TOWN OF MIDDLESEX, VERMONT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

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

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, 2015, and the related notes to the financial statements, which collectively comprise the Town of Middlesex, Vermont 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 November 4, 2015, 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
Barre, Vermont
License # 92-0000153
November 4, 2015

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, 2015. 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 $1,472,648 (net position) for the year ended June 30, 2015. This compares to the previous year when assets exceeded liabilities by $1,475,272.

	Governmental Activities	
	June 30, 2015	June 30, 2014
ASSETS		
Current and Other Assets	$ 637,116	$ 805,606
Capital and Non-Current Assets	1,855,361	1,752,633
TOTAL ASSETS	$2,492,477	$2,558,239
LIABILITIES		
Current Liabilities	$ 73,569	$ 196,345
Long-Term Liabilities	946,260	886,622
TOTAL LIABILITIES	$1,019,829	$1,082,967
NET POSITION		
Invested in Capital Assets Net of Related Debt	$ 930,567	$ 888,168
Restricted	163,373	163,769
Unrestricted	378,708	423,335
TOTAL NET POSITION	$1,472,648	$1,475,272

Total net position at June 30, 2015 is comprised of the following:

1) Capital assets, net of related debt of $930,567 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 $163,373 is restricted by constraints imposed from outside the Town, such as grantors, taxpayers, and laws or regulations.

3) Unrestricted net position of $378,708 represents the portion available to maintain Town continuing obligation to citizens and creditors.

4) During the year ended June 30, 2015, the net position of the Town of Middlesex, Vermont decreased by $2,624.

	Governmental Activities		
	June 30, 2015	June 30, 2014	% Change
Revenue:			
Program Revenue:			
Operating Grants and Contributions	$ 1,850	$ 36,121	(94.9)
General Revenue:			
Property Taxes	809,604	803,567	0.8
Intergovernmental	208,048	262,785	(20.8)
Interest on Investments	5,322	5,761	(7.6)
Licenses and Fees	28,258	20,856	35.5
Other	25,695	70,216	(63.4)
Total Revenue	1,078,777	1,199,306	(10.0)
Expenses:			
General Government	242,135	309,319	(21.7)
Highways	616,059	546,365	12.8
Public Safety	127,579	144,123	(11.5)
Debt Service	35,623	29,736	19.8
Employee Benefits	60,005	55,472	8.2
Total Expenses	1,081,401	1,085,015	(0.3)
Increase in Net Position	(2,624)	114,291	
Net Position - Beginning	1,475,272	1,360,981	
Net Position - Ending	$1,472,648	$1,475,272	

The Town revenue was down 10.0% from the prior year and expenses were down 0.3%.

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.

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 $542,834. Of this total, $171,402 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 $36,227.

General Fund Budgetary Highlights

For the year ended June 30, 2015, the taxpayers approved the budget for the General Fund of $1,074,417. This was up 0.3% over the previous year budget of $1,071,553. Actual expenditures for the year ended June 30, 2015 were more than the budgeted expenditures by $67,463.

Capital Assets

The Town investment in capital assets net of accumulated depreciation as of June 30, 2015 was $1,844,097. 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 four purchases meeting that level during the year ended June 30, 2015.

Long-Term Debt

At the end of the fiscal year, the Town had long-term debt outstanding of $913,540. 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.

Exhibit A

TOWN OF MIDDLESEX, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Current Assets:	
Cash	$ 476,528
Investments	121,653
Accounts Receivable	3,464
Delinquent Taxes Receivable	31,705
Prepaid Expenses	3,766
Total Current Assets	637,116
Non-Current Assets:	
Land, Buildings, and Equipment - Net of Accumulated Depreciation of $1,079,422	1,844,097
TOTAL ASSETS	2,481,213
DEFERRED OUTFLOWS OF RESOURCES	
Pension Sources	11,264
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$2,492,477
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 73,569
Non-Current Liabilities:	
Notes and Bonds Payable	913,540
Net Pension Liability	7,413
Total Non-Current Liabilities	920,953
TOTAL LIABILITIES	994,522
DEFERRED INFLOWS OF RESOURCES	
Pension Resources	25,307
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$1,019,829
NET POSITION	
Invested in Capital Assets - Net of Related Debt	$ 930,567
Restricted	163,373
Unrestricted	378,708
TOTAL NET POSITION	$1,472,648

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

Exhibit B

TOWN OF MIDDLESEX, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grant and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental Activities:				
General Government	$ 242,135	$ 0	$ 0	$ (242,135)
Highways	616,059	0	1,850	(614,209)
Public Safety	127,579	0	0	127,579)
Debt Service	35,623	0	0	(35,623)
Employee Benefits	60,005	0	0	(60,005)
Total Governmental Activities	$1,081,401	$ 0	$ 1,850	(1,079,551)
General Revenue:				
Property Taxes				809,604
Intergovernmental				208,048
Interest on Investments				5,322
Licenses and Fees				28,258
Other				25,695
Total General Revenue				1,076,927
Change in Net Position				(2,624)
Net Position - Beginning				1,475,272
Net Position - Ending				$ 1,472,648

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

Exhibit C

TOWN OF MIDDLESEX, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Cemetery Fund	Paving Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$292,860	$ 5,479	$ 89,920	$ 88,269	$476,528
Investments	0	121,653	0	0	121,653
Accounts Receivable	0	0	0	3,464	3,464
Due from Other Funds	5,284	0	0	24	5,308
Delinquent Taxes Receivable	31,705	0	0	0	31,705
Prepaid Expenses	3,766	0	0	0	3,766
TOTAL ASSETS	$333,615	$127,132	$ 89,920	$ 91,757	$642,424
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 73,569	$ 0	$ 0	$ 0	$ 73,569
Due to Other Funds	24	1,820	0	3,464	5,308
Total Liabilities	73,593	1,820	0	3,464	78,877
Deferred Inflows of Resources:					
Deferred Revenue - Property Taxes	20,713	0	0	0	20,713

Fund Balances:					
Nonspendable	3,766	0	0	0	3,766
Restricted	0	125,312	0	38,061	163,373
Assigned	64,141	0	89,920	50,232	204,293
Unassigned	171,402	0	0	0	171,402
Total Fund Balances	239,309	125,312	89,920	88,293	542,834
TOTAL LIABILITIES, DERERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$333,615	$127,132	$ 89,920	$ 91,757	$642,424

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, 2015

Total Fund Balances - Governmental Funds	$ 542,834
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.	1,844,097
2. Notes and bonds payable not requiring current financial resources have not been included in the Governmental Funds financial statements.	(913,540)
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.	20,713
4. Net pension liability and related pension source deferred outflow and deferred inflow of resources are not due and payable in the current period and, therefore, not included as assets and liabilities in the Governmental Funds financial statements.	(21,456)
Net Position of Governmental Activities	$1,472,648

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

Exhibit E

TOWN OF MIDDLESEX, VERMONT
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Cemetery Fund	Paving Fund	Other Governmental Funds	Total Governmental Funds
Revenue:					
Property Taxes	$ 817,559	$ 0	$ 0	$ 0	$ 817,559
Intergovernmental	208,048	0	0	1,850	209,898
Licenses and Fees	25,298	1,200	0	1,760	28,258
Interest on Investments	2,029	3,204	45	44	5,322
Other	30,649	0	0	0	30,649
Total Revenue	1,083,583	4,404	45	3,654	1,091,686
Expenditures:					
General Government	234,374	6,906	0	855	242,135
Highways	537,841	0	0	1,850	539,691
Public Safety	107,772	0	0	0	107,772
Debt Service	174,187	0	0	0	174,187
Employee Benefits	60,706	0	0	0	60,706
Capital Outlays	187,639	0	0	0	187,639
Realized/Unrealized Loss on Marketable Securities	0	3,778	0	0	3,778
Total Expenditures	1,302,519	10,684	0	2,705	1,315,908
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	(218,936)	(6,280)	45	949	(224,222)

Other Financing Sources/(Uses):					
Proceeds of Long-Term Debt	187,639	0	0	0	187,639
Transfers In	0	0	0	5,000	5,000
Transfers Out	(5,000)	0	0	0	(5,000)
Total Other Financing Sources/(Uses)	182,639	0	0	5,000	187,639
Net Changes in Fund Balances	(36,297)	(6,280)	45	5,949	(36,583)
Fund Balances - Beginning	275,606	131,592	89,875	82,344	579,417
Fund Balances - Ending	$ 239,309	$125,312	$ 89,920	$ 88,293	$ 542,834

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, 2015

Total Net Changes in Fund Balances - Governmental Funds	$ (36,583)
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.	138,564
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.	(110,846)
3. The change in deferred revenue, excluding deferred revenue relating to grants, is eliminated within the government-wide financial statements.	(9,131)
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.	202,310
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.	(187,639)
6. Changes in net pension liability and related pension source deferred outflow and deferred inflow of resources do not provide or require current financial resources and, therefore, are not included in the Governmental Funds financial statements.	701
Change in Net Position of Governmental Activities	$ (2,624)

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, 2015

	Budget Original and Final	Actual	Variance Favorable (Unfavorable)
Revenue:			
Property Taxes	$ 803,228	$ 817,559	$ 14,331
State Aid - Highways	114,610	114,610	0
Interest on Investments	2,000	2,029	29
School Reimbursement	4,000	4,000	0
Licenses and Fees	34,000	25,298	(8,702)
Penalty and Interest on Delinquent Taxes	16,000	18,509	2,509
State Aid	85,529	93,438	7,909
Other	0	8,140	8,140
Total Revenue	1,059,367	1,083,583	24,216
Expenditures:			
General Government:			
Selectmen:			
Selectmen	3,150	3,150	0
Selectboard Clerk	18,084	20,304	(2,220)
Advertising/Printing	2,300	2,227	73
Legal Fees	4,000	3,408	592
Town Report	3,000	2,037	963
Dues - VLCT	2,600	2,750	(150)
Tree Warden	100	0	100
Discretionary Expenditures	11,000	820	10,180
Other	0	660	(660)
Total Selectmen	44,234	35,356	8,878
Elections	550	678	(128)
Administration:			
Salaries	52,307	41,334	10,973
Office Supplies	2,600	3,234	(634)
Equipment Purchase	2,000	280	1,720
Reappraisal Fees	0	5,494	(5,494)

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, 2015

	Budget Original and Final	Actual	Variance Favorable (Unfavorable)
General Government (Continued):			
Administration (Continued):			
Listers Mileage/Expenses	$ 2,400	$ 2,444	$ (44)
Courses/Seminars	300	215	85
Clerical Mileage	250	0	250
Telephone	4,200	4,354	(154)
Postage	3,000	3,331	(331)
Listing Wages	7,000	5,795	1,205
Auditing	5,000	4,025	975
Copier Lease	2,500	2,900	(400)
Mapping	750	0	750
Computer Maintenance	5,000	5,612	(612)
Total Administration	87,307	79,018	8,289
Town Hall:			
Electricity	2,600	1,940	660
Heat	3,000	3,380	(380)
Grounds	1,500	2,315	(815)
Repairs	5,000	4,286	714
Total Town Hall	12,100	11,921	179
Total General Government	144,191	126,973	17,218
Public Safety:			
Law Enforcement:			
Constable	1,000	0	1,000
Ambulance	57,694	57,694	0
Speed Enforcement	7,500	5,263	2,237
Courses/Seminars	100	0	100
Health Officer	250	0	250
Dog Pound/Animal Control	800	2,210	(1,410)
Total Law Enforcement	67,344	65,167	2,177

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, 2015

	Budget Original and Final	Actual	Variance Favorable (Unfavorable)
Public Safety (Continued):			
Fire Department:			
Radio Dispatch	$ 13,200	$ 12,834	$ 366
Heat	5,500	5,755	(255)
Equipment Repairs	6,250	4,724	1,526
Supplies	300	63	237
Equipment Purchase	2,260	7,695	(5,435)
Telephone	1,000	1,023	(23)
Fast Squad Supplies	1,600	484	1,116
Electricity	1,400	1,313	87
Building Maintenance	2,600	1,899	701
Other	11,905	6,815	5,090
Total Fire Department	46,015	42,605	3,410
Total Public Safety	113,359	107,772	5,587
Town Insurance:			
Workers' Compensation	11,909	15,971	(4,062)
Unemployment Compensation	1,488	608	880
Property and Casualty	13,853	17,970	(4,117)
Total Town Insurance	27,250	34,549	(7,299)
Employee Benefits:			
Social Security/Medicare	20,500	17,903	2,597
Retirement	12,000	11,264	736
Life Insurance	2,000	560	1,440
Health Insurance	23,550	30,979	(7,429)
Total Employee Benefits	58,050	60,706	(2,656)
Highways:			
Salaries	176,430	172,280	4,150
Utilities	3,000	11,041	(8,041)
Plant Maintenance	9,325	10,005	(680)
Equipment - Maintenance	39,050	95,716	(56,666)
Street Lights	2,200	2,129	71

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, 2015

	Budget Original and Final	Actual	Variance Favorable (Unfavorable)
Highways (Continued):			
Gas, Oil, Diesel	$ 67,400	$ 44,327	$ 23,073
Culverts	2,000	12,105	(10,105)
Construction/Paving	84,125	76,675	7,450
Winter Maintenance	71,500	77,425	(5,925)
Summer Maintenance	26,725	21,579	5,146
Signs	3,500	3,453	47
Courses/Seminars	300	153	147
Equipment Purchases	1,750	7,678	(5,928)
Other	0	3,275	(3,275)
Total Highways	487,305	537,841	(50,536)
Cemetery Care:			
Labor	4,300	5,060	(760)
Materials	1,300	200	1,100
Repairs to Cemetery	1,300	0	1,300
Total Cemetery Care	6,900	5,260	1,640
Recreation:			
Wrightsville Beach	904	904	0
Other	5,050	1,746	3,304
Total Recreation	5,954	2,650	3,304
Debt Service:			
Principal	109,010	138,564	(29,554)
Interest	29,987	35,623	(5,636)
Total Debt Service	138,997	174,187	(35,190)
Other:			
County Taxes	14,247	15,348	(1,101)
Solid Waste Management	1,735	1,735	0
Regional Planning Commission	1,818	1,904	(86)
Total Other	17,800	18,987	(1,187)

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, 2015

	Budget Original and Final	Actual	Variance Favorable (Unfavorable)
Planning Commission:			
Printing	$ 500	$ 0	$ 500
Advertising	500	174	326
Supplies and Postage	500	52	448
Conservation Commission	500	378	122
Total Planning Commission	2,000	604	1,396
Zoning Board of Adjustment	500	240	260
Special Articles	45,111	45,111	0
Total Expenditures	1,047,417	1,114,880	(67,463)
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	11,950	(31,297)	(43,247)
Other Financing Sources/(Uses):			
Capital Outlays	0	(187,639)	(187,639)
Proceeds of Long-Term Debt	0	187,639	187,639
Transfers Out	(27,000)	(5,000)	22,000
Total Other Financing Sources/(Uses)	(27,000)	(5,000)	22,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	$ (15,050)	(36,297)	$ (21,247)
Fund Balance - Beginning		275,606	
Fund Balance - Ending		$ 239,309	

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

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 if 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.

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 unmetered interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The Town considers all revenue available if it is collectible within 60 days after year end.

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

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

Fund Accounting

The Town reports the following major governmental funds:

1. General Fund - The General Fund is the Town primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

2. 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.

3. Paving Fund - The Paving Fund was established to account for monies to be used on large paving projects on Town roads.

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.

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.

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.

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, 2015, the carrying amount of the Town deposits (cash, certificate of deposits and savings accounts) was $476,528 and the bank balance was $477,301. These amounts were covered by FDIC or collateralized as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	$272,864	$273,757
Uninsured - Collateralized	203,544	203,544
Uninsured - Uncollateralized	120	0
Total	$476,528	$477,301

Deposits and investments at June 30, 2015 consisted of the following:

Cash on Hand	$ 120
Demand Deposits with Financial Institutions	476,408
Total	$476,528

Note 3: INTERFUND RECEIVABLES/PAYABLES

As of June 30, 2015, interfund receivables and payables that resulted from interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	$ 5,284	$ 24
Cemetery Fund	0	1,820
Other Governmental Funds:		
Records Restoration	24	0
Grant Fund	0	1,850
Other Funds	0	1,614
Total	$ 5,308	$ 5,308

Note 4: CAPITAL ASSET ACTIVITY

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

	Beginning Balance	Additions	Retirement	Ending Balance
Buildings and Improvements	$ 983,581	$ 0	$ 0	$ 983,581
Equipment and Trucks	969,137	202,310	73,646	1,097,801
Infrastructure	313,837	0	0	313,837
Land	528,300	0	0	528,300
Total	2,794,855	202,310	73,646	2,923,519
Less: Accumulated Depreciation	1,042,222	110,846	73,646	1,079,422
Capital Assets - Net	$1,752,633	$ 91,464	$ 0	$1,844,097

Depreciation expense was charged to governmental functions as follows:

Highways	$ 91,039
Public Safety	19,807
Total	$110,846

Note 5: LONG-TERM OBLIGATIONS

At June 30, 2015, the Town of Middlesex, Vermont had the following long-term obligations outstanding:

Highway Equipment Note Payable to the Merchant's Bank, Annual Principal Payments of $5,870, Interest at 2.95%.	$ 23,480
Highway Equipment Note Payable to the Merchant's Bank, Annual Principal Payments of $2,000, Interest at 2.85%.	10,000
Highway Equipment Note Payable to the Merchant's Bank, Annual Principal Payments of $6,000, Interest at 2.23%.	30,000

Highway Equipment Note Payable to the Merchant's Bank, Annual Principal Payments of $23,658, Interest at 2.95%.	$ 94,631
Highway Truck Note Payable to the Merchant's Bank, Annual Principal Payments of $29,007, Interest at 2.95%, Matures 2019.	116,029
Highway Truck Note Payable to the Merchant's Bank, Annual Principal Payments of $19,700, Interest at 2.23%, Matures November, 2016.	39,400
Fire Station Construction Bond Payable to the Vermont Municipal Bond Bank, Variable Annual Principal Payments, Net Interest of 4.19%, Matures November, 2029.	600,000
Total	$913,540

Annual debt service requirements are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2016	$126,235	$ 32,487	$ 158,722
2017	126,235	29,112	155,347
2018	106,535	25,626	132,161
2019	106,535	22,483	129,018
2020	48,000	19,262	67,262
2021-2025	200,000	70,345	270,345
2026-2030	200,000	24,393	224,393
Total	$913,540	$223,708	$1,137,248

Changes in long-term obligations were as follows:

Outstanding Obligations - July 1, 2014	$ 864,465
Additions of New Debt	187,639
Repayments	(138,564)
Outstanding Obligations - June 30, 2015	$ 913,540

Note 6: ACCOUNTS RECEIVABLE

Accounts receivable represents monies owed to the Town at June 30, 2015 and consisted of the following:

State of Vermont	$ 1,850
Non-Governmental Entities	1,614
Total	$ 3,464

Note 7: 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, 2015, property taxes were assessed and accounted for as follows:

Municipal Property Valuation	$1;970,057	
Tax Rate	X .4231	
Municipal Property Taxes Billed		$ 833,531
Homestead Property Valuation	$1,443,399	
Tax Rate	X 1.6328	
Homestead Property Taxes Billed		2,356,782
Non-Homestead Property Valuation	$ 528,756	
Tax Rate	X 1.5846	
Non-Homestead Property Taxes Billed		837,867
Total Property Taxes Billed		4,028,180
Add: Delinquent Taxes Receivable - July 1, 2014		39,141
Total to be Accounted For		$4,067,321

Accounted For As Follows:

Property Taxes Collected	$4,013,380
Discounts Allowed	25,593
Abatements/Adjustments	327
Delinquent Taxes Receivable - (Taxes only) June 30, 2015	28,021
Total Accounted For	$4,067,321

Recognition of Property Taxes:

Property Taxes Billed	$4,028,180
Add: Deferred Revenue - July 1, 2014	26,100
Less: Deferred Revenue - June 30, 2015	18,145
Less: Taxes Collected for Town School District	3,192,656
Less: Abatements/Adjustments	327
Less: Discounts Allowed	25,593
Property Taxes Recognized	$ 817,559

Note 8: 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 9: DEFERRED REVENUE

Deferred revenue at June 30, 2015 is comprised of the following:

General Fund:

Delinquent Property Taxes Not Collected Within 60 Days	$ 18,145
Penalty and Interest on Delinquent Property Taxes Not Collected Within 60 Days	2,568
Total	$ 20,713

Note 10: CLAIMS AND JUDGMENTS

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

At June 30, 2015, significant amounts of grant expenditures have not been audited but the Town believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Town.

Note 11: BUDGETED DEFICIT

The Town of Middlesex, Vermont budgeted a $15,050 deficit in the General Fund for the year ended June 30, 2015. 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.

Note 12: SPECIAL REVENUE FUNDS - OTHER FUNDS

The fund balances of the Special Revenue Funds - Other Funds on Schedule 1 and Schedule 2 consisted of the following at June 30, 2015:

Milford Leonard Fund	$ 9,653
Walter Kelley Park Fund	426
Total	$ 10,079

Note 13: FUND BALANCES - GENERAL FUND

A portion of the General Fund monies has been assigned for the following specific purposes:

Town Forest	$ 40
Recreation	4,053
Planning	1,001
Reappraisal	55,826
Resurface Account	3,221
Total	$ 64,141

Note 14: NET POSITION RESTATEMENT

During the fiscal year, the Town of Middlesex, Vermont implemented GASB No. 68, *Accounting and Financial Reporting for Pensions*. As required by GASB 68, the Town of Middlesex, Vermont net position at June 30, 3014 was reduced by $22,157 to reflect the prior year net pension liability and related deferred outflows from pension contributions made subsequent to the measurement date.

Note 15: INVESTMENTS

The Town of Middlesex, Vermont has not adopted an investment policy.

Interest Rate Risk:

Interest rate risk is that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk.

The Town of Middlesex, Vermont current investments consist of the following:

Money Market Mutual Funds	$ 44
Mutual Funds	121,609
Total	$121,653

Information about the sensitivity of the fair values to maturity of the investments is not reported. The mutual funds are open-ended and, therefore, are excluded from the credit risk analysis.

Note 16: PENSION PLAN

Plan Decryption

The Town of Middlesex, Vermont contributes to the Vermont Municipal Employees' Retirement System, which is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees.

The Plan is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds.

An employee of any employer that becomes affiliated with the System may join at that time or any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirement is required to join the System.

During the year ended June 30, 2015, the retirement system consisted of 437 participating employers.

The Plan was established effective July 1, 1975 and is governed by Title 24, V.S.A. Chapter 125, by the membership of the System and the employer representatives, one elected by the governing bodies of participating employees of the System and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members.

Employee membership data related to the Plan at June 30, 2014 was as follows:

Retirees and beneficiaries currently receiving benefits	2,359
Terminated employees entitled to but not yet receiving benefits	692
Active plan members	6,664
Inactive plan members	1,817
Total	11,532

Pension Benefit

The Plan provides retirement, disability, death, and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and average final compensation. Members are eligible for retirement benefits upon attainment of ages and years of service. Members become fully vested in the retirement benefits with five (5) years of service.

The benefit payments for the Plan are calculated using a benefit formula adopted by the plan. There are four plans available to members, each requiring different contributions and benefits.

The Plan is required to provide annual increases based on one-half of the percentage increase in consumer price index but not more than 2.0% per year for Group A plans and 3.0% for Group B, C, and D plans. The contribution rates for employees and employers are established annually and vary by plans (Groups).

All employees of the Town of Middlesex, Vermont are covered under Group B. The employee contribution rate was 4.75% and employer rate of 5.375% of covered wages. For the year ended June 30, 2015, covered wages were $209,563. Employee contributions were $9,954 and the Town of Middlesex, Vermont contributions were $11,264.

Pension Liabilities, Pension Expense/(Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town of Middlesex, Vermont reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014 and the total pension liability used to calculate the pension liability was determined by an actuarial valuation as of that date. The Town of Middlesex, Vermont proportion of the net liability was based on the Town's share of contributions in the Plan relative to the total contributions of all participating employers. At July 1, 2014, the Town's proportion was .0812 percent.

For the year ended June 30, 2015, the Town recognized pension expense of $10,563. At June 30, 2015, the Town reported deferred outflows and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Investment Earnings		$ 22,857
Changes in Proportional Share of Contributions		2,450
Employee Contributions Subsequent to the Measurement Date	$ 11,264	
Total	$ 11,264	$ 25,307

The $11,264 reported as deferred outflows of resources related to pension results from the Town's contributions made subsequent to the measurement date will be recognized as an addition to the pension expense or reduction of the pension plan revenue in the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses/(revenue) as follows:

Year Ending June 30,	
2016	$ (8,435)
2017	(8,436)
2018	(8,436)
Total	$(25,307)

Actuarial Assumptions

Actuarial assumptions of the Vermont Municipal Employee Retirement System involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Significant Actuarial Assumptions and Other Inputs Used to Measure the Total Pension Liability:

Measurement Date	July 1, 2014
Valuation Date	July 1, 2014
Expected Return on Investments	8.23%
Salary Increases	5.0% Per Year
Inflation	3.0% to 3.25% Per Year
Cost of Living Adjustment	1.5% to 1.80%

Mortality Assumptions

Active Participants - 50.0% of the probabilities in the 1995 Buck Mortality Tables for Males and Females

Non-Disabled Retirees and Terminated Vested Participants - The 1995 Buck Mortality Tables with No Set-Back for Males and One-Year Set-Back for Females

Disabled Retirees - RP 2000 Disabled Life Tables, Beneficiaries, 1995 Buck Mortality Tables for Males and Females

Long-Term Expected Rate of Return

The long-term expected rate of return on System investments are determined using best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes.

These best estimate ranges were combined to produce forecasts of the short, intermediate, and long-term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate of return assumption, a select and ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a simple assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of July 1, 2014 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Rate of Return
Equity	31.50%	6.70%
Fixed Income	33.00%	2,94%
Alternatives	15.50%	6.26%
Multi-Strategy	20.00%	5.98%

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

Discount Rate

The discount rate used to measure the total pension liability was 8.23%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy.

Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members.

The assumed discount rate has been determined in accordance with the method prescribed in GASB 68.

The following presents the entities share of the net pension liability calculated using the discount rate of 8.23 percent as well as what the proportionate share would be if it was calculated using a discount rate that is one percent lower (7.23%) and one percent higher (9.23%):

Discount Rate	Proportionate Share of Net Pension Liability/(Asset)
1.00% Decrease (7.23%)	$ 62,447
8.23%	$ 7,413
1.00% Increase (9.23%)	$(38,759)

The Vermont Municipal Employee Retirement System does not issue stand-alone financial reports but instead are included as part of the State of Vermont Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State of Vermont Department of Finance and Management website at:

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

TOWN OF MIDDLESEX, VERMONT
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2015

	SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS		Total Other Governmental Funds
	Conservation Commission	Records Restoration	Other Funds	Bridge Fund	Building Fund	
ASSETS						
Cash	$ 19,015	$ 8,943	$ 10,079	$ 22,072	$ 28,160	$ 88,269
Accounts Receivable	0	0	3,464	0	0	3,464
Due from Other Funds	0	24	0	0	0	24
TOTAL ASSETS	$ 19,015	$ 8,967	$ 13,543	$ 22,072	$ 28,160	$ 91,757
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to Other Funds	$ 0	$ 0	$ 3,464	$ 0	$ 0	$ 3,464
Fund Balances:						
Restricted	19,015	8,967	10,079	0	0	38,061
Assigned	0	0	0	22,072	28,160	50,232
Total Fund Balances	19,015	8,967	10,079	22,072	28,160	88,293
TOTAL LIABILITIES AND FUND BALANCES	$ 19,015	$ 8,967	$ 13,543	$ 22,072	$ 28,160	$ 91,757

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, 2015

	SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS		Total Other Governmental Funds
	Conservation Commission	Records Restoration	Other Funds	Bridge Fund	Building Fund	
Revenue:						
Intergovernmental	$ 0	$ 0	$ 1,850	$ 0	$ 0	$ 1,850
Interest	10	4	5	11	14	44
Licenses and Fees	0	1,760	0	0	0	1,760
Total Revenue	10	1,764	1,855	11	14	3,654
Expenditures:						
Highway	0	0	1,850	0	0	1,850
General Government	0	0	855	0	0	855
Total Expenditures	0	0	2,705	0	0	2,705
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	10	1,764	(850)	11	14	949
Other Financing Sources:						
Transfers In	5,000	0	0	0	0	5,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	5,010	1,764	(850)	11	14	5,949
Fund Balances - Beginning	14,005	7,203	10,929	22,061	28,146	82,344
Fund Balances - Ending	$ 19,015	$ 8,967	$ 10,079	$ 22,072	$ 28,160	$ 88,293

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

TOWN OF MIDDLESEX, VERMONT
SCHEDULE OF EMPLOYER SHARE OF NET PENSION LIABILITY
VERMONT MUNICIPAL EMPLOYEE RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	JUNE 30, 2015
Town's Portion of the Net Pension Liability	.0812%
Town's Proportionate Share of the Net Pension Liability	$ 7,413
Town's Covered Employee Payroll	$209,563
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	3.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.16%

GASB 68 requires ten (10) years of information to be presented in this table. However, until a 10-year period is compiled, only those years for which information is available will b presented.

Data reported is measured using the beginning fiscal year measurement date.

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

TOWN OF MIDDLESEX, VERMONT
SCHEDULE OF EMPLOYER CONTRIBUTION
VERMONT MUNICIPAL EMPLOYEE RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	JUNE 30, 2015
Statutorily Required Contribution	$ 11,264
Contribution in Relation to the Statutorily Required Contribution	11,264
Contribution Deficiency/(Excess)	$ 0
Town's Covered Employee Payroll	$209,563
Contribution as a Percentage of of Covered Employee Payroll	5.375%

GASB 68 requires ten (10) years of information to be presented in this table. However, until a 10-year period is compiled, only those years for which information is available will b presented.

Data reported is measured as of each year's most recent fiscal year end.

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

WILLIAM YACAVONI
CERTIFIED PUBLIC ACCOUNTANT
301 North Main Street, Suite 4
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Tel. (802)476-4464 *Fax (802)476-7785*

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, 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, 2015, 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 November 4, 2015.

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*.

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
Barre, Vermont
License # 92-0000153
November 4, 2015

WILLIAM YACAVONI
CERTIFIED PUBLIC ACCOUNTANT
301 North Main Street, Suite 4
Barre, VT 05641

Tel. (802)476-4464 *Fax (802)476-7785*

November 4, 2015

Board of Selectmen
Town of Middlesex, Vermont
Middlesex, Vermont 05062

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, 2015. 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 June 15, 2015. 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, 2015. 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 November 4, 2015.

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
Barre, Vermont
License #92-0000153