

TOWN OF MIDDLESEX, VERMONT
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2023

TOWN OF MIDDLESEX, VERMONT
FOR THE YEAR ENDED JUNE 30, 2023
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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Middlesex
Middlesex, Vermont

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2023, and the related notes to the financial statements, which collectively comprise the Town of Middlesex, Vermont's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Middlesex, Vermont, as of June 30, 2023, 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 (GAAP).

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAP). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Middlesex, Vermont, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Middlesex, Vermont's ability to continue as a going concern for twelve (12) months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on test basis evidence regarding the amounts and disclosures in the financials.

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Town of Middlesex, Vermont

- Obtain an understanding of internal control relevant to the audit 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 Town of Middlesex's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Town of Middlesex's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America (GAAP) require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 36-38, respectively, the Schedule of Proportionate Share of the Net Position Liability on Schedule 1 and the Schedule of Contributions on Schedule 2 and Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on Schedule 3 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Middlesex's basic financial statements. The combining and individual non-major fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 (GAAP). In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Batchelder Associates PC

Batchelder Associates, PC
License #945
Barre, Vermont
December 14, 2023

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

As management of the Town of Middlesex, Vermont ("Town") we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report.

Financial Highlights

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$2,756,655 (*net position*). Of this amount, \$688,811 (*unrestricted net position*) may be used by the various funds of the Town to meet the Town's ongoing obligations to its citizens and creditors.

The Town's total net position for governmental activities increased by \$471,265.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,237,799, an increase of \$157,204 from the prior year end. Of the total ending fund balances, \$1,204,328 is available for spending at the government's discretion. Of this amount, \$429,131 is assigned, \$33,471 is restricted, \$0 is nonspendable, with the General Fund balance at a \$775,197 surplus.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three (3) components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

1. Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two 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 is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, health and social services, conservation, and development.

The government-wide financial statements are designed to include not only the Town itself (*known as the primary government*), but also any legally separate entities for which the Town is financially accountable (*known as component units*). The Town has no such entities that qualify as component units.

The government-wide financial statements can be found in Exhibits A and B of this report.

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Overview of the Financial Statements (continued)

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be classified as governmental funds.

a. Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains three (3) individual governmental funds, including the General Fund, eight (8) Special Revenue Funds and four (4) Capital Project Funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Cemetery Fund and Paving, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is presented in a supplementary schedule.

The basic governmental fund financial statements can be found in Exhibits C through F of this report.

b. Proprietary Funds

The Town has no Proprietary Funds.

c. Fiduciary Funds

The Town has no Fiduciary Funds.

3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

4. Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information to provide additional financial information not included in the basic financial statements. This supplementary information includes combining statements for various funds, and budgetary comparison statements. The supplementary information can be found immediately following the notes to the financial statements in this report.

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Government-Wide Financial Analysis

| | <u>Governmental Activities</u> | | <u>Total</u> | |
|---|--------------------------------|---------------------|---------------------|---------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Current and other assets | \$ 1,709,552 | \$ 1,451,197 | \$ 1,709,552 | \$ 1,451,197 |
| Capital assets, non-depreciable | 568,300 | 568,300 | 568,300 | 568,300 |
| Capital assets, depreciable | <u>1,892,892</u> | <u>1,488,574</u> | <u>1,892,892</u> | <u>1,488,574</u> |
| Total Assets | <u>4,170,742</u> | <u>3,508,071</u> | <u>4,170,742</u> | <u>3,508,071</u> |
| Deferred outflows of resources | <u>97,220</u> | <u>51,547</u> | <u>97,220</u> | <u>51,547</u> |
| Long-term liabilities outstanding | 939,353 | 852,472 | 939,353 | 852,472 |
| Other liabilities | <u>224,020</u> | <u>357,211</u> | <u>224,020</u> | <u>357,211</u> |
| Deferred inflows of resources | <u>347,934</u> | <u>64,544</u> | <u>347,934</u> | <u>64,544</u> |
| Total Liabilities | <u>1,511,307</u> | <u>1,274,227</u> | <u>1,511,307</u> | <u>1,274,227</u> |
| Net Position | | | | |
| Invested in capital assets, net of related debt | 1,605,242 | 2,056,875 | 1,605,242 | 2,056,875 |
| Restricted | 33,471 | 557,035 | 33,471 | 557,035 |
| Committed | 429,131 | (872,020) | 429,131 | (872,020) |
| Unrestricted | <u>688,811</u> | <u>543,500</u> | <u>688,811</u> | <u>543,500</u> |
| Total Net Position | <u>\$ 2,756,655</u> | <u>\$ 2,285,390</u> | <u>\$ 2,756,655</u> | <u>\$ 2,285,390</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$2,756,655 at the close of the fiscal year end.

By far the largest portion of the Town's net position, reflective of 58% of the balance, is the investment in capital assets (e.g., land, buildings, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net position of \$688,811 may be used to meet the government's ongoing obligations to citizens and creditors. Restricted, non-spendable, and committed funds total \$462,602. Included in unrestricted net position are amounts that management has assigned for particular purposes, such as capital reserve funds and reserves for expenditures in subsequent years.

At the end of the current fiscal year, the Town is able to report positive balances in both categories of net position for the government as a whole.

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Governmental Activities

Governmental activities increased the Town's net position by \$471,265 during the current fiscal year.

| | <u>Governmental Activities</u> | | <u>Total</u> | |
|--|--------------------------------|----------------------------|----------------------------|----------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| REVENUES | | | | |
| Program revenues | | | | |
| Charges for services | \$ 35,244 | \$ 45,778 | \$ 35,244 | \$ 45,778 |
| Operating grants and contributions | 443,001 | 293,565 | 443,001 | 293,565 |
| Capital grants and contributions | 175,000 | - | 175,000 | - |
| General revenues | | | | |
| Property taxes | 1,421,142 | 1,292,912 | 1,421,142 | 1,292,912 |
| Unrestricted investment earnings | 8,682 | (16,271) | 8,682 | (16,271) |
| Other revenues | 16,938 | 14,611 | 16,938 | 14,611 |
| Total Revenues | <u>2,100,007</u> | <u>1,630,595</u> | <u>2,100,007</u> | <u>1,630,595</u> |
| EXPENSES | | | | |
| Governmental activities | | | | |
| General government | 458,334 | 322,830 | 458,334 | 322,830 |
| Public safety | 206,023 | 190,865 | 206,023 | 190,865 |
| Highway and streets | 845,413 | 918,346 | 845,413 | 918,346 |
| Cemetery | 9,825 | 11,295 | 9,825 | 11,295 |
| Conservation and development | 83,850 | 82,067 | 83,850 | 82,067 |
| Interest on long-term debt | 25,296 | 21,861 | 25,296 | 21,861 |
| Total Expenses | <u>1,628,741</u> | <u>1,547,264</u> | <u>1,628,741</u> | <u>1,547,264</u> |
| Change in net assets | <u>471,265</u> | <u>83,331</u> | <u>471,265</u> | <u>83,331</u> |
| Net position-beginning of year, restated | <u>2,285,390</u> | <u>2,202,059</u> | <u>2,285,390</u> | <u>2,202,059</u> |
| Net position - end of year | <u>\$ 2,756,655</u> | <u>\$ 2,285,390</u> | <u>\$ 2,756,655</u> | <u>\$ 2,285,390</u> |

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

1. Governmental Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,237,799, an increase of \$157,204 in comparison to the prior year.

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Financial Analysis of the Government's Funds (continued)

1. Governmental Funds (continued)

a. General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the General Funds unrestricted balance was a surplus of \$775,197. As a measure of the General Fund's liquidity, it would be useful to compare total fund balance to total general fund expenditures and operating transfers. The general fund balance represents 62.63% of the total general fund expenditures and operating transfers for the year ended June 30, 2023.

The General Fund balance increased by \$276,938 during the fiscal year. Key factors in this change are a result of current year loan proceeds and significant decreased energy and fuel rates.

b. Non-Major Special Revenue and Capital Project Funds

Non-Major funds include the following:

| Non-Major Funds | |
|-------------------------|------------------------|
| Special Revenue | Capital Project |
| Conservation Fund | Bridge Fund |
| Conservation Commission | Town Garage Building |
| Records Restoration | Building Fund |
| Reappraisal Fund | Resurface Fund |
| Milford Leonard Fund | |
| Walter Kelley Park Fund | |
| Town Forest Fund | |
| Welch Park Fund | |
| Grant Fund | |
| ARPA Fund | |

The total non-major funds balances as of June 30, 2023, total \$239,401.

Capital Asset and Debt Administration

1. Capital Assets

The Town's investment in capital assets for its governmental funds for the year ended, amounted to \$2,461,193 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, furniture, vehicles, and equipment.

| | Governmental Activities | | Total | |
|----------------------------|-------------------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 568,300 | \$ 568,300 | \$ 568,300 | \$ 568,300 |
| Capital assets | | | | |
| Buildings and improvements | 446,322 | 489,780 | 446,322 | 489,780 |
| Vehicles and equipment | 583,642 | 465,614 | 583,642 | 465,614 |
| Infrastructure | 862,929 | 533,180 | 862,929 | 533,180 |
| Total Assets | \$ 2,461,193 | \$ 2,056,874 | \$ 2,461,193 | \$ 2,056,874 |

Additional information on the Town's capital assets can be found in Note 4 of the notes to financial statements.

TOWN OF MIDDLESEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Capital Asset and Debt Administration (continued)

2. Long-term Debt

At the end of the current year, the Town had total long-term debt outstanding of \$849,322. This debt is a result of the major equipment financing and the fire station construction bond.

| | Governmental Activities | | Total | |
|---------------------|-------------------------|------------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Notes payable, bank | \$ 849,322 | \$ 785,103 | \$ 849,322 | \$ 785,103 |
| Totals | \$ 849,322 | \$ 785,103 | \$ 849,322 | \$ 785,103 |

State statutes limit the amount of bonded debt any governmental entity may issue to 10 times its total assessed valuation. The current debt limit for the Town is significantly in excess of the Town's outstanding bonded debt.

Economic Factors and Next Year's Budgets and Rates

Recent data on Vermont economic conditions indicate that the performance of the Vermont economy has generally outperformed the developments in the U.S. economy overall during the past 12 to 18 months.

All these factors were considered in preparing the Town's budget for the year ended June 30, 2023.

The Town approved a general fund budget for the year ended June 30, 2024 in the amount of \$1,657,287 and for the fiscal year 2023 in the amount of \$1,503,407. This represents an annualized increase of \$153,880 from the approved budget for the prior fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Treasurer, 5 Church Steet, Middlesex, Vermont, 05602, (802) 223-5915.

TOWN OF MIDDLESEX, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2023

EXHIBIT A

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Cash | \$ 1,526,555 |
| Investments | 113,662 |
| Accounts receivable, net | 2,894 |
| Delinquent taxes receivable, net | 59,677 |
| Interest and penalties receivable, net | 6,763 |
| Capital assets: | |
| Land | 568,300 |
| Buildings and building improvements | 982,752 |
| Equipment and vehicles | 1,801,642 |
| Infrastructure | 1,131,428 |
| Accumulated depreciation | <u>(2,022,929)</u> |
| Total Assets | <u>4,170,743</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources related to the Town's participation in VMERS | <u>97,220</u> |
| Total Deferred Outflows of Resources | <u>97,220</u> |
| LIABILITIES | |
| Accounts payable | 61,862 |
| Accrued wages | 28,171 |
| Bonds, notes & leases payable due within one year | 115,058 |
| Bonds, notes & leases payable due after one year | 734,264 |
| Net pension liability | <u>224,020</u> |
| Total Liabilities | <u>1,163,374</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Prepaid property taxes | 64 |
| Grant advances- ARPA | 344,907 |
| Deferred inflows of resources related to the Town's participation in VMERS | <u>2,963</u> |
| Total Deferred Inflows of Resources | <u>347,934</u> |
| NET POSITION | |
| Net investment in capital assets | 1,605,242 |
| Restricted - expendable: | |
| Cemetery fund | - |
| Non-major revenue funds | 33,471 |
| Committed | |
| Paving fund | 429,131 |
| Unrestricted (deficit) | <u>688,811</u> |
| Total Net Position | <u><u>\$ 2,756,655</u></u> |

The accompanying notes are an integral part of this financial statement.

TOWN OF MIDDLESEX, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

EXHIBIT B

| | Program Revenues | | | | Net (Expenses) Revenue and Changes in Net Position | |
|---------------------------------------|------------------|-------------------------|--|--|---|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Total |
| Functions/Programs: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 458,334 | \$ 16,279 | \$ 308,796 | \$ - | \$ (133,260) | \$ (133,260) |
| Public safety | 206,023 | 322 | - | - | (205,701) | (205,701) |
| Highway and streets | 845,413 | - | 134,205 | 175,000 | (536,208) | (536,208) |
| Cemetery | 9,825 | - | - | - | (9,825) | (9,825) |
| Culture and recreation | 83,850 | 18,643 | - | - | (65,207) | (65,207) |
| Interest on debt | 25,296 | - | - | - | (25,296) | (25,296) |
| Total Governmental Activities | <u>1,628,741</u> | <u>35,244</u> | <u>443,001</u> | <u>175,000</u> | <u>(975,497)</u> | <u>(975,497)</u> |
| General Revenues: | | | | | | |
| Property taxes | | | | | 1,408,330 | 1,408,330 |
| Penalties and interest | | | | | 12,812 | 12,812 |
| Earnings on investments | | | | | 8,682 | 8,682 |
| Licenses and fees | | | | | 6,533 | 6,533 |
| Other | | | | | 10,405 | 10,405 |
| Total General Revenues and Transfers | | | | | <u>1,446,762</u> | <u>1,446,762</u> |
| Change in Net Position | | | | | 471,265 | 471,265 |
| Net Position - July 1, 2022- Restated | | | | | <u>2,285,390</u> | <u>2,285,390</u> |
| Net Position - June 30, 2023 | | | | | <u>\$ 2,756,655</u> | <u>\$ 2,756,655</u> |

The accompanying notes are an integral part of this financial statement.

TOWN OF MIDDLESEX, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

EXHIBIT C

| | General Fund | Cemetery Fund | Paving Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------------|--------------------------|--------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash | \$ 1,169,630 | \$ 2,788 | \$ 105,950 | \$ 248,188 | \$ 1,526,556 |
| Investments | - | 113,663 | - | - | 113,663 |
| Accounts receivable, net | 1,090 | - | - | 1,805 | 2,895 |
| Delinquent taxes receivable, net | 59,677 | - | - | - | 59,677 |
| Interest and penalties receivable, net | 6,763 | - | - | - | 6,763 |
| Prepaid expenses | - | - | - | - | - |
| Grants receivable | - | - | - | - | - |
| Due from other funds | - | 800 | - | 345,930 | 346,730 |
| Total Assets | <u><u>\$ 1,237,160</u></u> | <u><u>\$ 117,251</u></u> | <u><u>\$ 105,950</u></u> | <u><u>\$ 595,923</u></u> | <u><u>\$ 2,056,284</u></u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 61,862 | \$ - | \$ - | \$ - | \$ 61,862 |
| Accrued wages | 9,751 | - | - | - | 9,751 |
| Accrued liabilities | 6,718 | - | - | - | 6,718 |
| Due to other funds | 335,116 | - | - | 11,614 | 346,730 |
| Total Liabilities | <u><u>413,446</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>11,614</u></u> | <u><u>425,060</u></u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Prepaid property taxes | 64 | - | - | - | 64 |
| Grant advances- ARPA | - | - | - | 344,907 | 344,907 |
| Unavailable property taxes, penalties and interest | 48,452 | - | - | - | 48,452 |
| Total Deferred Inflows of Resources | <u><u>48,517</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>344,907</u></u> | <u><u>393,424</u></u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | 33,471 | 33,471 |
| Assigned | - | 117,251 | 105,950 | 205,930 | 429,131 |
| Unassigned | 775,197 | - | - | - | 775,197 |
| Total Fund Balances | <u><u>775,197</u></u> | <u><u>117,251</u></u> | <u><u>105,950</u></u> | <u><u>239,401</u></u> | <u><u>1,237,799</u></u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u><u>\$ 1,237,160</u></u> | <u><u>\$ 117,251</u></u> | <u><u>\$ 105,950</u></u> | <u><u>\$ 595,923</u></u> | <u><u>\$ 2,056,284</u></u> |

The accompanying notes are an integral part of this financial statement.

TOWN OF MIDDLESEX, VERMONT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

EXHIBIT D

Amounts reported for governmental activities in the statement of net position
(Exhibit A) are different because:

| | |
|---|--------------|
| Fund balance - total governmental funds (Exhibit C) | \$ 1,237,799 |
|---|--------------|

Capital assets used in governmental activities are not financial resources and, financial resources and, therefore, are not reported as assets in governmental funds.

| | |
|--------------------------|--------------------|
| Cost of assets | 4,484,122 |
| Accumulated depreciation | <u>(2,022,930)</u> |

Deferred outflows/inflows of resources are recognized on the accrual basis in the statement of net position, not the modified accrual basis. Deferred outflows, Inflows of resources not available to pay current period expenditures consisted of the following:

| | |
|--|----------------|
| Unavailable property taxes, penalties and interest | 48,452 |
| Deferred outflow - pension | 97,220 |
| Deferred inflow - pension | <u>(2,966)</u> |

Long-term liabilities, including bonds and leases payable are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of the following:

| | |
|-------------------------------|------------------|
| Bonds, notes & leases payable | (849,322) |
| Uncompensated balances | (11,700) |
| Net pension liability | <u>(224,019)</u> |

| | |
|--|----------------------------|
| Net position - governmental activities (Exhibit A) | <u><u>\$ 2,756,655</u></u> |
|--|----------------------------|

TOWN OF MIDDLESEX, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

EXHIBIT E

| | General Fund | Cemetery Fund | Paving Fund | Other Governmental Funds | Total Government Funds |
|--|-------------------|-------------------|-------------------|--------------------------------|------------------------------|
| REVENUES: | | | | | |
| Property taxes | \$ 1,413,995 | \$ - | \$ - | \$ - | \$ 1,413,995 |
| Property taxes - interest and penalties | 12,812 | - | - | - | 12,812 |
| Intergovernmental | 265,360 | - | - | - | 265,360 |
| Grants | - | - | - | 352,642 | 352,642 |
| Charges for services | 16,600 | - | - | 23,644 | 40,245 |
| Licenses and fees | 6,533 | - | - | - | 6,533 |
| Investment income | 2,102 | 4,466 | 670 | 1,443 | 8,682 |
| Miscellaneous | 1,805 | 3,600 | - | - | 5,405 |
| | <u>1,719,208</u> | <u>8,066</u> | <u>670</u> | <u>377,729</u> | <u>2,105,674</u> |
| EXPENDITURES: | | | | | |
| General government | 313,340 | - | - | 124,625 | 437,965 |
| Public safety | 155,892 | - | - | - | 155,892 |
| Highway and streets | 703,585 | - | - | (2,213) | 701,372 |
| Cemetery | 4,250 | 5,575 | - | - | 9,825 |
| Culture, recreation, development & transportation | 83,850 | - | - | - | 83,850 |
| Capital outlay: | | | | | |
| General government | - | - | - | - | - |
| Public safety | - | - | - | - | - |
| Highway and streets | 179,276 | - | 174,213 | 245,000 | 598,489 |
| Debt service: | | | | | |
| Principal | 115,057 | - | - | - | 115,057 |
| Interest | 25,296 | - | - | - | 25,296 |
| | <u>1,580,546</u> | <u>5,575</u> | <u>174,213</u> | <u>367,412</u> | <u>2,127,746</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>138,662</u> | <u>2,492</u> | <u>(173,543)</u> | <u>10,317</u> | <u>(22,073)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Loan proceeds | 179,276 | - | - | - | 179,276 |
| Transfers in | - | - | 20,000 | 21,000 | 41,000 |
| Transfers out | (41,000) | - | - | - | (41,000) |
| | <u>138,276</u> | <u>-</u> | <u>20,000</u> | <u>21,000</u> | <u>179,276</u> |
| Net Change in Fund Balances | 276,938 | 2,492 | (153,543) | 31,317 | 157,204 |
| Fund Balances - July 1, 2022, restated | <u>498,259</u> | <u>114,759</u> | <u>259,493</u> | <u>208,084</u> | <u>1,080,595</u> |
| Fund Balances - June 30, 2023 | <u>\$ 775,197</u> | <u>\$ 117,251</u> | <u>\$ 105,950</u> | <u>\$ 239,401</u> | <u>\$ 1,237,799</u> |

The accompanying notes are an integral part of this financial statement.

TOWN OF MIDDLESEX, VERMONT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

EXHIBIT F

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

| | |
|---|------------|
| Net change in fund balances - total governmental funds (Exhibit E) | \$ 157,204 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$419,213) is allocated over their estimated useful lives and reported as depreciation expense (\$194,170). This is the amount by which capital outlays exceeded depreciation in the current period. | 225,043 |
| Property taxes receivable, notes receivable and other receivables are recognized on the accrual basis in the statement of net position, not the modified accrual basis. The decrease in this unearned and unavailable revenue for the year is: | (5,669) |
| Repayment of bond principal (\$115,057) reduces long-term liabilities. | 115,057 |
| In the statement of activities, accrued compensated absences are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences incurred was (greater)/less than the amounts paid. | (20,370) |
| Governmental funds report employer pension contributions as expenditures (\$). However, in the statement of activities, the cost of pension benefits earned plus employee contributions (\$) is reported as pension expense. This amount is the net effect of the difference in the treatment of pension expense. | - |
| Change in net position of governmental activities (Exhibit B) | \$ 471,265 |

The accompanying notes are an integral part of this financial statement.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Middlesex, Vermont ("Town") is organized as a Town under the applicable laws and regulations of the State of Vermont. It is governed by a Select Board elected by registered voters of the Town to provide public health and safety, highways and street, public improvements, planning and zoning, recreation, and general administration. Except where noted, the accounting policies conform to generally accepted accounting principles (GAAP), as applicable to governmental units.

The accounting policies adopted by the Town conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

The Financial Reporting Entity

The Select 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. Therefore, the Town is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14. There are no component units included within the reporting entity. A component unit is another operation in the Town that has a separately elected Board such as a town school district, cemetery, or library.

This report includes all the funds of the Town. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organizations governing body and it can impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. There are no agencies or entities that should be combined with the financial statements of the Town.

Basis of Presentation

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and how spending activities are controlled.

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and present a longer-term view of the Town's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

Basic Financial Statements - Government-Wide Statements

The statement of net position and the statement of activities display information about the Town. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of activities between funds; however, interfund services provided and used are not eliminated. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Basic Financial Statements - Fund Financial Statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category - governmental, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Fund equity (i.e., net total assets) is segregated into investment in capital assets, net of related debt; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources. Operating statements of these funds' present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Modified Accrual Basis of Accounting

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates used by the Town are the estimated useful lives used to calculate depreciation of property, plant, and equipment.

Assets, Liabilities and Fund Balances

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six (6) months or less from the date of acquisition.

Investments

State statute does not restrict the types of investments the Town can make. All investments require the authorization of the Board of Selectmen. The Town has no investments.

In accordance with GASB 31, "Accounting and Financial Reporting for Certain Investments," investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

Receivables

Accounts receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (for the current portion of the interfund loans) or "advances to/from other funds" (for the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Accounts receivable from other governments represent amounts due from the State of Vermont for grants reimbursements. Based on experience and because the receivables are in accordance with formal agreements, the Town has not established an allowance for uncollectible receivables.

The Town is responsible for assessing and collecting its own property taxes, as well as taxes for the State for school purposes. Property taxes are assessed based on property valuations as of April 1 annually. Taxes were levied during July and were due and payable during August 2022, November 2022, February 2023, and May 2023.

During the year ended tax year June 30, 2023, taxes were billed in four (4) installments. Taxes paid after due date are subject to an 8% penalty and .5% interest per month. Because unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale by the delinquent tax collector, the Town has not established an allowance for uncollectible taxes receivable.

As of June 30, 2023, delinquent taxes receivable was \$66,440, inclusive of interest and penalties, with no allowance for uncollectible taxes.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The tax rates for FY2023 are as follows:

| | Homestead | Non-Residential |
|----------------------------------|------------------|------------------|
| Homestead education tax | \$ 1.7045 | \$ - |
| Non-residential education tax | - | 1.6309 |
| Town general fund appropriations | 0.5921 | 0.5921 |
| Local agreement | 0.0024 | 0.0024 |
| | \$ 2.2990 | \$ 2.2254 |
| Total | \$ 2.2990 | \$ 2.2254 |

Inventories

The Town does not record inventories of supplies as these amounts are not material in relation to the Town's results of operations. Accordingly, expenditures related to inventories are reported in governmental funds when purchased.

Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities' column in the governmental-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and estimated useful life in excess of one year. Such assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Capital assets reported in the government-wide fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, using the straight-line method of calculating depreciation. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

| | Capitalization Threshold | Estimated Service Life |
|-------------------------------------|-----------------------------|---------------------------|
| Land improvements | \$ 10,000 | 10-50 years |
| Buildings and building improvements | \$ 20,000 | 10-75 years |
| Vehicles and equipment | \$ 5,000 | 3-25 years |
| Infrastructure | \$ 20,000 | 20-75 years |

Capital assets are not reported in the governmental fund type financial statements. Capital outlays in these funds are recorded as expenditures in the year they are paid.

Accrued Compensated Balances

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

Fund Financial Statements - Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts until paid. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term Liabilities

Long-term liabilities include bonds and notes payable, and capital leases payable. Long-term liabilities also include other obligations such as compensated absences and post-employment benefits. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

Fund Balances

Net Position

Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities in the statement of net position. Net resources invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed by its use by Town legislation or external restrictions by creditors, grantors, laws, or regulations of other governments.

Fund Balances

The Town classifies its fund balances depicting the relative strength of the constraints that might control how specific amounts can be spent:

Nonspendable fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use such as impact fees).

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the Town voters, in this case. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the Town Selectboard or by an official or body to which the Selectboard delegates the authority.

Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the General Fund.

Non-spendable and Restricted funds are so designated by external funds sources, such as in the case of the nonspendable Cemetery Trust Fund corpus, and also by the definitions of "nonspendable" contained in GASB Statement No. 54. Fund balances that are committed and assigned are so designated by action of the voters or the Selectboard, respectively. Special revenue funds are by definition, created only to report a revenue source that is restricted or committed. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the Town's policy is to consider the most constrained fund balances to be expended first.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget Accounting

The Town is required by state law to adopt a budget for the General and Highway Funds. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles (GAAP). The operating budget is prepared by the Select Board and approved by the Select Board at a properly warned meeting for presentation to the voters. The operating budget includes proposed expenditures by line item and the means of financing them. The budget is approved by Town voters at a properly warned annual Town meeting. The voters vote on the total expense amount, but voters have discretion to change individual line items within the budget, thereby changing the total voted expense amount.

Encumbrances

Encumbrance accounting, under which purchase orders, contract, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Fund. Encumbrances are not liabilities and, therefore, should not be recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town has elected to treat its encumbrances as liabilities for budgetary control purposes.

Interfund Balances

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

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, "deferred outflows of resources", represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town has one type which arises under the accrual basis of accounting that qualifies for reporting in this category. The governmental activities, the business-type activities and the proprietary funds report deferred outflows of resources from one source; deferred outflows related to the Town's participation in the Vermont Municipal Employees Retirement System (VMERS). These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources", represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three (3) types of items which arise under the modified accrual basis of accounting and two (2) types which arise under the accrual basis of accounting that qualify for reporting in this category. The statement of net position reports deferred inflows of resources from two (2) sources; prepaid property taxes and deferred inflows related to the Town's participation in the Vermont Municipal Employees Retirement System (VMERS). The governmental funds balance sheet reports deferred inflows of resources from three (3) sources: prepaid property taxes, unavailable property taxes, penalties and interest and unavailable receivables. The business-type activities and proprietary funds report deferred inflows of resources from one source; deferred inflows related to the Town's participation in the Vermont Municipal Employees Retirement System (VMERS). These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncement – Pension Plans

Effective June 30, 2015, the Town implemented GASB Statement No. 68, "Financial Reporting for Pension Plans" – an amendment of GASB Statement No. 27. GASB Statement No. 68 requires the reporting of the proportionate share of the net pension liability related to the Town's participation in the Vermont Municipal Employees' Retirement System (VMERS) as well as additional disclosures and required supplemental information.

NOTE 2. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Governmental Fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements, as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. *Long-term expense* differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation expense as an expense. Further, governmental funds report the proceeds for the sale of capital assets as revenue, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report bond proceeds as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (continued)

A detailed explanation of the differences between governmental funds balance sheet and government-wide statement of net position is as follows:

| | Total Governmental Funds | Long-term Revenues/ Expenses | Capital- Related Items | Long-term Debt Transactions | Elimination of Due To/From | Statement of Net Position Total |
|---|--------------------------------|------------------------------------|------------------------------|-----------------------------------|-------------------------------|---------------------------------------|
| ASSETS | | | | | | |
| Cash | \$ 1,526,556 | \$ - | \$ - | \$ - | \$ - | \$ 1,526,556 |
| Investments | 113,663 | (2) | - | - | - | 113,661 |
| Receivable (net of allowance for uncollectible accounts): | 2,895 | - | - | - | - | 2,895 |
| Taxes receivable | 66,440 | - | - | - | - | 66,440 |
| Prepaid expenses | - | - | - | - | - | - |
| Due from other funds | 346,730 | - | - | - | (346,730) | - |
| Capital assets | - | - | 2,461,192 | - | - | 2,461,192 |
| Total assets | <u>2,056,284</u> | <u>(2)</u> | <u>2,461,192</u> | <u>-</u> | <u>(346,730)</u> | <u>4,170,744</u> |
| Deferred Outflows - pension sources | - | 97,220 | - | - | - | 97,220 |
| LIABILITIES | | | | | | |
| Accounts payable | 61,862 | - | - | - | - | 61,862 |
| Accrued payroll and withholdings | 16,469 | 11,701 | - | - | - | 28,170 |
| Due to other funds | 346,730 | - | - | - | (346,730) | - |
| Non-current obligations | - | - | - | 849,322 | - | 849,322 |
| Net pension liability | - | 224,020 | - | - | - | 224,020 |
| Total Liabilities | <u>425,061</u> | <u>235,721</u> | <u>-</u> | <u>849,322</u> | <u>(346,730)</u> | <u>1,163,374</u> |
| Deferred Inflows | | | | | | |
| Taxpayer credits | 64 | - | - | - | - | 64 |
| Grant advances- ARPA | 344,907 | - | - | - | - | 344,907 |
| Deferred property taxes | 48,452 | (48,452) | - | - | - | - |
| Pension resources | - | 2,964 | - | - | - | 2,964 |
| Total deferred inflows | <u>393,423</u> | <u>(45,488)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>347,935</u> |
| NET ASSETS | | | | | | |
| Invested in capital assets | - | - | 2,461,192 | (855,950) | - | 1,605,242 |
| Nonspendable | - | - | - | - | - | - |
| Restricted | 33,471 | - | - | - | - | 33,471 |
| Assigned | 429,131 | - | - | - | - | 429,131 |
| Unrestricted | 775,197 | (86,386) | - | - | - | 688,811 |
| Total Net Assets | <u>\$ 1,237,799</u> | <u>\$ (86,386)</u> | <u>\$ 2,461,192</u> | <u>\$ (855,950)</u> | <u>\$ -</u> | <u>\$ 2,756,655</u> |

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (continued)

A detailed explanation of the differences between governmental funds statement of revenues, expenditures and changes in fund balances and government-wide statement of activities is as follows:

| | Total Governmental Funds | Long-term Revenues/ Expenses | Capital- Related Items | Long-term Debt Transactions | Statement of Net Assets Total |
|--|--------------------------------|------------------------------------|------------------------------|-----------------------------------|-------------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 1,413,995 | \$ (5,665) | \$ - | \$ - | \$ 1,408,330 |
| Tax penalties and interest | 12,812 | - | - | - | 12,812 |
| Intergovernmental | 265,360 | - | - | - | 265,360 |
| Grants | 352,642 | - | - | - | 352,642 |
| Charges for current services | 40,245 | - | - | - | 40,245 |
| License and fees | 6,533 | - | - | - | 6,533 |
| Investment income | 8,682 | - | - | - | 8,682 |
| Other revenues | 5,405 | - | - | - | 5,405 |
| Total Revenues | <u>2,105,674</u> | <u>(5,665)</u> | <u>-</u> | <u>-</u> | <u>2,100,009</u> |
| EXPENDITURES | | | | | |
| Current expenditures | | | | | |
| General government | 437,965 | 20,369 | - | - | 458,334 |
| Public safety | 155,891 | - | 50,132 | - | 206,023 |
| Public works | 701,372 | - | 144,041 | - | 845,413 |
| Cemetery | 9,825 | - | - | - | 9,825 |
| Culture, recreation and development | 83,850 | - | - | - | 83,850 |
| Debt service expenditures | | | | | |
| Principal | 115,058 | - | - | (115,058) | - |
| Interest | 25,296 | - | - | - | 25,296 |
| Capital expenditures | | | | | |
| General government | - | - | - | - | - |
| Public safety | - | - | - | - | - |
| Highway and streets | 419,213 | - | (419,213) | - | - |
| Total Expenditures | <u>1,948,470</u> | <u>20,369</u> | <u>(225,040)</u> | <u>(115,058)</u> | <u>1,628,741</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>157,204</u> | <u>(26,034)</u> | <u>225,040</u> | <u>115,058</u> | <u>471,265</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Note proceeds, net of repayment | - | - | - | - | - |
| Transfers in | 41,000 | - | - | - | 41,000 |
| Transfers out | (41,000) | - | - | - | (41,000) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | <u>\$ 157,204</u> | <u>\$ (26,034)</u> | <u>\$ 225,040</u> | <u>\$ 115,058</u> | <u>\$ 471,265</u> |

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3. CASH AND CASH EQUIVALENTS

At June 30, 2023, the carrying amount of the Town's deposits with financial institutions was \$1,526,555. Of the funds on deposit, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and was collateralized. The Town has a collateralization agreement with the Community Bank, of which the remainder is collateralized to the extent its deposits exceed FDIC insurance limits.

The cash deposits held at financial institutions and cash on hand can be categorized according to four (4) levels of risk:

Category 1 - Deposits which are insured or collateralized with securities held by the Town or by its agent in the Town's name (repurchase agreements).

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category 3 - Private commercial insurance protection or letters of credit for funds in excess of FDIC limits.

Category 4 - Deposits which are not collateralized or insured (includes cash on hand).

Balances held in each area are as follows:

| | Book Balance | Bank Balance |
|-----------------|-----------------|-----------------|
| Insured by FDIC | \$ 250,000 | \$ 250,000 |
| Category 1 | 1,276,555 | 1,277,928 |
| Total Deposits | \$ 1,526,555 | \$ 1,527,928 |

The difference between the book balance and bank balance is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flows at certain times during the year, the amount of uninsured, and not collateralized cash could have been much higher than at year end.

Balances in excess of FDIC insurance limits are collateralized by Community Bank using a pool of securities, separate from the Bank's other assets. At June 30, 2023, the security used are U.S. Treasury Notes, due 9/30/2028 (CUSIP #91282CCY5) in the face amount of \$1,365,000.

None of the Town's cash deposits at year end is subject to credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. The Town does not have policies regarding custodial credit risk, credit risk, concentration of credit risk, interest risk, or foreign currency risk.

GASB Statement No. 40 requires the Town's investments be categorized indicating the level of risk assumed by the Town at year end. Category 1 includes investments that are insured or registered or securities that are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments which are held by a trust department or agent in the Town's name. At June 30, 2023, all the Town's investments were in Category 1.

NOTE 4. TRUST FUND ASSETS HELD BY OTHERS

In order to diversify Credit and Market Risk, the Town has Cemetery money invested with Edward Jones. For Fiscal Year 2023, realized long-term gains were \$0, interest was \$7 and unrealized gains totaled \$4,452.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4. TRUST FUND ASSETS HELD BY OTHERS (continued)

Breakdown of cost versus fair market value is as follows:

| | Cost | Fair Value |
|--------------|------------|------------|
| Fixed assets | \$ - | \$ - |
| Equities | 113,864 | 111,744 |
| Cash | 1,918 | 1,918 |
| | \$ 115,782 | \$ 113,662 |

NOTE 5. FAIR VALUE MEASUREMENTS

FASB ASC Topic No. 820-10 provides a definition of fair value which focuses on an exit price rather than an entry price, establishes a framework in Generally Accepted Accounting Principles (GAAP) for measuring fair value which emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and requires expanded disclosures about fair value measurements. In accordance with *FASB ASC 820-10*, Women's Information Service, Inc. may use valuation techniques consistent with market, income and cost approaches to measure fair value. As a basis for considering market participant assumptions in fair value measurements, *ASC Topic 820* establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair values. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. The three (3) levels of the fair value hierarchy under *ASC Topic 820* are described as follows:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Level 2 - Inputs to the valuation methodology are other than quoted market prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

All of the Organization's investments were classified as Level 1 at June 30, 2023.

The following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at June 30, 2023.

Mutual Funds: All actively traded mutual funds are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. All mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission.

Equities: Valued at the closing price reported on the active market on which the individual equities are traded.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6. CAPITAL ASSET ACTIVITY

Capital asset activity of the Town for the year ended June 30, 2023, is as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|---|-------------------------------|-------------------|-------------------|----------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 568,300 | \$ - | \$ - | \$ 568,300 |
| Capital assets being depreciated: | | | | |
| Buildings/improvements | 982,752 | - | - | 982,752 |
| Vehicles and equipment | 1,812,518 | 249,276 | 260,152 | 1,801,642 |
| Infrastructure | <u>782,215</u> | <u>349,213</u> | <u>-</u> | <u>1,131,428</u> |
| Total capital assets, being depreciated | <u>\$ 3,577,485</u> | <u>\$ 598,489</u> | <u>\$ 260,152</u> | <u>\$ 3,915,822</u> |
| | <u>Beginning</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings/improvements | \$ 510,174 | \$ 26,255 | \$ - | \$ 536,429 |
| Vehicles and equipment | 1,346,903 | 131,249 | 260,152 | 1,218,000 |
| Infrastructure | <u>231,834</u> | <u>36,666</u> | <u>-</u> | <u>268,500</u> |
| Total accumulated depreciation | <u>2,088,911</u> | <u>194,170</u> | <u>260,152</u> | <u>2,022,929</u> |
| Assets Being Depreciated, Net | <u>1,488,574</u> | <u>404,319</u> | <u>-</u> | <u>1,892,893</u> |
| Net Assets | <u>\$ 2,056,874</u> | <u>\$ 404,319</u> | <u>\$ -</u> | <u>\$ 2,461,193</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|--|-------------------|
| General Government | \$ - |
| Public Safety | 50,131 |
| Public Works | <u>144,038</u> |
| Total 2023 governmental depreciation expense | <u>\$ 194,169</u> |

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7. INTERFUND BALANCES AND TRANSFERS

Interfund Balances

Interfund balances at June 30, 2023 are as follows:

| | Receivables | Payables | |
|----------------------|-------------------|-------------------|--|
| General fund | \$ - | \$ 335,116 | |
| Cemetery fund | 800 | - | |
| Paving Fund | - | - | |
| Special revenue fund | 345,930 | 11,614 | |
| Total | \$ 346,730 | \$ 346,730 | |

Operating Interfund Transfers

The Town occasionally transfers funds to cover expenditures made in one fund for which the revenues are in another fund. Interfund transfers during the year ending June 30, 2023 are detailed below.

| | Transfers in | | | | |
|---------------|------------------|-----------------|----------------------------|------------------|------------------|
| | Paving Fund | Bridge Fund | Town Garage Building | Building Fund | |
| Transfers out | | | | | |
| General Fund | \$ 20,000 | \$ 6,000 | \$ 5,000 | \$ 10,000 | \$ 41,000 |
| Total | \$ 20,000 | \$ 6,000 | \$ 5,000 | \$ 10,000 | \$ 41,000 |

NOTE 8. DEFERRED REVENUE

The deferred revenues reported at year end are summarized as follows:

Property taxes: \$48,452

NOTE 9. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the Governmental Activities consists of \$97,220 of required employer pension contributions made subsequent to the measurement date, as further described in Note 9.

NOTE 10. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the Governmental Activities consists of \$64 of prepaid property taxes, \$344,907 of Grant advances – ARPA and \$2,963 resulting from the difference between the projected and actual investment earnings related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note 9. Total deferred inflows of resources in the Governmental Activities are \$347,934.

Deferred inflows of resources in the General Fund consists of \$64 of prepaid property taxes, \$344,907 of Grant advances – ARPA and \$48,452 of delinquent property taxes (including penalties and interest on those taxes) that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total deferred inflows of resources in the General Fund are \$393,424.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11. PENSION PLAN

Defined Benefit Plan

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2023, the retirement system consisted of 423 participating employers. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five (5) members. They are the State Treasurer, two (2) employee representatives elected by the membership of the system, and two (2) employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four (4) nominees. The list of four (4) 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. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2022, the measurement date selected by the State of Vermont, VMERS was funded at 73.60% and had a plan fiduciary net position of \$845,979,471 and a total pension liability of \$1,149,351,427 resulting in a net pension liability of \$303,371,956. As of June 30, 2022, the Town's proportionate share of this was 0.07384% resulting in a liability of \$224,019. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2022, the Town's proportion of 0.07384% was an increase of 0.00621% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$17,545. As of June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11. PENSION PLAN (continued)

| | Deferred Outflow of | Deferred Inflow of |
|--|------------------------|-----------------------|
| Difference between expected and actual experience | \$ 16,824 | \$ - |
| Changes in assumptions | 11,453 | - |
| Difference between projected and actual earnings on pension plan investments | 36,370 | - |
| Changes in proportional share of contributions | 10,834 | 2,963 |
| Difference between the employer contributions and proportionate share of total contributions | - | - |
| Town's required employer contributions made subsequent to the measurement date | 21,739 | - |
| | \$ 97,220 | \$ 2,963 |

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$21,739 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Year Ending June 30th, | |
|------------------------|-----------|
| 2023 | \$ 21,370 |
| 2024 | 17,693 |
| 2025 | 8,359 |
| 2026 | 25,096 |
| 2027 | - |
| | \$ 72,518 |

Summary of System Provisions

Membership – Full time employees of participating municipalities. The Town elected coverage under Group B.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC): Group B – Average annual compensation during highest three (3) consecutive years.

Service Retirement Allowance:

Eligibility – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11. PENSION PLAN (continued)

Amount – 1.7% of AFC x service as a Group B member plus percentage earned as a Group A member x AFC.

Early Retirement Allowance:

Eligibility: Age 55 with five (5) years of service for Group B.

Amount: Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members.

Vested Retirement Allowance:

Eligibility: Five (5) years of service.

Amount: Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on "Post-Retirement Adjustments" described below.

Disability Retirement Allowance:

Eligibility: Five (5) years of service and disability as determined by Retirement Board.

Amount: Immediate allowance based on AFC and service to date of disability.

Death Benefit:

Eligibility: Death after five (5) years of service.

Amount: For Groups B, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death.

Optional Benefit and Death after Retirement: For Groups B, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

Refund of Contribution: Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-Retirement Adjustments: Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 3% for Groups B.

Retirement Stipend: \$25 per month payable at the option of the Board of Trustees.

Member Contributions: Group B – 5.625%.

Employer Contributions: Group B – 6.25%.

Significant Actuarial Assumptions and Methods

Investment rate of return: 7.0%, net of pension plan investment expense, including inflation.

Salary increases - Varying service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11. PENSION PLAN (continued)

Mortality:

Pre-Retirement: Group B - 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019.

Healthy Post-retirement - Retirees: Group B - 104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree, with general projection using scale MP-2019.

Healthy Post-retirement - Beneficiaries: Group B - 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.

Disabled Post-retirement: All Groups - PubNS-2010 Non-Safety Disabled Retiree Mortality Table with generational projection using scale MP-2019.

Spouse's Age: - Females three (3) years younger than males.

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.2% per annum for Group B members. (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group B, who receive a disability retirement benefit).

Actuarial Cost Method - Entry Age Actuarial Cost Method. Entry Age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

Asset Valuation Method – A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from market value of assets by more than 20%.

Inflation: 2.3%

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11. PENSION PLAN (continued)

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, is summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Re Rate of Return |
|------------------------------|-------------------|--------------------------------------|
| Passive Global Equity | 24.00% | 4.30% |
| Active Global Equity | 5.00% | 4.30% |
| US Equity - L Cap | 4.00% | 3.25% |
| US Equity - S/M Cap | 3.00% | 3.75% |
| Non-US Developed US Equities | 7.00% | 5.00% |
| Emerging Markets Debt | 4.00% | 3.50% |
| Core Fixed Income | 19.00% | 0.00% |
| Private & Alt Credit | 10.00% | 4.75% |
| US Tips | 3.00% | -0.50% |
| Core Real Estate | 3.00% | 3.75% |
| Non-Core Real Estate | 4.00% | 6.00% |
| Private Equity | 10.00% | 5.50% |
| Infrastructure/Farmland | 4.00% | 4.25% |
| | 100.00% | |

NOTE 11. PENSION PLAN (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectations that employers will continue to contribute at the rates set by the Board, which excel the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability calculated, using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.00%) or one percent higher (8.00%):

| <u>1% Decrease (6.0%)</u> | <u>Discount Rate (7.0%)</u> | <u>1% Increase (8.0%)</u> |
|---------------------------|-----------------------------|---------------------------|
| \$335,683 | \$224,020 | \$132,171 |

NOTE 12. LONG-TERM CONTRACTS AND COMMITMENTS

The Town participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money recovered may be required and the collectability of any related receivable at June 30, 2023, may be impaired. In the opinion of the Town, there are no significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13. RISK MANAGEMENT

The Town is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; injured to employees; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

In addition, the Town is a member of Vermont League of Cities and Towns (VLCT). The VLCT has set up three insurance Trusts:

1. The Property and Casualty Inter-Municipal Fund, Inc. (PACIF) for multi-line insurance.
2. The Vermont League of Cities and Towns Health Trust (VLCTHT) for health, life, and disability coverage; and
3. The Vermont League of Cities and Towns Unemployment Trust, Inc. (VLCTUT) for unemployment compensation.

PACIF, VLCTHT, and VLCTUT are nonprofit corporations formed to provide insurance and risk management programs for Vermont cities and towns and is owned by the participating members. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association. To provide insurance coverage, PACIF has established a self-funded insurance trust. It provides extensive coverage for losses to member municipalities for property damage, auto accidents, injured employees, public official liability and employment practices liability, members gain additional benefits from PACIF's unique public safety and risk management programs as well as dedicated in-house claims adjusters. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and PACIF is unable to meet its required obligations, the Program will be terminated with each member assessed their proportionate share of the deficit.

To provide insurance coverage, VLCTHT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Benefits available include dental insurance, flexible spending accounts, life insurance, disability insurance, and long-term care insurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

To provide unemployment coverage, VLCTUT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and provides excess reinsurance protection. Contributions are based on payroll expense and the previous two-year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VLCTUT is unable to meet its required obligations, the Program will be terminated with each member assessed their proportionate share of the deficit.

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those amounts.

NOTE 14. LINE OF CREDIT

The Town of Middlesex currently has no line of credit outstanding.

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15. LONG-TERM DEBT

Long-term debt consisted of the following:

| | <u>6/30/2022</u> Balance | <u>New</u> Debt | <u>Principal</u> Payments | <u>6/30/2023</u> Balance |
|--|-----------------------------|--------------------|------------------------------|-----------------------------|
| Fire station construction bond payable to the Vermont Municipal Bond Bank, variable annual principal payments, net of interest of 4.19% . Maturing November, 2029. | 320,000 | - | 40,000 | \$ 280,000 |
| Highway equipment, note payable to the Community Bank. Due, August, 2019 bearing interest at 3.25% . Maturing August, 2025. Annual installments of principal and interest of \$21,409. | 85,633 | - | 21,409 | 64,224 |
| Fire Equipment - Vtech Fire Truck, note payable dated 9/26/19 to the Community Bank, seven year terms, bearing interest at 3.38% . | 58,261 | - | 14,593 | 43,668 |
| Due July 25, 2019, bearing interest at 3.15% . Maturing July 25, 2023 with annual principal and interest payments of \$20,355. | 40,709 | - | 20,355 | 20,354 |
| Highway equipment, note payable to Community Bank. Due July 22,2022, bearing interest at 2.45% . Maturing , 2036 with annual principal and interest payments of \$25,572. | 280,500 | - | 18,700 | 261,800 |
| Highway equipment, note payable to Community Bank. Due September 30,2023, bearing interest at 2.79% . Maturing , 2027 with annual principal and interest payments of \$40,000. | - | 179,276 | - | 179,276 |
| | <u>\$ 785,103</u> | <u>\$ 179,276</u> | <u>\$ 115,057</u> | <u>\$ 849,322</u> |

Principle maturities on long-term debt are as follows:

| <u>Years ending</u> | <u>Governmental Activities</u> | | |
|-------------------------|--------------------------------|-------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| June 30, 2024 | 155,018 | 27,804 | 182,822 |
| June 30, 2025 | 134,664 | 23,186 | 157,850 |
| June 30, 2026 | 134,664 | 18,860 | 153,524 |
| June 30, 2027 | 98,700 | 12,870 | 111,570 |
| June 30, 2028 and after | <u>326,276</u> | <u>41,844</u> | <u>368,120</u> |
| Total | <u>\$ 849,322</u> | <u>\$ 124,565</u> | <u>\$ 973,887</u> |

TOWN OF MIDDLESEX, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE. 16. SUBSEQUENT EVENTS

Events of the Town have been evaluated from June 30, 2023 through the date of these financial statements for subsequent events which would impact the financial standing. We found no subsequent events that should be disclosed.

TOWN OF MIDDLESEX, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NEW PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2023

SCHEDULE 1

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Total Plan Net Pension Liability | \$303,371,956 | \$147,184,198 | \$252,974,064 | \$ 173,491,807 | \$ 140,675,892 | \$ 121,155,552 | \$ 128,696,167 | \$ 77,095,810 |
| Town's Proportion of the Net Pension Liability | 0.0738% | 0.0676% | 0.0660% | 0.0704% | 0.0734% | 0.0785% | 0.0746% | 0.0806% |
| Town's Proportionate Share of the Net Pension Liability | 224,019 | 99,537 | 166,881 | 122,059 | 103,209 | 95,149 | 96,019 | 62,124 |
| Town's Covered Employee Payroll | 334,451 | 196,742 | 254,960 | 200,158 | 240,310 | 233,654 | 233,191 | 206,173 |
| Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll | 66.98% | 50.59% | 65.45% | 60.98% | 42.95% | 40.72% | 41.18% | 30.13% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 73.60% as of June 30, 2022 | 86.29% as of June 30, 2021 | 74.52% as of June 30, 2020 | 80.35% as of June 30, 2019 | 82.60% as of June 30, 2018 | 83.64% as of June 30, 2017 | 80.95% as of June 30, 2016 | 87.42% as of June 30, 2015 |

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: None.

Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

TOWN OF MIDDLESEX, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2023

SCHEDULE 2

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually Required Contribution (Actuarially Determined) | \$ 21,739 | \$ 14,966 | \$ 11,031 | \$ 13,672 | \$ 13,517 | \$ 12,851 | \$ 12,825 | \$ 11,339 |
| Contributions in Relation to the Actuarially Determined Contributions | <u>21,739</u> | <u>14,966</u> | <u>11,031</u> | <u>13,672</u> | <u>13,517</u> | <u>12,851</u> | <u>12,825</u> | <u>11,339</u> |
| Contribution Excess/(Deficiency) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's Covered Employee Payroll | \$ 334,451 | \$ 239,449 | \$ 254,960 | \$ 200,158 | \$ 240,310 | \$ 240,310 | \$ 233,654 | \$ 233,191 |
| Contributions as a Percentage of Town's Covered Employee Payroll | 6.500% | 6.250% | 4.327% | 6.831% | 5.625% | 5.348% | 5.489% | 4.863% |

Notes to Schedule

| | | | | | | | | |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Valuation Date: | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|

Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

TOWN OF MIDDLESEX, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

SCHEDULE 3

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------------------------|-------------------|--|
| REVENUES: | | | |
| Property taxes | \$ 1,408,330 | \$ 1,413,995 | \$ 5,665 |
| Intergovernmental | - | 265,360 | 265,360 |
| State Aid - Highways | - | - | - |
| Charge for services | - | 16,600 | 16,600 |
| Investment income | - | 2,102 | 2,102 |
| Licenses and fees | - | 6,533 | 6,533 |
| Penalty and interest on Delinquent taxes | - | 12,812 | 12,812 |
| Other | - | 1,805 | 1,805 |
| | <u>1,408,330</u> | <u>1,719,208</u> | <u>310,878</u> |
| EXPENDITURES: | | | |
| General Government: | | 313,340 | (313,340) |
| Selectmen | 100,858 | - | 100,858 |
| Administration | 217,527 | - | 217,527 |
| Town Hall | 20,960 | - | 20,960 |
| Zoning and Board of Adjustment | 12,974 | - | 12,974 |
| Planning commission | 8,500 | - | 8,500 |
| | <u>360,819</u> | <u>313,340</u> | <u>47,479</u> |
| Public Safety: | | | |
| Public safety | 79,408 | 76,251 | 3,157 |
| Fire department | 85,909 | 79,641 | 6,268 |
| | <u>165,317</u> | <u>155,892</u> | <u>9,425</u> |
| Public works | 800,809 | 882,863 | (82,054) |
| Cemetery | 6,900 | 4,250 | 2,650 |
| Recreation | 25,983 | 83,850 | (57,867) |
| Debt service | 143,579 | 140,353 | 3,226 |
| Special Articles | 67,439 | - | 67,439 |
| | <u>1,570,846</u> | <u>1,580,548</u> | <u>(9,702)</u> |
| Excess/(Deficiency) of Revenue Over/(Under) Expenditures | <u>(162,516)</u> | <u>138,660</u> | <u>301,176</u> |
| Other Financing Sources/(Uses): | | | |
| Capital outlays | - | 179,276 | 179,276 |
| Proceeds of long-term debt | - | - | - |
| Transfers out | - | (41,000) | 41,000 |
| | <u>-</u> | <u>138,276</u> | <u>138,276</u> |
| Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses | <u>\$ (162,516)</u> | <u>\$ 276,938</u> | <u>\$ 439,454</u> |
| Fund Balance - Beginning | | <u>498,259</u> | |
| Fund Balance - Ending | | <u>\$ 775,197</u> | |

See Disclaimer in accompanying Independent Auditor's Report

TOWN OF MIDDLESEX, VERMONT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

SCHEDULE 4

| | <u>Special Revenue Fund</u> | <u>Capital Project Fund</u> | <u>Total</u> |
|---|-------------------------------------|-------------------------------------|-------------------|
| ASSETS | | | |
| Cash | \$ 107,860 | \$ 140,328 | \$ 248,188 |
| Accounts receivable | 1,804 | - | 1,804 |
| Due from other funds | 345,930 | - | 345,930 |
| | <u>345,930</u> | <u>-</u> | <u>345,930</u> |
| Total Assets | <u>\$ 455,594</u> | <u>\$ 140,328</u> | <u>\$ 595,922</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Due to other funds | 11,614 | - | 11,614 |
| | <u>11,614</u> | <u>-</u> | <u>11,614</u> |
| Total Liabilities | <u>11,614</u> | <u>-</u> | <u>11,614</u> |
| DEFERRED INFLOW OF RESOURCES | | | |
| Grant advances- ARPA | 344,907 | - | 344,907 |
| | <u>344,907</u> | <u>-</u> | <u>344,907</u> |
| Total Deferred Inflow of Resources | <u>344,907</u> | <u>-</u> | <u>344,907</u> |
| FUND BALANCES | | | |
| Nonspendable | - | - | - |
| Restricted | 40 | 33,431 | 33,471 |
| Assigned | 99,033 | 106,897 | 205,930 |
| | <u>99,033</u> | <u>106,897</u> | <u>205,930</u> |
| Total Fund Balances | <u>99,073</u> | <u>140,328</u> | <u>239,401</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 455,594</u> | <u>\$ 140,328</u> | <u>\$ 595,922</u> |

The accompanying notes are an integral part of this financial statement.

TOWN OF MIDDLESEX, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

SCHEDULE 5

| | Special Revenue Fund | Capital Project Fund | Total Other Governmental Funds |
|--|----------------------------|----------------------------|--------------------------------------|
| REVENUES: | | | |
| Property taxes | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - |
| Grants | 352,642 | - | 352,642 |
| Licenses and permits | - | - | - |
| Investment income | 616 | 827 | 1,443 |
| Charges for services | 18,644 | 5,000 | 23,644 |
| Total Revenues | 371,902 | 5,827 | 377,729 |
| EXPENDITURES: | | | |
| General government | 124,625 | - | 124,625 |
| Highway and streets | (2,213) | - | (2,213) |
| Culture, recreation, development & transportation | - | - | - |
| Capital outlay: | | | |
| Highways and streets | 245,000 | - | 245,000 |
| Debt service: | | | |
| Principal | - | - | - |
| Interest | - | - | - |
| Total Expenditures | 367,412 | - | 367,412 |
| Excess (Deficiency) of Revenues Over Expenditures | 4,490 | 5,827 | 10,317 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 21,000 | 21,000 |
| Total Other Financing Sources (uses) | - | 21,000 | 21,000 |
| Net Change in Fund Balances | 4,490 | 26,827 | 31,317 |
| Fund Balances - July 1, 2022, restated | 94,583 | 113,501 | 208,084 |
| Fund Balances - June 30, 2023 | \$ 99,073 | \$ 140,328 | \$ 239,401 |

The accompanying notes are an integral part of this financial statement.

TOWN OF MIDDLESEX, VERMONT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

SCHEDULE 6

| | Special Revenue Funds | | | | | | | | | | Total Special Revenue Funds |
|---|-----------------------|-------------------------|---------------------|------------------|----------------------|-------------------------|------------------|-----------------|----------------|-------------------|-----------------------------|
| | Conservation Fund | Conservation Commission | Records Restoration | Reappraisal Fund | Milford Leonard Fund | Walter Kelley Park Fund | Town Forest Fund | Welch Park Fund | Grants Fund | ARPA Fund | |
| ASSETS | | | | | | | | | | | |
| Cash | \$ 23,200 | \$ 1,005 | \$ 21,781 | \$ 52,327 | \$ 9,181 | \$ 324 | \$ 41 | \$ - | \$ - | \$ - | \$ 107,859 |
| Accounts receivable | - | - | - | - | - | - | - | 1,804 | - | - | 1,804 |
| Due from other funds | - | - | 1,023 | - | - | - | - | - | - | 344,907 | 345,930 |
| Total Assets | \$ 23,200 | \$ 1,005 | \$ 22,804 | \$ 52,327 | \$ 9,181 | \$ 324 | \$ 41 | \$ 1,804 | \$ - | \$ 344,907 | \$ 455,593 |
| LIABILITIES | | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - | - | - | - | - | 1,964 | 9,650 | - | 11,614 |
| Total Liabilities | - | - | - | - | - | - | - | 1,964 | 9,650 | - | 11,614 |
| DEFERRED INFLOW OF RESOURCES | | | | | | | | | | | |
| Grant advances- ARPA | - | - | - | - | - | - | - | - | - | 344,907 | 344,907 |
| Total Deferred Inflow of Res | - | - | - | - | - | - | - | - | - | 344,907 | 344,907 |
| FUND BALANCES | | | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - | 40 | - | - | - | 40 |
| Assigned | 23,200 | 1,005 | 22,804 | 52,328 | 9,182 | 324 | - | (160) | (9,650) | - | 99,033 |
| Total Fund Balances | 23,200 | 1,005 | 22,804 | 52,328 | 9,182 | 324 | 40 | (160) | (9,650) | - | 99,073 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 23,200 | \$ 1,005 | \$ 22,804 | \$ 52,327 | \$ 9,181 | \$ 324 | \$ 41 | \$ 1,804 | \$ 0 | \$ 344,907 | \$ 455,594 |

The accompanying notes are an integral part of these financial statements

TOWN OF MIDDLESEX, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

| | Special Revenue Funds | | | | | | | | | Total Special Revenue Funds | |
|---|-----------------------|-------------------------|---------------------|------------------|----------------------|-------------------------|------------------|-----------------|-------------------|-----------------------------|------------------|
| | Conservation Fund | Conservation Commission | Records Restoration | Reappraisal Fund | Milford Leonard Fund | Walter Kelley Park Fund | Town Forest Fund | Welch Park Fund | Grant Fund | | ARPA Fund |
| REVENUES: | | | | | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - | - | - | - | - | - | - | - |
| Grants | - | - | - | - | - | - | - | - | 182,079 | 170,563 | 352,642 |
| Licenses and permits | - | - | - | - | - | - | - | - | - | - | - |
| Investment income | 137 | 6 | 129 | 287 | 55 | 2 | - | - | - | - | 616 |
| Charges for services | 5,000 | - | 4,571 | 9,073 | - | - | - | - | - | - | 18,644 |
| Total Revenues | 5,137 | 6 | 4,700 | 9,360 | 55 | 2 | - | - | 182,079 | 170,563 | 371,902 |
| EXPENDITURES: | | | | | | | | | | | |
| General government | - | - | 3,098 | - | - | - | - | - | 20,964 | 100,563 | 124,625 |
| Highway and streets | - | - | - | - | - | - | - | - | (2,213) | - | (2,213) |
| Culture, recreation, development & transportation | - | - | - | - | - | - | - | - | - | - | - |
| Capital outlay: | | | | | | | | | | | |
| Highways and streets | - | - | - | - | - | - | - | - | 175,000 | 70,000 | 245,000 |
| Debt service: | | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| Total Expenditures | - | - | 3,098 | - | - | - | - | - | 193,751 | 170,563 | 367,412 |
| Excess (Deficiency) of Revenues Over Expenditures | 5,137 | 6 | 1,602 | 9,360 | 55 | 2 | - | - | (11,672) | 0 | 4,490 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - | - | - |
| Total Other Financing Sources (uses) | - | - | - | - | - | - | - | - | - | - | - |
| Net Change in Fund Balances | 5,137 | 6 | 1,602 | 9,360 | 55 | 2 | - | - | (11,672) | 0 | 4,490 |
| Fund Balances - July 1, 2022, restated | 18,063 | 999 | 21,202 | 42,968 | 9,127 | 322 | 40 | (160) | 2,022 | - | 94,583 |
| Fund Balances - June 30, 2023 | \$ 23,200 | \$ 1,005 | \$ 22,804 | \$ 52,328 | \$ 9,182 | \$ 324 | \$ 40 | \$ (160) | \$ (9,650) | \$ 0 | \$ 99,073 |

The accompanying notes are an integral part of this financial statement.

TOWN OF MIDDLESEX, VERMONT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

SCHEDULE 8

| | Capital Project Funds | | | | Total Capital Project Funds |
|---|-----------------------|-------------------------|------------------|-------------------|-----------------------------------|
| | Bridge Fund | Town Garage Building | Building Fund | Resurface Fund | |
| ASSETS | | | | | |
| Cash | \$ 38,252 | 25,158 | \$ 68,645 | \$ 8,273 | \$ 140,328 |
| Accounts receivable | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| Total Assets | <u>\$ 38,252</u> | <u>\$ 25,158</u> | <u>\$ 68,645</u> | <u>\$ 8,273</u> | <u>\$ 140,328</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - | - | - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | 25,158 | - | 8,273 | 33,431 |
| Assigned | 38,252 | - | 68,645 | - | 106,897 |
| Total Fund Balances | <u>38,252</u> | <u>25,158</u> | <u>68,645</u> | <u>8,273</u> | <u>140,328</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 38,252</u> | <u>\$ 25,158</u> | <u>\$ 68,645</u> | <u>\$ 8,273</u> | <u>\$ 140,328</u> |

The accompanying notes are an integral part of these financial statements

TOWN OF MIDDLESEX, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

SCHEDULE 9

| | 9 | 26 | 10 | 17 | Total Capital Project Funds |
|--|-----------------------|-------------------------|------------------|-------------------|-----------------------------------|
| | Capital Project Funds | | | | |
| | Bridge Fund | Town Garage Building | Building Fund | Resurface Fund | |
| REVENUES: | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - |
| Investment income | 227 | 149 | 407 | 44 | 827 |
| Miscellaneous | - | - | - | 5,000 | 5,000 |
| Total Revenues | <u>227</u> | <u>149</u> | <u>407</u> | <u>5,044</u> | <u>5,827</u> |
| EXPENDITURES: | | | | | |
| General government | - | - | - | - | - |
| Highway and streets | - | - | - | - | - |
| Culture, recreation, development & transportation | - | - | - | - | - |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>227</u> | <u>149</u> | <u>407</u> | <u>5,044</u> | <u>5,827</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 6,000 | 5,000 | 10,000 | - | 21,000 |
| Total Other Financing Sources (uses) | <u>6,000</u> | <u>5,000</u> | <u>10,000</u> | <u>-</u> | <u>21,000</u> |
| Net Change in Fund Balances | 6,227 | 5,149 | 10,407 | 5,044 | 26,827 |
| Fund Balances - July 1, 2022 | <u>32,025</u> | <u>20,009</u> | <u>58,238</u> | <u>3,229</u> | <u>113,501</u> |
| Fund Balances - June 30, 2023 | <u>\$ 38,252</u> | <u>\$ 25,158</u> | <u>\$ 68,645</u> | <u>\$ 8,273</u> | <u>\$ 140,328</u> |

The accompanying notes are an integral part of this financial statement.



Batchelder Associates, PC

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 Select Board
Town of Middlesex, Vermont
Middlesex, Vermont

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middlesex, Vermont ("Town"), as of and for the year ended June 30, 2023, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 14, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Controller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the management recommendation letter included with the audit report, we identified certain deficiencies in internal control over financial reporting that we consider to be immaterial weaknesses.

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. We found no deficiencies to be considered material weaknesses.

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. We consider all items to be immaterial weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we

performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* for year ending June 30, 2023.

We noted certain other matters that we reported to the management of the Town in a separate letter. There are no documented responses included with this audit.

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

Batchelder Associates PC

Batchelder Associates, PC
Barre, Vermont
December 14, 2023
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