012,864</u>	<u>\$ 0</u>	<u>\$ 61,219</u>	<u>(951,645)</u>
General Revenue:				
Property Taxes				802,175
Intergovernmental				202,900
Interest on Investments				12,373
Licenses and Fees				30,308
Other				<u>21,488</u>
Total General Revenue				<u>1,069,244</u>
Change in Net Assets				117,599
Net Assets - Beginning				<u>1,192,543</u>
Net Assets - Ending				<u>\$1,310,142</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, 2012

	General Fund	Listers Fund	Building Fund	Cemetery Fund	Highway Construction/ Bridge Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash	\$198,823	\$ 34,948	\$ 36,255	\$ 8,122	\$ 63,864	\$ 28,239	\$370,251
Investments	0	0	0	113,913	0	0	113,913
Accounts Receivable	3,673	0	0	0	0	0	3,673
Due from Other Funds	1,368	0	0	0	0	1,000	2,368
Delinquent Taxes Receivable	60,915	0	0	0	0	0	60,915
<b>TOTAL ASSETS</b>	<u>\$264,779</u>	<u>\$ 34,948</u>	<u>\$36,255</u>	<u>\$122,035</u>	<u>\$ 63,864</u>	<u>\$ 29,239</u>	<u>\$551,120</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts Payable	\$ 7,150	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,150
Due to Other Funds	0	0	0	0	0	2,368	2,368
Deferred Revenue	53,734	0	0	0	0	0	53,734
<b>Total Liabilities</b>	<u>60,884</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,368</u>	<u>63,252</u>
Fund Balances:							
Restricted	0	0	0	122,035	0	22,147	144,182
Assigned	0	34,948	36,255	0	63,864	4,724	139,791
Unassigned	203,895	0	0	0	0	0	203,895
<b>Total Fund Balances</b>	<u>203,895</u>	<u>34,948</u>	<u>36,255</u>	<u>122,035</u>	<u>63,864</u>	<u>26,871</u>	<u>487,868</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$264,779</u>	<u>\$ 34,948</u>	<u>\$ 36,255</u>	<u>\$122,035</u>	<u>\$ 63,864</u>	<u>\$ 29,239</u>	<u>\$551,120</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, 2012

Total Fund Balances - Governmental Funds	\$ 487,868
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.	1,676,220
2. Notes and Bonds payable not requiring current financial resources have not been included in the Governmental Funds financial statements.	(907,680)
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>53,734</u>
Net Assets of Governmental Activities	<u>\$1,310,142</u>

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

Other Financing Sources/(Uses):								
Proceeds of Long-Term Debt	27,480	0	0	0	0	0	0	27,480
Transfers In	0	0	0	0	0	0	7,750	24,750
Transfers Out	<u>(24,750)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(24,750)</u>
Total Other Financing Sources/(Uses)	<u>2,730</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,750</u>	<u>27,480</u>
Net Changes in Fund Balances	11,715	8,766	72	92	17,074	17,074	5,251	42,970
Fund Balances - Beginning	<u>192,180</u>	<u>26,182</u>	<u>36,183</u>	<u>121,943</u>	<u>46,790</u>	<u>46,790</u>	<u>21,620</u>	<u>444,898</u>
Fund Balances - Ending	<u>\$ 203,895</u>	<u>\$ 34,948</u>	<u>\$ 36,255</u>	<u>\$122,035</u>	<u>\$ 63,864</u>	<u>\$ 63,864</u>	<u>\$ 26,871</u>	<u>\$ 487,868</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, 2012

Total Net Changes in Fund Balances - Governmental Funds	\$ 42,970
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.	146,471
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.	(96,070)
3. The change in deferred revenue, excluding deferred revenue relating to grants, is eliminated within the government-wide financial statements.	25,612
4. Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives and recorded as depreciation.	26,096
5. The proceeds of debt issuances provides correct financial resources to Governmental Funds but issuance of debt increases long-term liabilities in the Statement of Net Assets.	<u>(27,480)</u>
Change in Net Assets of Governmental Activities	<u>\$117,599</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, 2012

	<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	\$ 786,265	\$ 776,563	\$ (9,702)
State Aid - Highways	110,543	110,543	0
Interest on Investments	5,000	7,610	2,610
School Reimbursement	4,000	4,000	0
Licenses and Fees	25,500	28,103	2,603
Penalty and Interest on Delinquent Taxes	8,000	12,780	4,780
State Aid - Railroad Tax	1,425	1,296	(129)
State Land Use/State Pilot	62,000	78,350	16,350
FEMA Reimbursement	0	61,219	61,219
Other	4,500	3,798	(702)
<b>Total Revenue</b>	<u>1,007,233</u>	<u>1,084,262</u>	<u>77,029</u>
Expenditures:			
General Government:			
Selectmen:			
Selectmen	3,150	3,150	0
Selectboard Clerk	18,250	18,173	77
Advertising/Printing	1,500	2,147	(647)
Legal Fees	3,000	2,365	635
Town Report	4,000	3,522	478
Dues - VLCT	2,532	2,592	(60)
Tree Warden	100	0	100
Discretionary Expenditures	9,000	8,993	7
<b>Total Selectmen</b>	<u>41,532</u>	<u>40,942</u>	<u>590</u>
<b>Elections</b>	<u>1,000</u>	<u>435</u>	<u>565</u>
Administration:			
Salaries	50,555	50,233	322
Office Supplies	2,000	1,789	211
Equipment Repairs	250	0	250
Equipment Purchase	1,500	3,860	(2,360)

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, 2012

	<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	\$ 1,764	\$ 436
Courses/Seminars	750	720	30
Clerical Mileage	400	0	400
Telephone	4,000	3,491	509
Postage	1,800	2,170	(370)
Listing Wages	5,000	5,913	(913)
Auditing	3,200	3,375	(175)
Copier Lease	2,030	2,150	(120)
Mapping	2,000	1,828	172
Computer Maintenance	<u>2,400</u>	<u>3,328</u>	<u>(928)</u>
Total Administration	<u>78,085</u>	<u>80,621</u>	<u>(2,536)</u>
Town Hall:			
Electricity	1,800	2,004	(204)
Fuel Oil	4,000	3,956	44
Grounds	2,000	1,540	460
Repairs	<u>5,000</u>	<u>2,399</u>	<u>2,601</u>
Total Town Hall	<u>12,800</u>	<u>9,899</u>	<u>2,901</u>
Total General Government	<u>133,417</u>	<u>131,897</u>	<u>1,520</u>
Public Safety:			
Law Enforcement:			
Constable	1,500	254	1,246
Ambulance	51,974	51,974	0
Speed Enforcement	5,000	1,920	3,080
Courses/Seminars	100	0	100
Health Officer	500	0	500
Dog Pound	<u>700</u>	<u>800</u>	<u>(100)</u>
Total Law Enforcement	<u>59,774</u>	<u>54,948</u>	<u>4,826</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, 2012

	<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	\$ 7,241	\$ 1,759
Fuel Oil	5,500	3,305	2,195
Equipment Repairs	3,000	6,582	(3,582)
Supplies	300	214	86
Equipment Purchase	5,900	6,993	(1,093)
Telephone	1,200	917	283
Fast Squad Supplies	1,200	17	1,183
Electricity	1,000	1,276	(276)
Building Maintenance	900	2,948	(2,048)
Other	2,450	4,475	(2,025)
	<u>30,450</u>	<u>33,968</u>	<u>(3,518)</u>
Total Fire Department			
Total Public Safety	<u>90,224</u>	<u>88,916</u>	<u>1,308</u>
Town Insurance:			
Workers' Compensation	9,314	7,528	1,786
Unemployment Compensation	2,492	2,226	266
Property and Casualty	18,000	14,576	3,424
	<u>29,806</u>	<u>24,330</u>	<u>5,476</u>
Total Town Insurance			
Employee Benefits:			
Social Security/Medicare	18,300	18,844	(544)
Retirement	10,741	10,848	(107)
Life Insurance	832	1,392	(560)
Health Insurance	36,742	24,366	12,376
Long-term Care Insurance	939	0	939
	<u>67,554</u>	<u>55,450</u>	<u>12,104</u>
Total Employee Benefits			

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, 2012

	<u>Budget</u> <u>Original</u> <u>and Final</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Highways:			
Salaries	\$ 163,000	\$ 160,676	\$ 2,324
Utilities	3,000	2,740	260
Plant Maintenance	10,000	9,093	907
Equipment - Maintenance	40,000	79,242	(39,242)
Street Lights	2,000	2,296	(296)
Gas, Oil, Diesel	50,000	65,594	(15,594)
Culverts	6,000	318	5,682
Construction/Paving	91,900	107,459	(15,559)
Winter Maintenance	45,000	44,263	737
Summer Maintenance	30,000	34,307	(4,307)
Signs	750	232	518
Courses/Seminars	0	60	(60)
Emergency Road Repairs	0	13,281	(13,281)
Other	3,000	1,194	1,806
Total Highways	<u>444,650</u>	<u>520,755</u>	<u>(76,105)</u>
Cemetery Care:			
Labor	4,240	6,100	(1,860)
Materials	1,000	0	1,000
Repairs to Cemetery	1,000	25	975
Total Cemetery Care	<u>6,240</u>	<u>6,125</u>	<u>115</u>
Recreation:			
Wrightsville Beach	904	904	0
Learn to Swim	1,200	1,200	0
Total Recreation	<u>2,104</u>	<u>2,104</u>	<u>0</u>
Debt Service:			
Principal	124,893	146,471	(21,578)
Interest	34,451	34,654	(203)
Total Debt Service	<u>159,344</u>	<u>181,125</u>	<u>(21,781)</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, 2012

	<u>Budget</u> <u>Original</u> <u>and Final</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Other:			
County Taxes	\$ 12,783	\$ 12,783	\$ 0
Solid Waste Management	3,744	3,738	6
Regional Planning Commission	<u>1,968</u>	<u>1,968</u>	<u>0</u>
Total Other	<u>18,495</u>	<u>18,489</u>	<u>6</u>
Planning Commission:			
Printing	600	55	545
Mapping, Etc.	200	0	200
Advertising	600	23	577
Supplies and Postage	600	0	600
Conservation Commission	<u>1,000</u>	<u>101</u>	<u>899</u>
Total Planning Commission	<u>3,000</u>	<u>179</u>	<u>2,821</u>
Zoning Board of Adjustment	<u>3,775</u>	<u>2,033</u>	<u>1,742</u>
Special Articles	<u>43,874</u>	<u>43,874</u>	<u>0</u>
Total Expenditures	<u>1,002,483</u>	<u>1,075,277</u>	<u>(72,794)</u>
Excess of Revenue Over Expenditures	<u>4,750</u>	<u>8,985</u>	<u>4,235</u>
Other Financing Sources/(Uses):			
Proceeds of Long-term Debt	0	27,480	27,480
Transfers Out	<u>(24,750)</u>	<u>(24,750)</u>	<u>0</u>
Total Other Financing Sources/(Uses)	<u>(24,750)</u>	<u>2,730</u>	<u>27,480</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>\$ (20,000)</u>	11,715	<u>\$ 31,715</u>
Fund Balance - Beginning		<u>192,180</u>	
Fund Balance - Ending		<u>\$ 203,895</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, 2012

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 elected by registered voters of the Town.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (statements and interpretations), constitutes GAAP for governmental units.

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.

TOWN OF MIDDLESEX, VERMONT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

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).

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.

TOWN OF MIDDLESEX, VERMONT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

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.

Investments

Investments with readily determinable fair values are reported at their fair values in the financial statements. Realized/unrealized gains and losses are included in revenue and expenditures.

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.

TOWN OF MIDDLESEX, VERMONT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

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 December 31, 2004. 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  
Cars and Light Trucks - 5 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.

#### 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.

TOWN OF MIDDLESEX, VERMONT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

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:

Nonspendable Fund Balance - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form, i.e.; inventories or prepaid amounts (2) legally or contractually required to be maintained intact.

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.

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. Vacation pay is charged to operations when taken by the employee.

TOWN OF MIDDLESEX, VERMONT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2012

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, 2012, the carrying amount of the Town deposits (cash, certificate of deposits and savings accounts) was \$370,251 and the bank balance was \$420,702. These amounts were covered by FDIC or collateralized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$307,976	\$307,862
◆ Uninsured - Collateralized	<u>62,275</u>	<u>112,840</u>
Total	<u>\$370,251</u>	<u>\$420,702</u>

- ◆ Uninsured and collateralized by pledging bank's trust department, not in the Town of Middlesex, Vermont name.

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

Deposits and investments at June 30, 2012 consisted of the following:

Cash on Hand	\$ 120
Demand Deposits with Financial Institutions	<u>370,131</u>
Total	<u>\$370,251</u>

Note 3: INTERFUND RECEIVABLES/PAYABLES

As of June 30, 2012, 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	\$ 1,368	\$ 0
Conservation Commission Fund	0	2,368
Resurfacing Fund	<u>1,000</u>	<u>0</u>
Total	<u>\$ 2,368</u>	<u>\$ 2,368</u>

TOWN OF MIDDLESEX, VERMONT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2012

Note 4: CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended June 30, 2012 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	26,096	0	847,571
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	26,096	0	2,617,289
Less: Accumulated Depreciation	<u>844,999</u>	<u>96,070</u>	<u>0</u>	<u>941,069</u>
Capital Assets - Net	<u>\$1,746,194</u>	<u>\$(69,974)</u>	<u>\$ 0</u>	<u>\$1,676,220</u>

Depreciation expense was charged to governmental functions as follows:

Highway Fund	\$ 63,558
Public Safety Fund	<u>32,512</u>
Total	<u>\$ 96,070</u>

Note 5: LONG-TERM OBLIGATIONS

At June 30, 2012, 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.	\$ 45,000
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TOWN OF MIDDLESEX, VERMONT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2012

Grader Upgrade Note Payable to the Merchant's Bank, Interest at 2.05%, Annual Principal Payments of \$27,480, Matures July 2012.	\$ 27,480
Highway Truck Note Payable to the Merchant's Bank, Interest at 1.98%, Annual Principal Payments of \$20,040, Matures November, 2016.	100,200
Fire Station Construction Bond Payable to the Vermont Municipal Bond Bank, Net Interest of 4.19%, Variable Annual Principal Payments, Matures November, 2029.	<u>735,000</u>
Total	<u>\$907,680</u>

Annual debt service requirements are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2013	\$107,520	\$ 31,778	\$ 139,298
2014	80,040	29,339	109,379
2015	80,040	27,257	107,297
2016	60,040	25,376	85,416
2017	60,040	23,752	83,792
2018-2022	200,000	94,993	294,993
2023-2027	200,000	52,542	252,542
2028-2030	<u>120,000</u>	<u>8,875</u>	<u>128,875</u>
Total	<u>\$907,680</u>	<u>\$293,912</u>	<u>\$1,201,592</u>

Changes in long-term obligations were as follows:

Outstanding Obligations - July 1, 2011	\$1,026,671
Additions of New Debt	27,480
Repayments	<u>(146,471)</u>
Outstanding Obligations - June 30, 2012	<u>\$ 907,680</u>

TOWN OF MIDDLESEX, VERMONT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

Note 6: ACCOUNTS RECEIVABLE

Accounts receivable represents monies owed to the Town at June 30, 2012 and consisted of the following:

Intergovernmental	\$ <u>3,673</u>
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Note 7: 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 8: 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 \$216,955. Contributions by employees were \$9,763 and contributions by the Town of Middlesex, Vermont were \$10,848.

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, 2012

Note 9: 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, 2012, property taxes were assessed and accounted for as follows:

Municipal Property Valuation	\$1,935,639	
Tax Rate	X <u>.4231</u>	
Municipal Property Taxes Billed		\$ 818,969
Homestead Property Valuation	\$1,449,578	
Tax Rate	X <u>1.3906</u>	
Homestead Property Taxes Billed		2,015,783
Non-Homestead Property Valuation	\$ 488,477	
Tax Rate	X <u>1.3975</u>	
Non-Homestead Property Taxes Billed		682,647
Penalty for Late Filed Homestead Declarations		<u>369</u>
Total Property Taxes Billed		3,517,768
Add: Delinquent Taxes Receivable - July 1, 2011		<u>44,711</u>
Total to be Accounted For		<u>\$ 3,562,479</u>
Accounted For As Follows:		
Property Taxes Collected		\$ 3,482,022
Discounts Allowed		21,066
Abatements/Adjustments		(1,524)
Delinquent Taxes Receivable - June 30, 2012		<u>60,915</u>
Total Accounted For		<u>\$ 3,562,479</u>

TOWN OF MIDDLESEX, VERMONT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

Recognition of Property Taxes:

Property Taxes Billed	\$ 3,517,768
Add: Deferred Revenue - July 1, 2011	28,122
Less: Deferred Revenue - June 30, 2012	(53,734)
Less: Taxes Collected for Town School District	(2,696,051)
Add: Abatements/Adjustments	1,524
Less: Discounts Allowed	<u>(21,066)</u>
Property Taxes Recognized	<u>\$ 776,563</u>

Note 10: DEFERRED REVENUE

Deferred revenue at June 30, 2012 is comprised of the following:

General Fund:

Property Taxes Not Collected Within 60 Days of the Balance Sheet Date (NCGA Interpretation - 3)	<u>\$ 53,734</u>
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Note 11: 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, 2012, 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 12: BUDGETED DEFICIT

The Town of Middlesex, Vermont budgeted a \$20,000 deficit in the General Fund for the year ended June 30, 2012. 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  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

Note 13: OTHER FUNDS

The Fund Balances of the Other Funds consisted of the following at June 30, 2012:

Town Forest Fund	\$ 40
Walter Kelley Park Fund	<u>425</u>
Total	<u>\$ 465</u>

TOWN OF MIDDLESEX, VERMONT  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	<u>Conservation Commission</u>	<u>Resurfacing Fund</u>	<u>Records Restoration</u>	<u>Milford Leonard Fund</u>	<u>Other Funds</u>	<u>Total Other Governmental Funds</u>
Cash	\$ 6,363	\$ 3,724	\$ 6,440	\$ 11,247	\$ 465	\$ 28,239
Due From Other Funds	<u>0</u>	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,000</u>
<b>TOTAL ASSETS</b>	<b>\$ 6,363</b>	<b>\$ 4,724</b>	<b>\$ 6,440</b>	<b>\$ 11,247</b>	<b>\$ 465</b>	<b>\$ 29,239</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>						
Liabilities:						
Due to Other Funds	\$ 2,368	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,368
Fund Balances:						
Restricted	3,995	0	6,440	11,247	465	22,147
Assigned	<u>0</u>	<u>4,724</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,724</u>
Total Fund Balances	3,995	4,724	6,440	11,247	465	26,871
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,363</b>	<b>\$ 4,724</b>	<b>\$ 6,440</b>	<b>\$ 11,247</b>	<b>\$ 465</b>	<b>\$ 29,239</b>

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

TOWN OF MIDDLESEX, VERMONT  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 OTHER GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Conservation Commission	Resurfacing Fund	Records Restoration	Milford Leonard Fund	Other Funds	Total Other Governmental Funds
Revenue:						
Interest	\$ 1	\$ 7	\$ 14	\$ 23	\$ 0	\$ 45
Licenses and Fees	0	0	2,205	0	0	2,205
Other	<u>100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>425</u>	<u>525</u>
Total Revenue	<u>101</u>	<u>7</u>	<u>2,219</u>	<u>23</u>	<u>425</u>	<u>2,775</u>
Expenditures:						
General Government	0	0	3,129	395	0	3,524
Highways	<u>0</u>	<u>1,750</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,750</u>
Total Expenditures	<u>0</u>	<u>1,750</u>	<u>3,129</u>	<u>395</u>	<u>0</u>	<u>5,274</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	101	(1,743)	(910)	(372)	425	(2,499)
Other Financing Sources/(Uses):						
Transfers In	<u>5,000</u>	<u>2,750</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,750</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	5,101	1,007	(910)	(372)	425	5,251
Fund Balances - Beginning	<u>(1,106)</u>	<u>3,717</u>	<u>7,350</u>	<u>11,619</u>	<u>40</u>	<u>21,620</u>
Fund Balances - Ending	<u>\$ 3,995</u>	<u>\$ 4,724</u>	<u>\$ 6,440</u>	<u>\$ 11,247</u>	<u>\$ 465</u>	<u>\$ 26,871</u>

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