

TOWN OF READSBORO, VERMONT

Financial Statements and Schedules

December 31, 2009

(With Independent Auditors' Report Thereon)

Love, Cody & Company, CPAs

TOWN OF READSBORO, VERMONT

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Independent Auditors' Report

The Select Board
Town of Readsboro, Vermont

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Readsboro, Vermont as of and for the year ended December 31, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Readsboro, Vermont management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, and each major fund of the Town of Readsboro, Vermont as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2011 on our consideration of Town of Readsboro, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, the General Fund budgetary comparison information on pages 31 through 40, and the Cemetery Fund budgetary comparison information on page 41 be presented to supplement the basic financial

statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Love, Cody & Company, CPAs, P.C.

February 25, 2011

Vt. Reg. #357

Love, Cody & Company, CPAs

TOWN OF READSBORO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009

As management of the Town of Readsboro, Vermont we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2009. This document has been prepared in accordance with Statement No. 34 of Governmental Accounting Standards Board (GASB 34). GASB 34 has made significant changes to both the contents and the format of the financial statements of governmental agencies. Please read it in conjunction with the Town's financial statements.

Financial Highlights – Primary Government

Government-Wide Highlights:

- *Net Assets* – The assets of the Town exceeded its liabilities at the close of the fiscal year by \$6,815,595. Of this amount, \$1,427,753 was reported as *unrestricted net assets* and may be used to meet the government's ongoing obligations to citizens and creditors, and \$5,387,842 was invested in capital assets.

Fund Highlights:

- *Governmental Funds* – Governmental funds include general, special revenue, and permanent funds. As of December 31, 2009, the Town's governmental funds reported a combined ending fund balance of \$1,135,277.

Enterprise Funds:

- *Electric Fund* – As of December 31, 2009, the Town's Electric Fund reported total net assets of \$218,978; \$62,767 represents the *unrestricted balance* available for future expenses and \$156,211 is the amount invested in capital assets.
- *Water Fund* – As of December 31, 2009, the Town's Water Fund reported total net assets of \$3,520,770; \$45,581 represents the *unrestricted balance* available for future expenses and \$3,475,189 is the amount invested in capital assets, net of related debt.
- *Sewer Fund* – As of December 31, 2009, the Town's Sewer Fund reported total net assets of \$819,077, \$134,418 represents the *unrestricted balance* available for future expenses and \$684,659 is the amount invested in capital assets.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as an agent for the benefit of those outside the government.

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

TOWN OF READSBORO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

to a private-sector business. They are comprised of the *statement of net assets* and *statement of activities*.

The *statement of net assets* presents information of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. This statement, unlike previous financial statements prior to implementing GASB 34, combines and consolidates the governmental funds' current financial resources with capital assets and long-term obligations.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets 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).

Both of the above 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 fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, parks and recreation, and cemetery. The business-type activities of the Town include the electric, water and sewer departments.

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 divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements provide detailed information about each of the Town's most significant funds, called *major funds*. The concept of major funds, and the determination of which are major funds, was established by GASB 34 and replaces the concept of combining alike funds and presenting them in total. Instead, each *major fund* is presented individually, with all *non-major funds* summarized and presented in a single column.

This is the first year that we are implementing GASB 34 and we are not able to provide meaningful comparisons for the information presented in Tables 1 and 2. A comparative analysis will be presented in future years when prior information is available.

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 statements focus on short-term inflows and outflows of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-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 short-

TOWN OF READSBORO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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*.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Town operates *enterprise funds*. An enterprise fund is a proprietary fund category used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for the electric, water and sewer departments.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the government-wide and fund financial statements.

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*.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required financial statements and notes.

The following condensed and reformatted financial information is a condensed version of the government-wide financial statements presented on pages 11 and 12.

	Governmental Activities	Business-type Activities	Total Government
Current and other assets	\$ 1,882,752	292,879	2,175,631
Capital assets	1,159,485	4,685,764	5,845,249
Total assets	3,042,237	4,978,643	8,020,880
Current liabilities	713,460	60,366	773,826
Noncurrent liabilities	72,007	359,452	431,459
Total liabilities	785,467	419,818	1,205,285
Net assets:			
Invested in capital assets, net of debt	1,071,783	4,316,059	5,387,842
Unrestricted	1,184,987	242,766	1,427,753
Total net assets	\$ 2,256,770	4,558,825	6,815,595

Unrestricted net assets – is the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

TOWN OF READSBORO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Table 2 Change in Net Assets for the Year Ended December 31, 2009			
	Governmental Activities	Business-type Activities	Total Government
REVENUES			
General revenues:			
Property taxes	\$ 744,002	0	744,002
Other general revenues	21,272	8,632	29,904
Earnings on investments	20,644	3,171	23,815
Program revenues:			
Operating grants and contributions	213,316	0	213,316
Charges for services	31,550	522,605	554,155
Total revenues	1,030,784	534,408	1,565,192
PROGRAM EXPENSES			
General government	303,100	0	303,100
Public safety	68,151	0	68,151
Public works	474,752	0	474,752
Parks and recreation	38,066	0	38,066
Cemetery	10,005	0	10,005
Interest	5,703	0	5,703
Electric	0	392,169	392,169
Water	0	222,539	222,539
Sewer	0	113,204	113,204
Total program expenses	899,777	727,912	1,627,689
Transfers	(32,080)	32,080	0
Increase (decrease) in net assets	\$ 98,927	(161,424)	(62,497)

Governmental Expenses. Total governmental activity expenses were \$899,777 in fiscal year 2009. The largest expenses were incurred for general government and public works.

Governmental Revenues. Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. Total program revenues from governmental activities were \$244,866 in fiscal year 2009. Governmental program revenues come from *charges for services*, which include licenses and permits, planning fees, developer fees, forfeitures, and several other revenues, and *operating grants and contributions* which include operating-specific and discretionary (either operating or capital) grants.

General revenues are all other revenue not categorized as program revenues, and include all taxes, as well as unrestricted grants, contributions, and investment earnings. Total general revenues from governmental activities were \$785,918 in fiscal year 2009. Taxes of \$744,002 comprised 95% of the Town's general revenues for fiscal year 2009.

TOWN OF READSBORO, VERMONT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2009
 (Continued)

Business-Type Activities. Net assets for business-type (Electric, Water and Sewer) activities were \$4,558,825. Total revenues for business-type activities were \$534,408. Total expenses for the business-type activities were \$727,912 during fiscal year 2009.

Financial Analysis of Individual Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,135,277. \$392,496 is unreserved and is available for spending at the government's discretion. \$282,500 is reserved for the trust fund. \$4,043 is reserved for special revenue funds.

Proprietary Funds. The Town's proprietary funds (Electric, Water and Sewer) provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund compares actual results for fiscal year 2009 to the approved budget for the General Fund. The most significant variances were as follows:

Table 3 Significant General Fund Budget Variances for the Year Ended December 31, 2009			
REVENUES AND OTHER SOURCES:		EXPENDITURES AND OTHER USES:	
	Variance Favorable (Unfavorable)		Variance Favorable (Unfavorable)
Property taxes	\$ (11,669)	Treasurer	\$ (26,525)
Intergovernmental		Listers	(50,057)
Highway aid	43,446	Miscellaneous	(25,058)
PILOT	26,207	Highway	
Other grants and fees	25,686	Winter roads	21,964
		Summer roads	(46,146)
		Capital outlays	(22,835)

TOWN OF READSBORO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Revenues and other sources

- The variance in taxes is due to reductions approved by the Board of Civil Authority after the Town wide reappraisal.
- The variance in State aid – highway is due to additional revenue from the State in response to the ice storm and road wash-outs.
- The variance in payments in lieu of taxes is that the Federal PILOT payment was not included in the budget.
- The variance in grants and fees is due to other unbudgeted State payments.

Expenditures and other uses

- The variance in treasurer expenditures is a result of the completion of financial statement audits for two years being completed in 2009.
- The variance in the listers category is due to the Town wide reappraisal exceeding the budget.
- The variance in miscellaneous expenses is primarily from the cost of crushing stones into gravel
- The variance in winter roads is that the budget assumed similar expenses to the prior year when the ice storm and road wash-outs mentioned above actually occurred.
- The variance in summer roads is a result of resurfacing costs exceeding the budget.
- The variance in capital outlays is that the Town had an unbudgeted purchase of a dump body for a new truck.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2009, amounts to \$10,448,505 net of accumulated depreciation of \$4,603,256. Investment in capital assets includes land, land improvements, buildings, infrastructure, machinery and equipment, lease improvements, software, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the Town such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The total additions to the Town's investment in capital assets for the current year were \$246,774.

TOWN OF READSBORO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Table 4 Capital Asset Balances at December 31, 2009			
	Governmental Activities	Business-type Activities	Total Government
Land and land improvements	\$ 125,118	233,355	358,473
Construction in progress	18,392	0	18,392
Distribution and collection systems	0	527,645	527,645
Buildings and improvements	50,178	3,892,081	3,942,259
Equipment and vehicles	854,636	32,683	887,319
Furniture and fixtures	2,465	0	2,465
Infrastructure	108,696	0	108,696
Total net assets	\$ 1,159,485	4,685,764	5,845,249

Major capital asset additions during 2009 included the following:

- Branch Hill Road improvements
- Plow truck – GMC F550
- Windows for the Town building
- Bridge 32 improvements

Debt Administration

Long-Term Liabilities – At the end of the current fiscal year, the Town had \$487,407 in long-term liabilities.

Table 5 Noncurrent Liability Balances at December 31, 2009			
	Governmental Activities	Business-type Activities	Total Government
Capital leases	\$ 87,702	0	87,702
Bonds	0	369,705	369,705
Total net assets	\$ 87,702	369,705	457,407

Economic Climate

- The economic slow down across the region and country has had its effect on our local situation. The lack of new construction in the general area impacts the builders and suppliers in our community.
- Our community continues to suffer the inequities of the Act 60/68 education funding scheme as implemented by the State of Vermont.

TOWN OF READSBORO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

- The challenges of educational opportunity for our children, insurance, energy costs, and affordable housing will be with our community for the foreseeable future.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in the report or requests for additional information should be addressed to:

Town of Readsboro, Vermont
PO Box 187
Readsboro, VT 05350

TOWN OF READSBORO, VERMONT
Statement of Net Assets
December 31, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash	\$ 1,188,378	140,225	1,328,603
Investments	547,470	13,200	560,670
Accounts and notes receivable	32,798	81,493	114,291
Delinquent taxes receivable, net	109,080	0	109,080
Inventory	0	30,141	30,141
Internal balances	5,026	(5,026)	0
Deferred charges	0	32,846	32,846
Capital assets:			
Land	97,425	233,355	330,780
Other capital assets, net of accumulated depreciation	1,062,060	4,452,409	5,514,469
Total assets	\$ 3,042,237	4,978,643	8,020,880
Liabilities:			
Accounts payable	\$ 120,192	9,894	130,086
Accrued liabilities	0	6,200	6,200
Due to School District	526,926	0	526,926
Deferred revenue	50,647	34,019	84,666
Capital leases payable:			
Due within one year	15,695	0	15,695
Due in more than one year	72,007	0	72,007
Bonds payable:			
Due within one year	0	10,253	10,253
Due in more than one year	0	359,452	359,452
Total liabilities	785,467	419,818	1,205,285
Net assets:			
Invested in capital assets, net of related debt	1,071,783	4,316,059	5,387,842
Restricted	0	0	0
Unrestricted	1,184,987	242,766	1,427,753
Total net assets	2,256,770	4,558,825	6,815,595
Total liabilities and net assets	\$ 3,042,237	4,978,643	8,020,880

See accompanying notes to financial statements.

TOWN OF READSBORO, VERMONT
Statement of Activities
December 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government	
						Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 303,100	31,150	14,964	0	(256,986)	0	(256,986)
Public safety	68,151	0	0	0	(68,151)	0	(68,151)
Public works	474,752	0	198,352	0	(276,400)	0	(276,400)
Parks and recreation	38,066	0	0	0	(38,066)	0	(38,066)
Cemetery	10,005	400	0	0	(9,605)	0	(9,605)
Interest	5,703	0	0	0	(5,703)	0	(5,703)
Total governmental activities	899,777	31,550	213,316	0	(654,911)	0	(654,911)
Business-type activities:							
Electric	392,169	325,014	0	0	0	(67,155)	(67,155)
Water	222,539	88,105	0	0	0	(134,434)	(134,434)
Sewer	113,204	109,486	0	0	0	(3,718)	(3,718)
Total business-type activities	727,912	522,605	0	0	0	(205,307)	(205,307)
Total primary government	\$ 1,627,689	554,155	213,316	0	(654,911)	(205,307)	(860,218)
General revenues:							
Property taxes		744,002			744,002	0	744,002
Investment earnings		20,644			20,644	3,171	23,815
Miscellaneous		21,272			21,272	8,632	29,904
Transfers		(32,080)			(32,080)	32,080	0
Total general revenues and transfers		753,838			753,838	43,883	797,721
Change in net assets							
Net assets - beginning		2,157,843			98,927	(161,424)	(62,497)
Net assets - ending		2,256,770			2,157,843	4,720,249	6,878,092
							\$ 6,815,595

See accompanying notes to financial statements.

TOWN OF READSBORO, VERMONT
Balance Sheet
Governmental Funds
December 31, 2009

	General Fund	Special Revenue Funds		Permanent Fund	Total
		Cemetery Fund	Library Fund	Trust Fund	
Assets:					
Cash	\$ 1,154,476	33,902	0	0	1,188,378
Investments	0	0	0	547,470	547,470
Delinquent taxes receivable, net	109,080	0	0	0	109,080
Accounts and notes receivable	32,798	0	0	0	32,798
Prepaid expenses	0	0	0	0	0
Due from other governments	0	0	0	0	0
Due from other funds	360,714	0	1,326	0	362,040
Total assets	\$ 1,657,068	33,902	1,326	547,470	2,239,766
Liabilities:					
Accounts payable	\$ 115,169	0	0	0	115,169
Due to School District	526,926	0	0	0	526,926
Due to other funds	62,185	29,859	0	264,970	357,014
Accrued liabilities	5,023	0	0	0	5,023
Deferred revenue	93,024	0	7,333	0	100,357
Total liabilities	802,327	29,859	7,333	264,970	1,104,489
Fund balance:					
Reserved	456,238	4,043	0	282,500	742,781
Unreserved	398,503	0	(6,007)	0	392,496
Total fund balance	854,741	4,043	(6,007)	282,500	1,135,277
Total liabilities and fund balance	\$ 1,657,068	33,902	1,326	547,470	2,239,766

See accompanying notes to financial statements.

TOWN OF READSBORO, VERMONT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
December 31, 2009

Total fund balances - governmental funds, page 13 \$ 1,135,277

Amounts reported for governmental activities in the statement of net assets are different because:

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

Governmental capital assets	\$ 1,773,379	
Less accumulated depreciation	<u>(613,894)</u>	1,159,485

Other long-term assets (property taxes receivable) are not available to pay for current period expenditures and therefore are deferred in the funds.		49,710
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		(87,702)
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Net assets - governmental activities, page 11		<u>\$ 2,256,770</u>
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See accompanying notes to financial statements.

TOWN OF READSBORO, VERMONT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2009

	General Fund	Special Revenue Funds		Permanent Fund	Total
		Cemetery Fund	Library Fund	Trust Fund	
Revenues:					
Property taxes	\$ 751,681	0	0	0	751,681
Licenses and permits	3,743	0	0	0	3,743
Intergovernmental	213,316	0	0	0	213,316
Charges for services	13,002	0	0	0	13,002
Lot sales	0	400	0	0	400
Solid waste	16,240	0	0	0	16,240
Interest and dividend income	2,206	586	0	19,465	22,257
Investment income	0	0	0	(1,613)	(1,613)
Miscellaneous	40	75	64	0	179
Total revenues	1,000,228	1,061	64	17,852	1,019,205
Expenditures:					
General government	255,159	0	0	540	255,699
Highways	556,931	0	0	0	556,931
Solid waste	50,111	0	0	0	50,111
Fire Department	29,482	0	0	0	29,482
Library	24,739	0	6,080	0	30,819
Appropriations	28,606	0	0	0	28,606
Cemetery	0	29,858	0	0	29,858
Capital outlays	93,407	0	0	0	93,407
Debt service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Total expenditures	1,038,435	29,858	6,080	540	1,074,913
Excess (deficiency) of revenues over expenditures	(38,207)	(28,797)	(6,016)	17,312	(55,708)
Other financing sources (uses):					
Operating transfers in (out)	(3,268)	(11,500)	0	(17,312)	(32,080)
	(3,268)	(11,500)	0	(17,312)	(32,080)
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(41,475)	(40,297)	(6,016)	0	(87,788)
Beginning fund balance, as restated	896,216	44,340	9	282,500	1,223,065
Ending fund balance	\$ 854,741	4,043	(6,007)	282,500	1,135,277

See accompanying notes to financial statements.

TOWN OF READSBORO, VERMONT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2009

Net change in fund balances - governmental funds, page 15 \$ (87,788)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures however, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 233,766	
Less: current year depreciation and amortization	<u>(73,499)</u>	160,267

Proceeds from long-term financing provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Repayment of capital lease principal	14,869
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Revenues in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenues in the funds. This amount represents an increase in deferred property taxes

11,579

Change in net assets - governmental activities, page 12	<u><u>\$ 98,927</u></u>
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See accompanying notes to financial statements.

TOWN OF READSBORO, VERMONT
Statement of Net Assets
Proprietary Funds
December 31, 2009

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
Assets:				
Current assets:				
Cash	\$ 14,797	20,268	105,160	140,225
Due from other funds	0	19,804	48,934	68,738
Accounts receivable	89,460	11,709	13,170	114,339
Investments	13,200	0	0	13,200
Inventory	30,141	0	0	30,141
Total current assets	147,598	51,781	167,264	366,643
Capital assets:				
Land	0	215,140	18,215	233,355
Distribution and collection systems	195,501	0	1,084,245	1,279,746
Buildings and equipment	91,651	6,350,840	719,534	7,162,025
Less accumulated depreciation	(130,941)	(2,721,086)	(1,137,335)	(3,989,362)
Total non-current assets	156,211	3,844,894	684,659	4,685,764
Total assets	\$ 303,809	3,896,675	851,923	5,052,407
Liabilities:				
Current liabilities:				
Accounts payable	\$ 9,894	0	0	9,894
Accrued liabilities	0	6,200	0	6,200
Due to other funds	73,764	0	0	73,764
Deferred revenue	1,173	0	32,846	34,019
Bonds payable, current portion	0	10,253	0	10,253
Total current liabilities	84,831	16,453	32,846	134,130
Bonds payable, less current portion	0	359,452	0	359,452
Total liabilities	84,831	375,905	32,846	493,582
Net assets:				
Invested in capital assets, net of related debt	156,211	3,475,189	684,659	4,316,059
Unrestricted - designated	62,767	45,581	134,418	242,766
Total net assets	218,978	3,520,770	819,077	4,558,825
Total liabilities and net assets	\$ 303,809	3,896,675	851,923	5,052,407

See accompanying notes to financial statements.

TOWN OF READSBORO, VERMONT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended December 31, 2009

	Enterprise Fund			Total
	Electric Fund	Water Fund	Sewer Fund	
Operating revenues:				
Charges for services	\$ 325,014	88,105	109,486	522,605
Interest on delinquent accounts	1,348	1,895	1,969	5,212
Miscellaneous	339	65	3,016	3,420
Total operating revenues	326,701	90,065	114,471	531,237
Operating expenses:				
Personnel services	11,845	35,614	34,847	82,306
Taxes	6,065	1,821	1,621	9,507
Professional services	80,748	8,933	4,634	94,315
Purchased power	270,511	0	0	270,511
Utilities and telephone	235	7,850	11,035	19,120
Insurance	1,629	1,713	1,777	5,119
Operating supplies and equipment	9,985	12,233	19,209	41,427
Office supplies and expenses	1,660	3,188	1,838	6,686
Depreciation and amortization	9,050	127,298	36,264	172,612
Other	344	1,222	1,979	3,545
Total operating expenses	392,072	199,872	113,204	705,148
Operating income (loss)	(65,371)	(109,807)	1,267	(173,911)
Nonoperating revenues (expenses):				
Investment income	1,550	135	1,486	3,171
Interest expense	(97)	(22,667)	0	(22,764)
Total nonoperating revenues (expenses)	1,453	(22,532)	1,486	(19,593)
Income (loss) before operating transfers	(63,918)	(132,339)	2,753	(193,504)
Operating transfers in (out)	0	32,080	0	32,080
	0	32,080	0	32,080
Change in net assets	(63,918)	(100,259)	2,753	(161,424)
Total net assets - beginning, as restated	282,896	3,621,029	816,324	4,720,249
Total net assets - ending	\$ 218,978	3,520,770	819,077	4,558,825

See accompanying notes to financial statements.

TOWN OF READSBORO, VERMONT
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2009

	Enterprise Fund			Total
	Electric Fund	Water Fund	Sewer Fund	
Cash flows from operating activities:				
Cash receipts from customers	\$ 315,378	72,789	45,992	434,159
Other cash receipts	657	65	3,016	3,738
Cash payments to:				
Suppliers of goods or services	(306,629)	(42,735)	(42,566)	(391,930)
Employees for services	(12,897)	(37,553)	(3,760)	(54,210)
Net cash provided by (used in) operating activities	(3,491)	(7,434)	2,682	(8,243)
Cash flows from non-capital financing activities:				
Interest on meter deposits	(97)	0	0	(97)
Transfers in	0	32,080	0	32,080
Net cash provided by (used in) non-capital financing activities	(97)	32,080	0	31,983
Cash flows from capital financing activities:				
Principal paid on bonds	0	(9,263)	0	(9,263)
Interest paid on bonds	0	(22,817)	0	(22,817)
Net cash used in capital financing activities	0	(32,080)	0	(32,080)
Cash flows from investing activities:				
Interest on cash investments	1,550	135	1,486	3,171
Purchase of capital assets	(954)	(9,371)	(2,682)	(13,007)
Net cash provided by (used in) investing activities	596	(9,236)	(1,196)	(9,836)
Net increase (decrease) in cash	(2,992)	(16,670)	1,486	(18,176)
Cash, beginning	17,789	36,938	103,674	158,401
Cash, ending	\$ 14,797	20,268	105,160	140,225
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	\$ (65,371)	(109,807)	1,267	(173,911)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	6,064	127,298	36,264	169,627
Loss on disposal of assets	318	0	0	318
(Increase) decrease in current assets				
Accounts receivable	(11,256)	(3,832)	(2,251)	(17,339)
Due from other funds	71,371	(13,379)	(63,212)	(5,220)
Inventory and other assets	12,944	0	0	12,944
Increase (decrease) in current liabilities				
Accounts payable	(16,157)	(7,596)	(2,094)	(25,847)
Accrued expenses and other liabilities	(1,404)	(118)	32,708	31,186
Net cash provided by (used in) operating activities	\$ (3,491)	(7,434)	2,682	(8,242)

See accompanying notes to financial statements.

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(1) **Summary of Significant Accounting Policies**

(a) **Introduction**

The Town of Readsboro, Vermont (the "Town") is a unit of local government chartered in 1786. The Town operates under a Select Board form of government and provides services as outlined in its charter.

The accompanying financial statements of the Town of Readsboro, Vermont include all of the financial activity of the general government, special revenue funds, permanent fund, and enterprise funds. All these components are included because they are under the direct control of the Select Board. The Town exercises significant oversight and financial interdependence exists. The Town is not a component unit of another reporting entity.

The Town applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

(b) **Basis of Presentation**

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements.

Government-wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all non-fiduciary activities of the Town. Eliminations have been made to minimize the effect of internal transactions between funds. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental and business-type activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund statements provide information about the Town's funds. Separate statements for each fund category (governmental and proprietary) are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. Management has elected to treat all of the Town's governmental funds as major funds.

(continued)

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(1) **Summary of Significant Accounting Policies (continued)**

(b) **Basis of Presentation (continued)**

Fund Financial Statements (continued)

The financial activities of the Town that are reported in the accompanying financial statements have been classified in the major funds described in the following paragraphs.

Governmental Funds

General Governmental Activities Fund – The General Governmental Activities Fund is used to account for all revenues and expenditures applicable to the general operations of the governmental agencies of the Town. All general operating revenues which are not restricted as to use by sources external to the town are recorded in the General Governmental Activities Fund.

Special Revenue Funds – The Special Revenue Funds are operating funds, for which the use of revenues is restricted, generally by Federal and State governments. The Town uses two Special Revenue Funds: the Cemetery Fund and the Library Fund.

Permanent Funds – Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the programs. The one Permanent Fund used by the Town is the Trust Fund.

Proprietary Funds

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The Town uses three enterprise funds, the Electric Fund, the Water Fund, and the Sewer Fund.

(c) **Measurement Focus and Basis of Accounting**

The Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction 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, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

(continued)

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(1) **Summary of Significant Accounting Policies (continued)**

(c) **Measurement Focus and Basis of Accounting (continued)**

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues other than property taxes reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year. Property taxes are recognized to the extent collected within sixty days of fiscal year end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. 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.

(d) **Budgets and Budgetary Accounting**

The Town approves budgets for the General Fund, Electric Fund, Water Fund, Sewer Fund and the Cemetery Fund at an annual Town Meeting. The Select Board determines the tax rate based on the budgets and Grand List. Formal budgetary accounting is employed as a management control device during the year.

(e) **Cash**

For purposes of the statement of cash flows presented for the proprietary funds, cash equivalents include all short-term highly liquid investments which are readily convertible to known amounts of cash and have original maturities of three months or less.

(f) **Investments**

Investments are stated at fair value (quoted market price, or the best available estimate).

(g) **Inventory**

Inventory is valued at cost using the first-in first-out method. Inventory in the Proprietary Fund consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense as inventory items are consumed.

(h) **Capital Assets**

Property and equipment is stated at known or estimated historical cost. Net interest costs are capitalized on projects during the construction period. Depreciation is computed using the straight-line method over the estimated useful lives of assets as follows: office furniture and equipment – 5 to 10 years, motor vehicles and heavy equipment – 5 to 15 years, buildings and building improvements – 10 to 40 years, and infrastructure – 10 to 40 years.

(continued)

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(1) **Summary of Significant Accounting Policies (continued)**

(h) **Capital Assets (continued)**

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

(i) **Fund Balances**

Equity is classified in the following categories:

Reserved – Indicates the portion of equity that has been legally segregated or encumbered for specific future uses or not available for appropriation.

Unreserved – Indicates the portion of fund equity that is available for appropriation and expenditure in future periods.

(j) **Interfund Receivables and Payables**

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund but are properly applicable to another fund are recorded as expenditure or expense (transfers out) in the reimbursing fund and as reductions of the expenditure or expense (transfers in) in the fund that is reimbursed.

(k) **Use of Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

(2) **Change in Accounting Principle and Financial Statement Presentation**

(a) **Change in Accounting Principle**

The Town previously maintained its Water and Sewer funds as Special Revenue Funds on the modified accrual basis of accounting. These funds have been converted to Proprietary Funds, which is the appropriate treatment under generally accepted accounting principles. The net assets in the fund financial statements at December 31, 2008 have been restated to reflect the reporting under the economic resources measurement focus and the accrual basis of accounting.

(continued)

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(2) Change in Accounting Principle and Financial Statement Presentation (continued)
(a) Change in Accounting Principle (continued)

	<u>Water Fund</u>	<u>Sewer Fund</u>
Fund balance at December 31, 2008, as previously reported	\$ 43,526	98,082
Cost of capital assets	6,556,609	1,819,312
Accumulated depreciation	(2,593,788)	(1,101,070)
Debt principal outstanding	(378,968)	-
Accrued interest	(6,350)	-
Net assets at December 31, 2008, as restated	\$ 3,621,029	816,324

(b) Change in Financial Statement Presentation

For the year ended December 31, 2009, the Town implemented Governmental Accounting Standards Board Statement 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB 34). GASB 34 creates a new set of basic financial statements, and requires the Town to include Government-wide financial statements that are prepared on the accrual basis of accounting using the economic resources measurement focus.

The implementation of other GASB Statements is required in conjunction with GASB Statement 34. Therefore, the Town has implemented, to the extent applicable, the following GASB Statements in the current fiscal year: Statement 33, Accounting and Financials Reporting for Nonexchange Transactions; Statement 36, Recipient Reporting for Certain Shared Nonexchange Revenues; Statement 37, Basic Financial Statements – Management's Discussion and Analysis for State and Local Governments; and Statement 38, Certain Financial Statement Note Disclosures.

As a result of implementing these pronouncements for the year ended December 31, 2009, the following restatement was made to the previously reported December 31, 2008 net asset balances:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Fund balance or net assets at December 31, 2008, as previously reported	\$ 1,364,673	282,896
Reclassification of Special Revenue Funds	(141,608)	141,608
Cost of capital assets	1,539,613	8,375,921
Accumulated depreciation	(540,395)	(3,694,858)
Debt and capital lease principal outstanding	(102,571)	(378,968)
Accrued interest	0	(6,350)
Deferred taxes eliminated	38,131	0
Net assets at December 31, 2008, as restated	\$ 2,157,843	4,720,249

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(3) Cash

At December 31, 2009 the carrying amount of the Town's deposits was \$1,328,603 and the bank balance was \$1,357,169. Of the bank balance, \$425,585 was covered by Federal depository insurance and \$931,585 was uninsured and uncollateralized.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. During the year the Town had deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits resulting in uninsured, uncollateralized deposits subject to custodial credit risk.

(4) Investments

Investments by fund at December 31, 2009 are as follows:

	Fair Value	Investment Maturities (Years)	
		Less Than 1	1-5
Cash equivalents	\$ 56,501	N/A	N/A
Mutual funds - fixed income	463,971	N/A	N/A
U.S. Government bonds	26,998	0	26,998
	\$ 547,470	0	26,998

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments. At year end, none of the Town's investments were subject to custodial credit risk.

Credit Risk

Credit risk is defined as the risk that an issuer of an investment in debt securities will not fulfill its obligation. All of the Town's investments in corporate bonds have an A rating. U.S. Government bonds are not considered to have credit risk and do not require disclosure of credit quality.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While no policy is in place, a majority of the Town's investments are in short-term holdings and are not subject to this risk.

(5) Fair Value Measurements

The Fair Value Measurement Topic of the FASB Accounting Standards Codification established a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets of liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

(continued)

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(5) Fair Value Measurements (continued)

The three levels of fair value are as follows:

- Level 1 – Unadjusted quoted prices in active market for identical assets.
- Level 2 – Inputs other than quoted prices in Level 1 that are observable for the assets, either directly or indirectly.
- Level 3 – Significant unobservable inputs for the assets where there is little or no market activity for the assets at the measurement date.

The Town's Level 1 assets include all investments in cash equivalents, mutual funds, and bonds. It has no Level 2 or Level 3 assets. Investments are classified within the level of the lowest significant input considered in determining fair value.

The inputs and methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities.

(6) Capital Assets

Capital assets and activity for the year ended December 31, 2009 are as follows:

Governmental Funds	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Cost				
Non-depreciable Assets				
Land	\$ 79,033	0	0	79,033
Construction in Process	14,696	18,392	(14,696)	18,392
	93,729	18,392	(14,696)	97,425
Depreciable Assets				
Land Improvements	1,700	32,017	14,696	48,413
Buildings	56,714	0	0	56,714
Building Improvements	24,625	28,745	0	53,370
Infrastructure	0	110,914	0	110,914
Vehicles and Equipment	1,359,945	43,698	0	1,403,643
Furniture and Fixtures	2,900	0	0	2,900
	1,445,884	215,374	14,696	1,675,954
Accumulated Depreciation				
Land Improvements	(1,700)	(628)	0	(2,328)
Buildings	(46,321)	(1,073)	0	(47,394)
Building Improvements	(10,829)	(1,683)	0	(12,512)
Infrastructure	0	(2,218)	0	(2,218)
Vehicles and Equipment	(481,400)	(67,607)	0	(549,007)
Furniture and Fixtures	(145)	(290)	0	(435)
	(540,395)	(73,499)	0	(613,894)
Property and equipment, net	\$ 999,218			1,159,485

(continued)

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(6) Capital Assets (continued)

Proprietary Funds	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Cost				
Non-depreciable Assets				
Land	\$ 233,355	0	0	233,355
Depreciable Assets				
Buildings	7,050,460	0	0	7,050,460
Building Improvements	0	9,371	0	9,371
Distribution / Collection Systems	1,279,737	954	(945)	1,279,746
Vehicles and Equipment	99,511	2,683	0	102,194
	8,429,708	13,008	(945)	8,441,771
Accumulated Depreciation				
Buildings	(3,026,273)	(141,008)	0	(3,167,281)
Building Improvements	0	(469)	0	(469)
Distribution / Collection Systems	(727,990)	(24,738)	627	(752,101)
Vehicles and Equipment	(66,099)	(3,412)	0	(69,511)
	(3,820,362)	(169,627)	627	(3,989,362)
Property and equipment, net	\$ 4,842,701			4,685,764

Depreciation expense was charged to governmental functions as follows:

General government	\$ 1,362
Public safety	24,348
Public works	46,734
Culture and recreation	605
Cemetery	450
	\$ 73,499

(7) Notes Payable

Long term liabilities at December 31, 2009 consist of the following:

Note payable to the USDA for water system improvements. Semiannual payments of \$16,040 are due in March and September, with the final payment due in September 2029. Payments include principal and interest, which is charged at 5.75%.	\$ 369,705
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Interest paid for the year ended December 31, 2009 was \$22,817.

(continued)

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(7) Notes Payable (continued)

The following is a summary of the changes in long-term debt.

	Beginning Balance	Reductions	Ending Balance	Due within One Year
Governmental Activities:				
Bonds payable	\$ 378,968	(9,263)	369,705	10,776

Maturities of long-term debt are as follows for the years ending December 31:

	Governmental Activities		
	Principal	Interest	Total
2010	\$ 10,776	21,304	32,080
2011	11,405	20,675	32,080
2012	12,070	20,010	32,080
2013	12,774	19,306	32,080
2014	13,519	18,561	32,080
2015-2019	80,383	80,017	160,400
2020-2024	106,724	53,676	160,400
2025-2029	122,054	38,346	160,400
	\$ 369,705	271,895	641,600

(8) Capital Leases

The Town has a capital lease agreement used to acquire a new fire truck in 2006. The lease and related truck are reported with the governmental funds in the government-wide statements. At December 31, 2009, the leased truck had a cost of \$130,000 and accumulated depreciation of \$16,380 for a net book value of \$113,620. Future payments under this agreement for the years ending December 31 are as follows:

2010	\$ 20,572
2011	20,571
2012	20,572
2013	20,571
2014	20,572
Total minimum lease payments	102,858
Less amount representing interest	(15,156)
Present value of minimum lease payments	\$ 87,702

(9) Reserved Fund Equity

Reservations of fund equity indicate amounts which are either legally restricted for specific uses or are not appropriate for expenditure.

(continued)

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(9) Reserved Fund Equity (continued)

Reserved fund equity is as follows:

General Fund		
Bridge repair	\$ 287,556	
Gravel	45,221	
Landfill closure	9,251	
Legal fees	52,075	
Reappraisal	17,344	
Restoration	3,503	
Tax sale escrow	5,843	
Timber sales	16,709	
Town office reserve	17,425	
Town owned building fund	1,311	
Total general fund reservations		456,238
Special Revenue Funds		
Library	0	
Cemetery	4,043	
Total special revenue fund reservations		4,043
Permanent Fund		
Trust		282,500
Total reserved fund balance		742,781

(10) Property Taxes

The Town is responsible for assessing and collecting property taxes for the Readsboro School District, as well as for the Town itself. Property taxes are assessed based upon the assessed values as of April 1. The tax is payable in one installment due September 1. All delinquent taxes are charged a penalty of 8% of the unpaid balance. Interest of 1% per month is charged for overdue taxes from the due date for the first three months and 1.5% per month thereafter.

The tax rate per \$100 of property value for 2009 was:

	Residential	Non-Residential
Municipal	\$ 0.7653	0.7653
Local agreement	0.0105	0.0105
Education	0.6609	1.0375
	\$ 1.4367	1.8133

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(11) Risk Management

The Town is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, employee health and accident and environmental liability. The Town obtains coverage for the risks of losses to which it is exposed through participation in Property and Casualty Intermunicipal Fund, Inc. (PACIF), a self-insurance program sponsored by the Vermont League of Cities and Towns. PACIF is a non-profit corporation owned by the participating municipalities.

(12) Contingencies

In the normal course of operations, the Town receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of such audits is not believed to be material.

(13) Deferred Compensation and Pension Plans

The Town contributes to the Vermont Municipal Employees Retirement System (VMERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Vermont. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Town and employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

The Town participates in the Group A and Group B levels of contributions and benefits of the System. Under Group A, the employee contributions are 2.5% of gross pay and employer contributions are 4% of gross pay. Under Group B, the employee contributions are 4.5% of gross pay and employer contributions are 5% of gross pay. Of the Town's total payroll of \$355,354, \$247,093 was covered under the Vermont Municipal Employees' Retirement System.

Total employer contributions made to the System for the year ended December 31, 2009 was \$12,016.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602

(14) Subsequent Events

The Town has evaluated subsequent events through February 25, 2011, the date on which the financial statements were available to be issued. There were no reportable subsequent events.

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes			
Property taxes	\$ 744,092	732,423	(11,669)
Delinquent interest	8,500	10,735	2,235
Delinquent penalty	0	8,523	8,523
Tax sales	5,000	0	(5,000)
Total taxes	757,592	751,681	(5,911)
Licenses and Permits			
Dog licenses	500	681	181
Liquor licenses	230	235	5
Zoning	2,500	2,682	182
Dog fines	100	145	45
Total licenses and permits	3,330	3,743	413
Intergovernmental			
Highway aid	91,000	134,446	43,446
Current use	0	11,586	11,586
PILOT	0	26,207	26,207
Re-appraisal	0	7,089	7,089
Municipal planning grant	0	7,875	7,875
Fines and legal fees	0	427	427
Other grants and fees	0	25,686	25,686
Total intergovernmental	91,000	213,316	122,316
Charges for Services			
Copier/fax use	100	238	138
Recording fees	8,000	10,889	2,889
Rental	2,100	1,875	(225)
Total charges for services	10,200	13,002	2,802
Solid Waste			
Tipping fees	12,000	13,524	1,524
Car stickers	2,500	2,220	(280)
Metal sales	300	496	196
Total solid waste	14,800	16,240	1,440
Miscellaneous Income			
Interest income	6,000	2,206	(3,794)
General reimbursements	1,000	0	(1,000)
Timber sales	4,000	0	(4,000)
Other miscellaneous income	500	40	(460)
Total miscellaneous income	11,500	2,246	(9,254)
Total revenues	888,422	1,000,228	111,806

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures			
General Government			
<i>Selectmen</i>			
Salaries	24,460	5,188	19,272
Clerk salaries	6,000	5,946	54
Administrative assistant	2,000	0	2,000
Payroll taxes	1,570	1,585	(15)
Unemployment compensation	2,600	69	2,531
Office supplies	750	1,851	(1,101)
Projects	6,000	14,226	(8,226)
Town agent	150	245	(95)
Travel	200	163	37
Professional services	1,000	2,390	(1,390)
Miscellaneous	75	170	(95)
Total selectmen	44,805	31,833	12,972
<i>Clerk</i>			
Salary	13,000	13,273	(273)
Asst. clerk salary	500	3,903	(3,403)
Ballot clerk salaries	1,200	946	254
BCA member	1,000	4,188	(3,188)
Moderator salary	120	160	(40)
Payroll taxes	1,010	1,510	(500)
Retirement	650	729	(79)
Health insurance	0	3,715	(3,715)
Travel	100	0	100
Office supplies	1,225	1,082	143
Postage	500	0	500
Town meeting expense	1,000	(581)	1,581
Equipment	500	518	(18)
Dog expense	100	170	(70)
Telecommunications	800	704	96
Professional services	500	403	97
Training	200	0	200
Membership dues	1,200	2,467	(1,267)
Equipment repair	500	71	429
Copier	1,500	1,260	240
Records restoration	3,000	0	3,000
Miscellaneous	100	305	(205)
Total clerk	28,705	34,823	(6,118)

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued)			
General Government (continued)			
<i>Treasurer</i>			
Salary	8,850	14,831	(5,981)
Asst. treasurer salary	100	3,219	(3,119)
Payroll taxes	715	1,387	(672)
Retirement	500	670	(170)
Health insurance	0	3,715	(3,715)
Travel	400	132	268
Office supplies	1,000	1,084	(84)
Small equipment	500	323	177
Telephone	800	704	96
Audit	7,000	11,500	(4,500)
Professional services	2,500	4,086	(1,586)
Training	300	795	(495)
Copier contract	1,500	1,260	240
Postage	1,500	1,212	288
Bank charges	150	424	(274)
Miscellaneous	100	7,098	(6,998)
<i>Total treasurer</i>	25,915	52,440	(26,525)
<i>Delinquent Tax Collector</i>			
Salary	0	8,523	(8,523)
Payroll taxes	1,085	652	433
Office supplies	150	100	50
<i>Total delinquent tax collector</i>	1,235	9,275	(8,040)
<i>Listers</i>			
Salaries	10,000	29,792	(19,792)
Payroll taxes	770	2,724	(1,954)
Travel	500	240	260
Postage	1,000	163	837
Office supplies	1,000	1,193	(193)
Equipment	500	350	150
Contracted services	0	1,248	(1,248)
Telephone	800	884	(84)
Professional services	1,000	544	456
Training	1,000	324	676
Re-appraisal	0	29,340	(29,340)
Revaluation tax maps	0	20	(20)
Miscellaneous	200	5	195
<i>Total listers</i>	16,770	66,827	(50,057)

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued)			
General Government (continued)			
<i>Planning / Zoning</i>			
Zoning administrator	1,500	1,550	(50)
Payroll taxes	125	118	7
Zoning miscellaneous	250	319	(69)
Development Review Board	200	339	(139)
Planning Commission	200	0	200
Community Development Comm.	200	0	200
Office supplies	400	11	389
Training	400	37	363
Postage	0	212	(212)
911 Project	2,500	2,708	(208)
Beautification Fund	150	404	(254)
Other	0	228	(228)
<i>Total planning / zoning</i>	5,925	5,926	(1)
<i>911 Coordinator</i>			
Salary	100	0	100
Payroll taxes	10	0	10
<i>Total 911 coordinator</i>	110	0	110
<i>Dog Officer</i>			
Salary	525	525	0
Payroll taxes	0	40	(40)
Travel expense	100	0	100
Dog expense	250	0	250
<i>Total dog officer</i>	875	565	310
<i>Public Safety</i>			
Contracted seivces	12,500	11,937	563
<i>Miscellaneous</i>			
Electricity (Streets)	12,000	8,496	3,504
Electricity (Lions Park)	1,600	1,303	297
Historical Society Electricity	250	129	121
Historical Society Sewer	300	377	(77)
Historical Society Water	300	336	(36)
Bandstand	200	167	33
Windham Regional Planning	1,125	7,875	(6,750)
Legal Fees	0	6,899	(6,899)
Ballfield	400	381	19

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued)			
General Government (continued)			
Health Officer	275	250	25
Payroll taxes	25	19	6
Postage	0	519	(519)
Other	0	14,782	(14,782)
<i>Total miscellaneous</i>	16,475	41,533	(25,058)
Total general government	153,315	255,159	(101,844)
Highway			
<i>Winter Roads</i>			
Salaries	90,000	75,032	14,968
Payroll taxes	6,900	5,477	1,423
Retirement	4,500	4,143	357
Health insurance	26,180	26,270	(90)
Travel	250	111	139
Outside equipment	500	0	500
Equipment	1,000	325	675
Uniforms	1,500	100	1,400
Sand	22,000	22,428	(428)
Salt	17,000	13,921	3,079
Miscellaneous	100	159	(59)
<i>Total winter roads</i>	169,930	147,966	21,964
<i>Winter Garage</i>			
Office supplies	250	418	(168)
Supplies	3,500	3,475	25
Telephone	800	1,063	(263)
Electricity	1,550	2,073	(523)
Sewer / Water	500	761	(261)
<i>Total winter garage</i>	6,600	7,790	(1,190)
<i>Summer Roads</i>			
Salaries	105,000	93,704	11,296
Summer help	6,500	11,613	(5,113)
Payroll taxes	8,600	8,016	584
Retirement	5,300	4,470	830
Health insurance	32,360	22,893	9,467
Insurance	27,400	38,687	(11,287)
Travel	250	14	236
Postage	25	250	(225)
Professional services	500	1,869	(1,369)

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued)			
Highway (continued)			
<i>Summer Roads (continued)</i>			
Outside equipment	5,000	12,788	(7,788)
Small equipment	1,000	325	675
Uniforms	1,200	1,807	(607)
Road materials	65,000	119,320	(54,320)
Gravel	10,000	0	10,000
Stone	0	1,275	(1,275)
Bridge repair	2,500	0	2,500
Miscellaneous	250	0	250
Total summer roads	270,885	317,031	(46,146)
<i>Summer Garage</i>			
Supplies	2,500	2,571	(71)
Telephone	1,200	1,071	129
Electricity	900	615	285
Sewer / Water	800	773	27
Building repairs	0	15,000	(15,000)
Miscellaneous	100	0	100
Total summer garage	5,500	20,030	(14,530)
<i>Fuels</i>			
Heating oil	9,000	1,832	7,168
Gas	1,000	526	474
Diesel	30,000	35,274	(5,274)
Total fuels	40,000	37,632	2,368
<i>Parts and Supplies</i>			
Truck 1 and plow	2,000	3,377	(1,377)
Truck 2 and plow	1,500	1,957	(457)
Truck 10 and plow	1,000	2,342	(1,342)
Truck 20 and plow	2,000	1,809	191
Truck 21 and plow	2,500	1,781	719
Truck 22 and plow	2,500	1,927	573
Backhoes	1,000	3,532	(2,532)
Loaders	1,500	719	781
Grader	3,000	5,602	(2,602)
Chainsaws	250	1,122	(872)
Mower	750	1,376	(626)
Compressor	250	0	250
Brush cutter	500	639	(139)

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued)			
Highway (continued)			
<i>Parts and Supplies (continued)</i>			
Chipper	500	69	431
Supplies	500	155	345
Total parts and supplies	19,750	26,407	(6,657)
<i>Miscellaneous</i>	500	75	425
Total highway	513,165	556,931	(43,766)
Solid Waste			
Salaries	8,500	7,871	629
Payroll taxes	680	670	10
Retirement	0	3	(3)
Insurance	0	1,021	(1,021)
Travel	50	0	50
Office supplies	50	257	(207)
Electricity	1,200	1,087	113
Professional services	200	407	(207)
Container rental/pickup	26,000	29,077	(3,077)
WSWD assessment	7,240	8,118	(878)
Repairs	500	0	500
Miscellaneous	100	1,600	(1,500)
Total solid waste	44,520	50,111	(5,591)
Fire Department			
Fire warden	500	0	500
Insurance	2,775	2,769	6
Telephone	2,000	1,454	546
Electricity	1,000	823	177
Sewer / Water	775	821	(46)
Heating oil	3,500	1,827	1,673
Equipment	3,000	5,288	(2,288)
Training	500	0	500
Training officer	1,200	1,014	186
Membership dues	7,500	7,902	(402)
Gas	100	192	(92)
Diesel	500	1,008	(508)
Radio repairs	2,000	1,347	653
Equipment repairs	4,000	4,256	(256)
Miscellaneous	500	781	(281)
Total fire department	29,850	29,482	368

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued)			
Library			
Salaries	15,588	16,190	(602)
Payroll taxes	1,250	1,242	8
Programs	600	516	84
Insurance	400	395	5
Travel	300	701	(401)
Office supplies	400	372	28
Postage	325	177	148
Books	1,857	1,747	110
Periodicals	400	340	60
Audio / Visual	500	382	118
Telephone	1,000	939	61
Technology	500	423	77
Membership dues	250	320	(70)
Miscellaneous	2,500	995	1,505
Total library	25,870	24,739	1,131
Appropriations			
County tax	6,000	6,424	(424)
Historical Society building	500	0	500
Ambulance	14,400	14,052	348
Council on Aging	900	900	0
Visiting Nurses Association	2,150	2,150	0
Green Up Day	50	50	0
Emergency management	500	0	500
VT Center for Independent Living	230	230	0
VT Association for the Blind	300	300	0
Memorial Day	1,500	1,500	0
Fourth of July	1,500	1,500	0
Miscellaneous	1,000	1,500	(500)
Total appropriations	29,030	28,606	424
Capital Outlays			
Buildings	0	13,745	(13,745)
Fire truck	20,572	20,572	0
Machinery replacement	50,000	40,698	9,302
Bridges	0	18,392	(18,392)
Total capital outlays	70,572	93,407	(22,835)

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued)			
Debt Service			
<i>Principal</i>			
Sewer bond	16,000	0	16,000
Water bond	32,100	0	32,100
Total debt service	48,100	0	48,100
Total expenditures	914,422	1,038,435	(124,013)
Excess (deficiency) of revenues over expenditures	(26,000)	(38,207)	(12,207)
Other financing sources (uses)			
Operating transfer (to) from:			
Trust Fund	40,000	17,312	(22,688)
Water Fund	0	(32,080)	(32,080)
Cemetery Fund	(14,000)	11,500	25,500
Total other financing uses	26,000	(3,268)	(29,268)
Excess of revenues over expenditures and other financing uses	0	(41,475)	(41,475)
Fund balance January 1, 2009		896,216	
Fund balance December 31, 2009	\$	854,741	

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Cemetery Fund
Year Ended December 31, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Lot sales	\$ 0	400	400
Interest	0	586	586
Miscellaneous	0	75	75
Total revenues	0	1,061	1,061
Expenditures			
Village Cemetery			
Contracted services	3,000	6,152	(3,152)
Supplies	0	570	(570)
Total Village Cemetery	3,000	6,722	(3,722)
North Hill Cemetery			
Contracted services	1,600	1,391	209
Supplies	0	528	(528)
Total North Hill Cemetery	1,600	1,919	(319)
South Hill Cemetery			
Professional services	0	18,103	(18,103)
Contracted services	1,600	1,216	384
Materials	200	200	0
Total South Hill Cemetery	1,800	19,519	(17,719)
Heartwellville Cemetery			
Contracted services	1,600	1,698	(98)
Total Heartwellville Cemetery	1,600	1,698	(98)
Capital Outlay			0
Total expenditures	8,000	29,858	(21,858)
Excess (deficiency) of revenues over expenditures	(8,000)	(28,797)	(20,797)
Other financing sources:			
Transfer from General Fund	14,000	(11,500)	(25,500)
Excess (deficiency) of revenues and other financing sources over expenditures	6,000	(40,297)	(46,297)
Fund Balance January 1, 2009		44,340	
Fund Balance December 31, 2009	\$	4,043	



**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***

The Select Board
Town of Readsboro, Vermont

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Readsboro, Vermont as of and for the year ended December 31, 2009, which collectively comprise the Town of Readsboro, Vermont's basic financial statements and have issued our report thereon dated February 25, 2011. 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 Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Readsboro, Vermont'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 of Readsboro, Vermont's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Readsboro, Vermont's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Readsboro, Vermont'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*.

This report is intended solely for the information and use of management, the Select Board, 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.

Love, Cody ; Company, CPAs, P.C.

February 25, 2011

Vt. Reg. #357