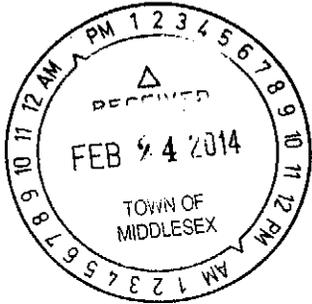


TOWN OF MIDDLESEX, VERMONT
ANNUAL FINANCIAL REPORT
JUNE 30, 2013

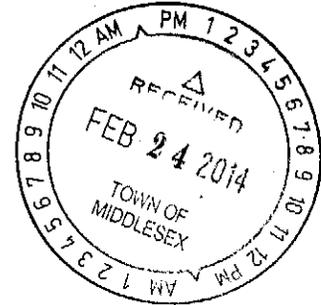


WILLIAM YACAVONI
CERTIFIED PUBLIC ACCOUNTANT

WILLIAM YACAVONI
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301 North Main Street
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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, 2013, which collectively comprise the Town of Middlesex, Vermont basic financial statements, and have issued my report thereon dated December 4, 2013. 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.

A handwritten signature in cursive script, appearing to read 'William Yacavoni'.

William Yacavoni
Certified Public Accountant
License # 92-0000153
December 4, 2013

TOWN OF MIDDLESEX, VERMONT
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2013

CASH RECEIPTS SYSTEM

At the present time, the Town utilizes a pre-numbered receipt system to account for monies received. This is an adequate system, but is tedious, time consuming, and due to the volume of transactions, increases the chances of errors in recording the transactions.

The Town's present accounting software vendor has an excellent cash receipts program which would reduce the time needed to properly account for the transactions and reduce errors in posting the transactions to the accounting records.

I recommend the Town inquire about this cash receipts system with the vendor and if not cost prohibitive, consider utilizing this system.

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December 4, 2013

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, 2013. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards (and Government Auditing Standards), as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated November 19, 2013. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by 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, 2013. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

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

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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 4, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, 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 governmental unit's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements.

I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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
License #92-0000153
December 4, 2013

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



To the Board of Selectmen
Town of Middlesex, Vermont

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middlesex, Vermont, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Middlesex, Vermont basic financial statements, and have issued my report thereon dated December 4, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Middlesex, Vermont internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of the Town of Middlesex, Vermont internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Middlesex, Vermont financial statements are free from 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 4, 2013.

Purpose of This Report

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



William Yacavoni
Certified Public Accountant
License # 92-0000153
December 4, 2013

TOWN OF MIDDLESEX, VERMONT
ANNUAL FINANCIAL REPORT
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JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Middlesex, Vermont

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Middlesex, Vermont basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Board of Selectmen
Town of Middlesex, Vermont

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 4, 2013, 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 grant agreements 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Middlesex, Vermont internal control over financial reporting and compliance.



William Yacavoni
Certified Public Accountant
License # 92-0000153
December 4, 2013

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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, 2013. 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 \$1,383,138 (net position) for the year ended June 30, 2013. This compares to the previous year when assets exceeded liabilities by \$1,310,142.

	Governmental Activities	
	June 30, 2013	June 30, 2012
<u>ASSETS</u>		
Current and Other Assets	\$ 599,836	\$ 548,752
Capital and Non-Current Assets	1,654,286	1,676,220
TOTAL ASSETS	\$2,254,122	\$2,224,972
<u>LIABILITIES</u>		
Current Liabilities	\$ 50,184	\$ 7,150
Long-Term Liabilities	820,800	907,680
TOTAL LIABILITIES	\$ 870,984	\$ 914,830
<u>NET POSITION</u>		
Invested in Capital Assets Net of Related Debt	\$ 833,486	\$ 768,540
Restricted	149,291	144,182
Unrestricted	400,361	397,420
TOTAL NET POSITION	\$1,383,138	\$1,310,142

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Total net position at June 30, 2013 is comprised of the following:

- 1) Capital assets, net of related debt of \$833,486, include property, and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- 2) Net position of \$149,291 is restricted by constraints imposed from outside the Town, such as grantors, taxpayers, and laws or regulations.
- 3) Unrestricted net position of \$400,361 represents the portion available to maintain Town continuing obligation to citizens and creditors.
- 4) During the year ended June 30, 2013, the net position of the Town of Middlesex, Vermont increased by \$72,996.

	Governmental Activities		
	June 30, 2013	June 30, 2012	%
			Change
Revenue:			
Program Revenue:			
Operating Grants and Contributions	\$ 0	\$ 61,219	N/A
General Revenue:			
Property Taxes	802,262	802,175	0.0
Intergovernmental	205,509	202,900	1.3
Interest on Investments	3,736	12,373	(69.8)
Licenses and Fees	29,531	30,308	(2.6)
Other	58,335	21,488	171.5
Total Revenue	<u>1,099,373</u>	<u>1,130,463</u>	(2.8)
Expenses:			
General Government	256,414	241,365	6.2
Highways	548,006	559,967	(2.1)
Public Safety	130,719	121,428	7.7
Debt Service	31,758	34,654	(8.4)
Employee Benefits	59,480	55,450	7.3
Total Expenses	<u>1,026,377</u>	<u>1,012,864</u>	1.3
Increase in Net Position	72,996	117,599	
Net Position - Beginning	<u>1,310,142</u>	<u>1,192,543</u>	
Net Position - Ending	<u>\$1,383,138</u>	<u>\$1,310,142</u>	

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

The Town revenue was down 2.8% from the prior year and expenses were up 1.3%. The revenue was down from the prior year in which the Town received grants to assist in the repairs to Town roads.

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 Position. 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 position. Over time, increases or decreases in net position 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 position 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, 2013

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 \$497,909. Of this total, \$193,939 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 decreased by \$7,200.

General Fund Budgetary Highlights

For the year ended June 30, 2013, the taxpayers approved the budget for the General Fund of \$1,030,487. This was up 0.3% over the previous year budget of \$1,027,233. Actual expenditures for the year ended June 30, 2013 were more than the budgeted expenditures by \$75,444. This over expenditure was caused by the Town's purchase of an excavator (\$80,000) during the year.

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Capital Assets

The Town investment in capital assets net of accumulated depreciation as of June 30, 2013 was \$1,654,286. 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, 2013.

Long-Term Debt

At the end of the fiscal year, the Town had total debt outstanding of \$820,800. 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 POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 400,521
Investments	115,818
Accounts Receivable	5,864
Delinquent Taxes Receivable	74,877
Prepaid Expenses	<u>2,756</u>
Total Current Assets	<u>599,836</u>
Non-Current Assets:	
Land, Buildings, and Equipment - Net of Accumulated Depreciation of \$1,043,003	<u>1,654,286</u>
TOTAL ASSETS	<u>\$2,254,122</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	<u>\$ 50,184</u>
Non-Current Liabilities:	
Notes and Bonds Payable	<u>820,800</u>
TOTAL LIABILITIES	<u>\$ 870,984</u>
<u>NET POSITION</u>	
Invested in Capital Assets - Net of Related Debt	\$ 833,486
Restricted	149,291
Unrestricted	<u>400,361</u>
TOTAL NET POSITION	<u>\$1,383,138</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, 2013

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenue</u> Operating Grant and Contributions	<u>Net (Expense) Revenue and Change in Net Position</u>
Governmental Activities:				
General Government	\$ 256,414	\$ 0	\$ 0	\$ (256,414)
Highways	548,006	0	0	(548,006)
Public Safety	130,719	0	0	(130,719)
Debt Service	31,758	0	0	(31,758)
Employee Benefits	<u>59,480</u>	<u>0</u>	<u>0</u>	<u>(59,480)</u>
Total Governmental Activities	<u>\$1,026,377</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(1,026,377)</u>
General Revenue:				
Property Taxes				802,262
Intergovernmental				205,509
Interest on Investments				3,736
Licenses and Fees				29,531
Other				<u>58,335</u>
Total General Revenue				<u>1,099,373</u>
Change in Net Position				72,996
Net Position - Beginning				<u>1,310,142</u>
Net Position - Ending				<u>\$ 1,383,138</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, 2013

	General Fund	Listers Fund	Building Fund	Cemetery Fund	Highway Construction/ Bridge Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$215,125	\$ 43,629	\$ 29,732	\$ 7,178	\$ 77,896	\$ 26,961	\$400,521
Investments	0	0	0	115,818	0	0	115,818
Accounts Receivable	5,064	0	0	0	0	800	5,864
Due from Other Funds	800	0	0	0	0	0	800
Delinquent Taxes Receivable	74,877	0	0	0	0	0	74,877
Prepaid Expenses	2,756	0	0	0	0	0	2,756
TOTAL ASSETS	\$298,622	\$ 43,629	\$ 29,732	\$122,996	\$ 77,896	\$ 27,761	\$600,636
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 50,184	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,184
Due to Other Funds	0	0	0	0	0	800	800
Deferred Revenue	51,743	0	0	0	0	0	51,743
Total Liabilities	101,927	0	0	0	0	800	102,727
Fund Balances:							
Nonspendable	2,756	0	0	0	0	0	2,756
Restricted	0	0	0	122,996	0	26,295	149,291
Assigned	0	43,629	29,732	0	77,896	666	151,923
Unassigned	193,939	0	0	0	0	0	193,939
Total Fund Balances	196,695	43,629	29,732	122,996	77,896	26,961	497,909
TOTAL LIABILITIES AND FUND BALANCES	\$298,622	\$ 43,629	\$ 29,732	\$122,996	\$ 77,896	\$ 27,761	\$600,636

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 POSITION
JUNE 30, 2013

Total Fund Balances - Governmental Funds	\$ 497,909
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.	1,654,286
2. Notes and Bonds payable not requiring current financial resources have not been included in the Governmental Funds financial statements.	(820,800)
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>51,743</u>
Net Position of Governmental Activities	<u>\$1,383,138</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	21,000	0	0	0	0	21,000
Transfers In	0	0	0	0	0	22,000
Transfers Out	<u>(22,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(22,000)</u>
Total Other Financing Sources/(Uses)	<u>(1,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,000</u>
Net Changes in Fund Balances	(7,200)	8,681	(6,523)	961	14,032	10,041
Fund Balances - Beginning	<u>203,895</u>	<u>34,948</u>	<u>36,255</u>	<u>122,035</u>	<u>63,864</u>	<u>487,868</u>
Fund Balances - Ending	<u>\$ 196,695</u>	<u>\$ 43,629</u>	<u>\$ 29,732</u>	<u>\$ 122,996</u>	<u>\$ 77,896</u>	<u>\$ 497,909</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, 2013

Total Net Changes in Fund Balances - Governmental Funds	\$ 10,041
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.	107,880
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 position.	(101,934)
3. The change in deferred revenue, excluding deferred revenue relating to grants, is eliminated within the government-wide financial statements.	(1,991)
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.	80,000
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 Position.	<u>(21,000)</u>
Change in Net Position of Governmental Activities	\$ <u>72,996</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, 2013

	<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	\$ 795,326	\$ 810,945	\$ 15,619
State Aid - Highways	114,968	114,946	(22)
Interest on Investments	5,000	2,294	(2,706)
School Reimbursement	4,000	4,000	0
Licenses and Fees	20,000	27,223	7,223
Penalty and Interest on Delinquent Taxes	15,000	18,714	3,714
State Aid - Railroad Tax	1,295	1,295	0
State Land Use/State Pilot	80,598	80,604	6
Other	<u>4,000</u>	<u>17,710</u>	<u>13,710</u>
Total Revenue	<u>1,040,187</u>	<u>1,077,731</u>	<u>37,544</u>
Expenditures:			
General Government:			
Selectmen:			
Selectmen	3,150	3,150	0
Selectboard Clerk	18,544	15,262	3,282
Advertising/Printing	1,700	1,947	(247)
Legal Fees	3,000	3,040	(40)
Town Report	3,200	3,558	(358)
Dues - VLCT	2,577	2,577	0
Tree Warden	100	0	100
Discretionary Expenditures	9,000	9,000	0
Other	<u>0</u>	<u>108</u>	<u>(108)</u>
Total Selectmen	<u>41,271</u>	<u>38,642</u>	<u>2,629</u>
Elections	<u>1,000</u>	<u>490</u>	<u>510</u>
Administration:			
Salaries	51,697	54,522	(2,825)
Office Supplies	2,300	2,580	(280)
Equipment Repairs	250	0	250
Equipment Purchase	2,500	1,665	835

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, 2013

	<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	\$ 2,248	\$ (48)
Courses/Seminars	500	194	306
Clerical Mileage	250	123	127
Telephone	3,300	4,203	(903)
Postage	2,000	2,663	(663)
Listing Wages	5,000	5,960	(960)
Auditing	3,300	3,475	(175)
Copier Lease	2,030	2,367	(337)
Mapping	500	0	500
Computer Maintenance	<u>2,450</u>	<u>4,534</u>	<u>(2,084)</u>
Total Administration	<u>78,277</u>	<u>84,534</u>	<u>(6,257)</u>
Town Hall:			
Electricity	1,900	2,553	(653)
Fuel Oil	4,000	2,438	1,562
Grounds	1,500	1,510	(10)
Repairs	<u>5,000</u>	<u>7,499</u>	<u>(2,499)</u>
Total Town Hall	<u>12,400</u>	<u>14,000</u>	<u>(1,600)</u>
Total General Government	<u>132,948</u>	<u>137,666</u>	<u>(4,718)</u>
Public Safety:			
Law Enforcement:			
Constable	1,500	557	943
Ambulance	53,851	53,851	0
Speed Enforcement	5,000	3,637	1,363
Courses/Seminars	100	0	100
Health Officer	500	0	500
Dog Pound	<u>800</u>	<u>700</u>	<u>100</u>
Total Law Enforcement	<u>61,751</u>	<u>58,745</u>	<u>3,006</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, 2013

	Budget Original and Final	Actual	Variance Favorable (Unfavorable)
Public Safety (Continued):			
Fire Department:			
Radio Dispatch	\$ 9,500	\$ 8,063	\$ 1,437
Fuel Oil	5,500	4,602	898
Equipment Repairs	3,000	1,717	1,283
Supplies	200	827	(627)
Equipment Purchase	5,000	12,219	(7,219)
Telephone	1,000	1,026	(26)
Fast Squad Supplies	1,000	768	232
Electricity	1,200	1,677	(477)
Building Maintenance	1,100	4,364	(3,264)
Other	9,250	6,105	3,145
Total Fire Department	36,750	41,368	(4,618)
Total Public Safety	98,501	100,113	(1,612)
Town Insurance:			
Workers' Compensation	8,000	11,027	(3,027)
Unemployment Compensation	1,957	1,378	579
Property and Casualty	16,000	12,826	3,174
Total Town Insurance	25,957	25,231	726
Employee Benefits:			
Social Security/Medicare	19,626	18,269	1,357
Retirement	11,222	10,759	463
Life Insurance	860	1,914	(1,054)
Health Insurance	33,000	28,538	4,462
Long-term Care Insurance	950	0	950
Total Employee Benefits	65,658	59,480	6,178

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, 2013

	<u>Budget</u> <u>Original</u> <u>and Final</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Highways:			
Salaries	\$ 168,000	\$ 165,442	\$ 2,558
Utilities	3,000	2,883	117
Plant Maintenance	10,000	9,425	575
Equipment - Maintenance	40,000	59,522	(19,522)
Street Lights	2,000	2,110	(110)
Gas, Oil, Diesel	66,000	77,175	(11,175)
Culverts	4,000	2,680	1,320
Construction/Paving	90,000	43,041	46,959
Winter Maintenance	45,000	72,578	(27,578)
Summer Maintenance	27,000	30,281	(3,281)
Signs	3,000	5,357	(2,357)
Courses/Seminars	300	130	170
Equipment Purchases	2,000	2,636	(636)
Other	0	3,418	(3,418)
Total Highways	<u>460,300</u>	<u>476,678</u>	<u>(16,378)</u>
Cemetery Care:			
Labor	4,240	6,000	(1,760)
Materials	1,000	60	940
Repairs to Cemetery	1,000	35	965
Total Cemetery Care	<u>6,240</u>	<u>6,095</u>	<u>145</u>
Recreation:			
Wrightsville Beach	904	904	0
Learn to Swim	1,250	675	575
Other	500	750	(250)
Total Recreation	<u>2,654</u>	<u>2,329</u>	<u>325</u>
Debt Service:			
Principal	118,880	107,880	11,000
Interest	33,511	31,758	1,753
Total Debt Service	<u>152,391</u>	<u>139,638</u>	<u>12,753</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, 2013

	<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	\$ 14,347	\$ 14,247	\$ 100
Solid Waste Management	3,800	1,731	2,069
Regional Planning Commission	<u>1,818</u>	<u>1,818</u>	<u>0</u>
Total Other	<u>19,965</u>	<u>17,796</u>	<u>2,169</u>
Planning Commission:			
Printing	500	98	402
Miscellaneous	1,000	90	910
Advertising	500	117	383
Supplies and Postage	500	170	330
Conservation Commission	<u>1,000</u>	<u>168</u>	<u>832</u>
Total Planning Commission	<u>3,500</u>	<u>643</u>	<u>2,857</u>
Zoning Board of Adjustment	<u>3,375</u>	<u>1,264</u>	<u>2,111</u>
Special Articles	<u>36,998</u>	<u>36,998</u>	<u>0</u>
Total Expenditures	<u>1,008,487</u>	<u>1,003,931</u>	<u>4,556</u>
Excess of Revenue Over Expenditures	<u>31,700</u>	<u>73,800</u>	<u>42,100</u>
Other Financing Sources/(Uses):			
Excavator Purchase	0	(80,000)	(80,000)
Proceeds of Long-Term Debt	0	21,000	21,000
Transfers Out	<u>(22,000)</u>	<u>(22,000)</u>	<u>0</u>
Total Other Financing Sources/(Uses)	<u>(22,000)</u>	<u>(81,000)</u>	<u>(59,000)</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>\$ 9,700</u>	<u>(7,200)</u>	<u>\$(16,900)</u>
Fund Balance - Beginning		<u>203,895</u>	
Fund Balance - Ending		<u>\$ 196,695</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, 2013

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 Position 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, 2013

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, 2013

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, 2013

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 Position and Fund Balance

Town-Wide Financial Statements

When the Town incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because it was not used. Net position on the Statement of Net Position includes the following:

Investment in Capital Assets, Net of Related Debt - The component of net position 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, 2013

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

Unrestricted - The difference between the assets and liabilities that is not reported in Net Position - Invested in Capital Assets, Net of Related Debt, or Net Position - 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, 2013

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, 2013, the carrying amount of the Town deposits (cash, certificate of deposits and savings accounts) was \$400,521 and the bank balance was \$416,927. These amounts were covered by FDIC or collateralized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$277,500	\$277,500
Uninsured - Uncollateralized	<u>123,021</u>	<u>139,427</u>
Total	<u>\$400,521</u>	<u>\$416,927</u>

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

Deposits and investments at June 30, 2013 consisted of the following:

Cash on Hand	\$ 120
Demand Deposits with Financial Institutions	<u>400,401</u>
Total	<u>\$400,521</u>

Note 3: INTERFUND RECEIVABLES/PAYABLES

As of June 30, 2013, 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	\$ 800	\$ 0
Other Governmental Funds	<u>0</u>	<u>800</u>
Total	<u>\$ 800</u>	<u>\$ 800</u>

TOWN OF MIDDLESEX, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013

Note 4: CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended June 30, 2013 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	847,571	80,000	0	927,571
Infrastructure	313,837	0	0	313,837
Land	<u>472,300</u>	<u>0</u>	<u>0</u>	<u>472,300</u>
Total	2,617,289	80,000	0	2,697,289
Less: Accumulated Depreciation	<u>941,069</u>	<u>101,934</u>	<u>0</u>	<u>(1,043,003)</u>
Capital Assets - Net	<u>\$1,676,220</u>	<u>\$(21,934)</u>	<u>\$ 0</u>	<u>\$ 1,654,286</u>

Depreciation expense was charged to governmental functions as follows:

Highways	\$ 71,328
Public Safety	<u>30,606</u>
Total	<u>\$101,934</u>

Note 5: LONG-TERM OBLIGATIONS

At June 30, 2013, 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.	\$ 30,000
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TOWN OF MIDDLESEX, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013

Excavator Note Payable to the Merchant's Bank, Interest at 1.98%, Matures January, 2014.	\$ 21,000
Highway Truck Note Payable to the Merchant's Bank, Interest at 1.97%, Annual Principal Payments of \$19,950, Matures November, 2016.	79,800
Fire Station Construction Bond Payable to the Vermont Municipal Bond Bank, Net Interest of 4.19%, Variable Annual Principal Payments, Matures November, 2029.	<u>690,000</u>
Total	<u>\$820,800</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>
2014	\$100,950	\$ 29,744	\$ 130,694
2015	79,950	27,249	107,199
2016	59,950	25,371	85,321
2017	59,950	23,750	83,700
2018	40,000	22,018	62,018
2019-2023	200,000	87,095	287,095
2024-2028	200,000	43,330	243,330
2029	<u>80,000</u>	<u>3,967</u>	<u>83,967</u>
Total	<u>\$820,800</u>	<u>\$262,524</u>	<u>\$1,083,324</u>

Changes in long-term obligations were as follows:

Outstanding Obligations - July 1, 2012	\$ 907,680
Additions of New Debt	21,000
Repayments	<u>(107,880)</u>
Outstanding Obligations - June 30, 2013	<u>\$ 820,800</u>

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 6: ACCOUNTS RECEIVABLE

Accounts receivable represents monies owed to the Town at June 30, 2013 and consisted of the following:

Non-Governmental Entities	\$ <u>5,864</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 \$215,188. Contributions by employees were \$9,683 and contributions by the Town of Middlesex, Vermont were \$10,759.

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, 2013

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 1.5% discount if taxes were paid in full by August 20. 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, 2013, property taxes were assessed and accounted for as follows:

Municipal Property Valuation	\$1,937,212	
Tax Rate	X <u>.4231</u>	
Municipal Property Taxes Billed		\$ 819,634
Homestead Property Valuation	\$1,455,501	
Tax Rate	X <u>1.4220</u>	
Homestead Property Taxes Billed		2,069,722
Non-Homestead Property Valuation	\$ 483,779	
Tax Rate	X <u>1.4247</u>	
Non-Homestead Property Taxes Billed		689,240
Penalty for Late Filed Homestead Declarations		<u>349</u>
Total Property Taxes Billed		3,578,945
Add: Delinquent Taxes Receivable - July 1, 2012		<u>60,915</u>
Total to be Accounted For		<u>\$ 3,639,860</u>
Accounted For As Follows:		
Property Taxes Collected		\$ 3,553,179
Discounts Allowed		20,638
Abatements/Adjustments		490
Delinquent Taxes Receivable - (Taxes only) June 30, 2013		<u>65,553</u>
Total Accounted For		<u>\$ 3,639,860</u>

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Recognition of Property Taxes:

Property Taxes Billed	\$ 3,578,945
Add: Deferred Revenue - July 1, 2012	53,734
Less: Deferred Revenue - June 30, 2013	(45,051)
Less: Taxes Collected for Town School District	(2,755,555)
Less: Abatements/Adjustments	(490)
Less: Discounts Allowed	<u>(20,638)</u>
Property Taxes Recognized	<u>\$ 810,945</u>

Note 10: DEFERRED REVENUE

Deferred revenue at June 30, 2013 is comprised of the following:

General Fund:

Delinquent Property Taxes Not Collected Within 60 Days	\$ 45,051
Penalty and Interest on Delinquent Property Taxes Not Collected Within 60 Days	<u>6,692</u>
Total	<u>\$ 51,743</u>

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, 2013, 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 SURPLUS

The Town of Middlesex, Vermont budgeted a \$9,700 surplus in the General Fund for the year ended June 30, 2013. 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. However, in setting the tax rate, the Board of Selectmen inadvertently reversed this item and actually raised this much in excess of the amount of taxes necessary.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 13: OTHER FUNDS

The fund balances of the Other Funds on Schedule 1 and Schedule 2 consisted of the following at June 30, 2013:

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, 2013

	Conservation Commission	BOR Resurfacing Fund	Records Restoration	Millford Leonard Fund	Other Funds	Total Other Governmental Funds
<u>ASSETS</u>						
Cash	\$ 8,998	\$ 666	\$ 5,974	\$ 10,858	\$ 465	\$ 26,961
Accounts Receivable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>800</u>	<u>800</u>
TOTAL ASSETS	<u>\$ 8,998</u>	<u>\$ 666</u>	<u>\$ 5,974</u>	<u>\$ 10,858</u>	<u>\$ 1,265</u>	<u>\$ 27,761</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 800	\$ 800
Fund Balances:						
Restricted	8,998	0	5,974	10,858	465	26,295
Assigned	<u>0</u>	<u>666</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>666</u>
Total Fund Balances	<u>8,998</u>	<u>666</u>	<u>5,974</u>	<u>10,858</u>	<u>465</u>	<u>26,961</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,998</u>	<u>\$ 666</u>	<u>\$ 5,974</u>	<u>\$ 10,858</u>	<u>\$ 1,265</u>	<u>\$ 27,761</u>

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, 2013

		Conservation Commission	BOR Resurfacing Fund	Records Restoration	Milford Leonard Fund	Other Funds	Total Other Governmental Funds
Revenue:							
Interest	\$	3	2	3	6	0	\$ 14
Licenses and Fees		0	0	2,308	0	0	2,308
Other		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>800</u>	<u>800</u>
Total Revenue		<u>3</u>	<u>2</u>	<u>2,311</u>	<u>6</u>	<u>800</u>	<u>3,122</u>
Expenditures:							
General Government		<u>0</u>	<u>7,060</u>	<u>2,777</u>	<u>395</u>	<u>800</u>	<u>11,032</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures		3	(7,058)	(466)	(389)	0	(7,910)
Other Financing Sources:							
Transfers In		<u>5,000</u>	<u>3,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,000</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures		5,003	(4,058)	(466)	(389)	0	90
Fund Balances - Beginning		<u>3,995</u>	<u>4,724</u>	<u>6,440</u>	<u>11,247</u>	<u>465</u>	<u>26,871</u>
Fund Balances - Ending		<u>\$ 8,998</u>	<u>\$ 666</u>	<u>\$ 5,974</u>	<u>\$ 10,858</u>	<u>\$ 465</u>	<u>\$ 26,961</u>

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