

TOWN OF READSBORO, VERMONT
Financial Statements and Schedules
December 31, 2010
(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, 2010, 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, 2010, 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 April 18, 2012 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 9 and the General Fund budgetary comparison information on pages 29 through 38 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.

April 18, 2012

Vt. Reg. #357

Love, Cody & Company, CPAs

TOWN OF READSBORO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010

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, 2010. 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 \$6,809,252. Of this amount, \$1,062,670 was reported as *unrestricted net assets* and may be used to meet the government's ongoing obligations to citizens and creditors, and \$5,746,582 was invested in capital assets.

Fund Highlights:

- *Governmental Funds* – Governmental funds include general, special revenue, and permanent funds. As of December 31, 2010, the Town's governmental funds reported a combined ending fund balance of \$1,035,590.

Enterprise Funds:

- *Electric Fund* – As of December 31, 2010, the Town's Electric Fund reported total net assets of \$256,466; \$105,794 represents the *unrestricted balance* available for future expenses and \$150,672 is the amount invested in capital assets.
- *Water Fund* – As of December 31, 2010, the Town's Water Fund reported total net assets of \$3,829,839; \$48,460 represents the *unrestricted balance* available for future expenses and \$3,781,379 is the amount invested in capital assets, net of related debt.
- *Sewer Fund* – As of December 31, 2010, the Town's Sewer Fund reported total net assets of \$815,952, \$154,548 represents the *unrestricted balance* available for future expenses and \$661,404 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.

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. They are comprised of the *statement of net assets* and *statement of activities*.

TOWN OF READSBORO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010
(Continued)

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. The Town of Readsboro has elected to treat all of its funds as major and present them individually in the fund financial statements.

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-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*.

TOWN OF READSBORO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010
(Continued)

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.

| Table 1 | | | | | | |
|--|--|--|-----------------------------------|--|--|-----------------------------------|
| Net Assets (in Thousands) | | | | | | |
| | 2010 | | | 2009 | | |
| | Govern- mental Activities | Business- type Activities | Total Govern- ment | Govern- mental Activities | Business- type Activities | Total Govern- ment |
| Current and other assets | \$ 1,844 | 334 | 2,178 | 1,883 | 293 | 2,176 |
| Capital assets | 1,225 | 4,594 | 5,819 | 1,159 | 4,686 | 5,845 |
| Total assets | 3,069 | 4,928 | 7,997 | 3,042 | 4,979 | 8,021 |
| Current liabilities | 759 | 26 | 785 | 729 | 44 | 773 |
| Noncurrent liabilities | 403 | 0 | 403 | 432 | 0 | 432 |
| Total liabilities | 1,162 | 26 | 1,188 | 1,161 | 44 | 1,205 |
| Net assets: | | | | | | |
| Invested in capital assets, net of debt | 1,153 | 4,593 | 5,746 | 1,072 | 4,686 | 5,758 |
| Unrestricted | 754 | 309 | 1,063 | 809 | 249 | 1,058 |
| Total net assets | \$ 1,907 | 4,902 | 6,809 | 1,881 | 4,935 | 6,816 |

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, 2010
(Continued)

| Table 2 | | | | | | |
|--|--|--|-----------------------------------|--|--|-----------------------------------|
| Change in Net Assets (in Thousands) | | | | | | |
| | 2010 | | | 2009 | | |
| | Govern- mental Activities | Business- type Activities | Total Govern- ment | Govern- mental Activities | Business- type Activities | Total Govern- ment |
| REVENUES | | | | | | |
| General revenues: | | | | | | |
| Property taxes | \$ 815 | 0 | 815 | 744 | 0 | 744 |
| Other general revenues | 37 | 16 | 53 | 21 | 9 | 30 |
| Earnings on investments | 30 | 3 | 33 | 21 | 3 | 24 |
| Program revenues: | | | | | | |
| Charges for services | 52 | 561 | 613 | 32 | 523 | 555 |
| Operating grants and contributions | 155 | 0 | 155 | 213 | 0 | 213 |
| Capital grants and contributions | 96 | 50 | 146 | 0 | 0 | 0 |
| Total revenues | 1,185 | 630 | 1,815 | 1,031 | 535 | 1,566 |
| PROGRAM EXPENSES | | | | | | |
| General government | 402 | 0 | 402 | 303 | 0 | 303 |
| Public safety | 66 | 0 | 66 | 68 | 0 | 68 |
| Public works | 666 | 0 | 666 | 475 | 0 | 475 |
| Parks and recreation | 30 | 0 | 30 | 38 | 0 | 38 |
| Cemetery | 13 | 0 | 13 | 10 | 0 | 10 |
| Interest | 25 | 0 | 25 | 6 | 0 | 6 |
| Electric | 0 | 334 | 334 | 0 | 392 | 392 |
| Water | 0 | 201 | 201 | 0 | 223 | 223 |
| Sewer | 0 | 127 | 127 | 0 | 113 | 113 |
| Total program expenses | 1,202 | 662 | 1,864 | 900 | 728 | 1,628 |
| Transfers | 0 | 0 | 0 | (32) | 32 | 0 |
| Increase (decrease) in net assets | \$ (17) | (32) | (49) | 99 | (161) | (62) |

Governmental Expenses. Total governmental activity expenses were \$1,202,411 and \$899,777 in 2010 and 2009, respectively. 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 \$303,287 and \$244,866 in 2010 and 2009, respectively. Governmental program revenues come from *charges for services*, which include licenses and permits, planning fees, developer fees, forfeitures, and several other revenues, *operating grants and contributions* which include operating-specific and discretionary (either operating or capital) grants and capital grants and contributions.

TOWN OF READSBORO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010
(Continued)

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 \$882,506 and \$785,918 in 2010 and 2009, respectively. Taxes of \$815,408 comprised 92% of the Town's general revenues for the year ended December 31, 2010.

Business-Type Activities. Net assets for business-type (Electric, Water and Sewer) activities were \$4,902,257 and \$4,934,730 at December 31, 2010 and 2009, respectively. Total revenues for business-type activities were \$630,029 and \$534,408 in 2010 and 2009, respectively. Total expenses for the business-type activities were \$662,502 and \$727,912 in 2010 and 2009, respectively.

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 \$1,035,590. \$383,419 is unreserved and is available for spending at the government's discretion. \$282,500 is reserved for the trust fund and \$369,671 is reserved for special revenue funds and other purposes.

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 2010 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, 2010 | | | |
| <u>REVENUES AND OTHER SOURCES:</u> | | <u>EXPENDITURES AND OTHER USES:</u> | |
| | Variance Favorable <u>(Unfavorable)</u> | | Variance Favorable <u>(Unfavorable)</u> |
| Property taxes | \$ 21,118 | Miscellaneous | \$ (28,134) |
| Intergovernmental | | Capital outlays | (324,395) |
| Highway aid | 95,891 | | |
| State aid - bridges | 95,806 | | |
| Other grants and fees | (33,866) | | |

TOWN OF READSBORO, VERMONT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2010
 (Continued)

Revenues and other sources

- The variance in taxes included an increase in revenue from delinquent interest and tax sales.
- The variance in State aid – highway is due an under-estimation of PILOT funds.
- The variance in state aid – bridges is due to an under-estimation of funds and work to be done on bridges. These transactions occurred within the Bridge Reserve Fund and not the general budget.
- The variance in other grants and fees resulted from an over-estimation of grant revenues, or grants not authorized by the voters

Expenditures and other uses

- The variance in miscellaneous expenses resulted from legal fees related to the sale of the electric company.
- The variance in capital outlays includes indicated Reserve Fund transactions and expenses from the Gravel Fund (\$57,953); Machinery Replacement (\$48,995); TH24 BR 20 (\$45,960), and other bridge projects (\$132,217).

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, 2010, amounts to \$5,818,589, net of accumulated depreciation of \$4,853,669. 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 \$223,753, including construction in progress, equipment and bridge improvements.

| Table 4 | | | | | | |
|-------------------------------------|--|--|-----------------------------------|--|--|-----------------------------------|
| Capital Asset Balances (Net) | | | | | | |
| | December 31, 2010 | | | December 31, 2009 | | |
| | Govern- mental Activities | Business- type Activities | Total Govern- ment | Govern- mental Activities | Business- type Activities | Total Govern- ment |
| Land and land improvements | \$ 123,861 | 233,355 | 357,216 | 125,118 | 233,355 | 358,473 |
| Construction in progress | 18,392 | 48,916 | 67,308 | 18,392 | 0 | 18,392 |
| Distribution & collection systems | 0 | 502,871 | 502,871 | 0 | 527,645 | 527,645 |
| Buildings and improvements | 46,762 | 3,754,766 | 3,801,528 | 50,178 | 3,892,081 | 3,942,259 |
| Equipment and vehicles | 835,644 | 53,547 | 889,191 | 854,636 | 32,683 | 887,319 |
| Furniture and fixtures | 2,175 | 0 | 2,175 | 2,465 | 0 | 2,465 |
| Infrastructure | 198,300 | 0 | 198,300 | 108,696 | 0 | 108,696 |
| Total net assets | \$ 1,225,134 | 4,593,455 | 5,818,589 | 1,159,485 | 4,685,764 | 5,845,249 |

TOWN OF READSBORO, VERMONT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2010
 (Continued)

Debt Administration

Long-Term Liabilities – At the end of the current fiscal year, the Town had \$430,936 in long-term liabilities.

| Table 5 | | | |
|---|----------------------------|-----------------------------|---------------------|
| Noncurrent Liability Balances at December 31, 2010 | | | |
| | Governmental Activities | Business-type Activities | Total Government |
| Capital leases | \$ 72,007 | 0 | 72,007 |
| Bonds | 358,929 | 0 | 358,929 |
| Total net assets | \$ 430,936 | 0 | 430,936 |

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.
- The challenges of educational opportunity for our children, insurance, energy costs, and affordable housing will be with our community for the foreseeable future.
- Approval to sell the Readsboro Electric Utility was realized due to increasing cost.

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, 2010

| | Primary Government | | |
|--|----------------------------|-----------------------------|------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets: | | | |
| Cash | \$ 1,163,572 | 134,193 | 1,297,765 |
| Investments | 560,382 | 13,200 | 573,582 |
| Accounts and notes receivable | 33,247 | 108,054 | 141,301 |
| Delinquent taxes receivable, net | 111,147 | 0 | 111,147 |
| Inventory | 0 | 30,141 | 30,141 |
| Internal balances | (24,862) | 24,862 | 0 |
| Deferred charges | 0 | 23,888 | 23,888 |
| Capital assets: | | | |
| Land | 97,425 | 282,271 | 379,696 |
| Other capital assets, net of accumulated depreciation | 1,127,709 | 4,311,184 | 5,438,893 |
| Total assets | \$ 3,068,620 | 4,927,793 | 7,996,413 |
| Liabilities: | | | |
| Accounts payable | \$ 97,792 | 0 | 97,792 |
| Accrued liabilities | 5,300 | 0 | 5,300 |
| Due to School District | 600,987 | 0 | 600,987 |
| Deferred revenue | 26,610 | 25,536 | 52,146 |
| Capital leases payable: | | | |
| Due within one year | 16,568 | 0 | 16,568 |
| Due in more than one year | 55,439 | 0 | 55,439 |
| Bonds payable: | | | |
| Due within one year | 11,405 | 0 | 11,405 |
| Due in more than one year | 347,524 | 0 | 347,524 |
| Total liabilities | 1,161,625 | 25,536 | 1,187,161 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 1,153,127 | 4,593,455 | 5,746,582 |
| Restricted | 0 | 0 | 0 |
| Unrestricted | 753,868 | 308,802 | 1,062,670 |
| Total net assets | 1,906,995 | 4,902,257 | 6,809,252 |
| Total liabilities and net assets | \$ 3,068,620 | 4,927,793 | 7,996,413 |

See accompanying notes to financial statements.

TOWN OF READSBORO, VERMONT
Statement of Activities
December 31, 2010

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|---|---------------------|-------------------------|-----------------------------|-----------------------------|--|-----------------------------|-----------------------------|------------------|
| | Expenses | Operating | | Capital | Governmental Activities | Business-type Activities | | Total |
| | | Charges for Services | Grants and Contributions | Grants and Contributions | | Governmental Activities | Business-type Activities | |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 401,768 | 34,036 | 11,118 | 0 | (356,614) | 0 | 0 | (356,614) |
| Public safety | 66,182 | 0 | 0 | 0 | (66,182) | 0 | 0 | (66,182) |
| Public works | 666,021 | 0 | 143,911 | 95,806 | (426,304) | 0 | 0 | (426,304) |
| Parks and recreation | 29,865 | 0 | 0 | 0 | (29,865) | 0 | 0 | (29,865) |
| Cemetery | 13,296 | 18,416 | 0 | 0 | 5,120 | 0 | 0 | 5,120 |
| Interest | 25,279 | 0 | 0 | 0 | (25,279) | 0 | 0 | (25,279) |
| Total governmental activities | 1,202,411 | 52,452 | 155,029 | 95,806 | (899,124) | 0 | 0 | (899,124) |
| Business-type activities: | | | | | | | | |
| Electric | 334,760 | 368,498 | 0 | 0 | 0 | 33,738 | 33,738 | 33,738 |
| Water | 200,955 | 81,288 | 0 | 50,633 | 0 | (69,034) | (69,034) | (69,034) |
| Sewer | 126,787 | 110,854 | 0 | 0 | 0 | (15,933) | (15,933) | (15,933) |
| Total business-type activities | 662,502 | 560,640 | 0 | 50,633 | 0 | (51,229) | (51,229) | (51,229) |
| Total primary government | \$ 1,864,913 | 613,092 | 155,029 | 146,439 | (899,124) | (51,229) | (950,353) | (950,353) |
| General revenues: | | | | | | | | |
| Property taxes | | | | | 815,408 | 0 | 815,408 | |
| Investment earnings | | | | | 30,207 | 2,764 | 32,971 | |
| Miscellaneous | | | | | 36,891 | 15,992 | 52,883 | |
| Transfers | | | | | 0 | 0 | 0 | |
| Total general revenues and transfers | | | | | 882,506 | 18,756 | 901,262 | |
| Change in net assets | | | | | (16,618) | (32,473) | (49,091) | |
| Net assets - beginning | | | | | 1,923,613 | 4,934,730 | 6,858,343 | |
| Net assets - ending | | | | | \$ 1,906,995 | 4,902,257 | 6,809,252 | |

See accompanying notes to financial statements.

TOWN OF READSBORO, VERMONT
Balance Sheet
Governmental Funds
December 31, 2010

| | General Fund | Special Revenue Funds | | Permanent Fund | Total |
|---|---------------------|--------------------------|-----------------|-------------------|------------------|
| | | Cemetery Fund | Library Fund | Trust Fund | |
| Assets: | | | | | |
| Cash | \$ 1,128,364 | 35,208 | 0 | 0 | 1,163,572 |
| Investments | 0 | 0 | 0 | 560,382 | 560,382 |
| Delinquent taxes receivable, net | 111,147 | 0 | 0 | 0 | 111,147 |
| Accounts and notes receivable | 33,247 | 0 | 0 | 0 | 33,247 |
| Prepaid expenses | 0 | 0 | 0 | 0 | 0 |
| Due from other governments | 0 | 0 | 0 | 0 | 0 |
| Due from other funds | 327,706 | 0 | 759 | 0 | 328,465 |
| Total assets | \$ 1,600,464 | 35,208 | 759 | 560,382 | 2,196,813 |
| Liabilities: | | | | | |
| Accounts payable | \$ 84,418 | 0 | 0 | 0 | 84,418 |
| Due to School District | 600,987 | 0 | 0 | 0 | 600,987 |
| Due to other funds | 75,445 | 0 | 0 | 277,882 | 353,327 |
| Accrued liabilities | 13,374 | 0 | 0 | 0 | 13,374 |
| Deferred revenue | 102,351 | 0 | 6,766 | 0 | 109,117 |
| Total liabilities | 876,575 | 0 | 6,766 | 277,882 | 1,161,223 |
| Fund balance: | | | | | |
| Reserved | 365,628 | 4,043 | 0 | 282,500 | 652,171 |
| Unreserved | 358,261 | 31,165 | (6,007) | 0 | 383,419 |
| Total fund balance | 723,889 | 35,208 | (6,007) | 282,500 | 1,035,590 |
| Total liabilities and fund balance | \$ 1,600,464 | 35,208 | 759 | 560,382 | 2,196,813 |

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, 2010

Total fund balances - governmental funds, page 12 \$ 1,035,590

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 | \$ 1,918,334 | |
| Less accumulated depreciation | <u>(693,200)</u> | 1,225,134 |

| | | |
|--|--|--------|
| Other long-term assets (property taxes receivable) are not available to pay for current period expenditures and therefore are deferred in the funds. | | 82,507 |
|--|--|--------|

| | | |
|---|--|-----------|
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds | | (436,236) |
|---|--|-----------|

| | | |
|---|--|----------------------------|
| Net assets - governmental activities, page 10 | | <u><u>\$ 1,906,995</u></u> |
|---|--|----------------------------|

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, 2010

| | General Fund | Special Revenue Funds | | Permanent Fund | Total |
|--|-------------------|--------------------------|-----------------|-------------------|------------------|
| | | Cemetery Fund | Library Fund | Trust Fund | |
| Revenues: | | | | | |
| Property taxes | \$ 860,130 | 0 | 0 | 0 | 860,130 |
| Licenses and permits | 4,093 | 0 | 0 | 0 | 4,093 |
| Intergovernmental | 255,612 | 0 | 0 | 0 | 255,612 |
| Charges for services | 13,669 | 0 | 0 | 0 | 13,669 |
| Lot sales | 0 | 1,000 | 0 | 0 | 1,000 |
| Solid waste | 14,252 | 0 | 0 | 0 | 14,252 |
| Interest and dividend income | 1,365 | 306 | 0 | 17,337 | 19,008 |
| Investment income | 0 | 0 | 0 | 11,199 | 11,199 |
| Miscellaneous | 17,784 | 0 | 0 | 0 | 17,784 |
| Total revenues | 1,166,905 | 1,306 | 0 | 28,536 | 1,196,747 |
| Expenditures: | | | | | |
| General government | 242,011 | 0 | 0 | 500 | 242,511 |
| Highways | 482,389 | 0 | 0 | 0 | 482,389 |
| Solid waste | 48,599 | 0 | 0 | 0 | 48,599 |
| Fire Department | 31,280 | 0 | 0 | 0 | 31,280 |
| Library | 19,312 | 0 | 0 | 0 | 19,312 |
| Appropriations | 37,800 | 0 | 0 | 0 | 37,800 |
| Cemetery | 12,496 | 0 | 0 | 0 | 12,496 |
| Capital outlays | 389,967 | 0 | 0 | 0 | 389,967 |
| Debt service | 32,080 | 0 | 0 | 0 | 32,080 |
| Total expenditures | 1,295,934 | 0 | 0 | 500 | 1,296,434 |
| Excess (deficiency) of revenues over expenditures | (129,029) | 1,306 | 0 | 28,036 | (99,687) |
| Other financing sources (uses): | | | | | |
| Operating transfers in (out) | 28,036 | 0 | 0 | (28,036) | 0 |
| | 28,036 | 0 | 0 | (28,036) | 0 |
| Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses | (100,993) | 1,306 | 0 | 0 | (99,687) |
| Beginning fund balance, as restated | 824,882 | 33,902 | (6,007) | 282,500 | 1,135,277 |
| Ending fund balance | \$ 723,889 | 35,208 | (6,007) | 282,500 | 1,035,590 |

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, 2010

Net change in fund balances - governmental funds, page 14 \$ (99,687)

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 | \$ 144,955 | |
| Less: current year depreciation and amortization | <u>(79,306)</u> | 65,649 |

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 principal on bonds and capital lease | 27,372 |
|---|--------|

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 a decrease in deferred property taxes

(9,952)

| | |
|---|--------------------|
| Change in net assets - governmental activities, page 11 | <u>\$ (16,618)</u> |
|---|--------------------|

See accompanying notes to financial statements.

TOWN OF READSBORO, VERMONT
Statement of Net Assets
Proprietary Funds
December 31, 2010

| | Enterprise Funds | | | Total |
|---|-------------------|------------------|----------------|------------------|
| | Electric Fund | Water Fund | Sewer Fund | |
| Assets: | | | | |
| Current assets: | | | | |
| Cash | \$ 2,541 | 10,345 | 121,307 | 134,193 |
| Due from other funds | 0 | 24,027 | 38,294 | 62,321 |
| Accounts receivable | 99,019 | 14,088 | 18,835 | 131,942 |
| Investments | 13,200 | 0 | 0 | 13,200 |
| Inventory | 30,141 | 0 | 0 | 30,141 |
| Total current assets | 144,901 | 48,460 | 178,436 | 371,797 |
| 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 | 6,415,851 | 733,322 | 7,240,824 |
| Less accumulated depreciation | (136,480) | (2,849,612) | (1,174,378) | (4,160,470) |
| Total non-current assets | 150,672 | 3,781,379 | 661,404 | 4,593,455 |
| Total assets | \$ 295,573 | 3,829,839 | 839,840 | 4,965,252 |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 0 | 0 | 0 | 0 |
| Accrued liabilities | 0 | 0 | 0 | 0 |
| Due to other funds | 37,458 | 0 | 0 | 37,458 |
| Deferred revenue | 1,649 | 0 | 23,888 | 25,537 |
| Total current liabilities | 39,107 | 0 | 23,888 | 62,995 |
| Total liabilities | 39,107 | 0 | 23,888 | 62,995 |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 150,672 | 3,781,379 | 661,404 | 4,593,455 |
| Unrestricted - designated | 105,794 | 48,460 | 154,548 | 308,802 |
| Total net assets | 256,466 | 3,829,839 | 815,952 | 4,902,257 |
| Total liabilities and net assets | \$ 295,573 | 3,829,839 | 839,840 | 4,965,252 |

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, 2010

| | Enterprise Fund | | | Total |
|--|-------------------|------------------|----------------|------------------|
| | Electric Fund | Water Fund | Sewer Fund | |
| Operating revenues: | | | | |
| Charges for services | \$ 368,498 | 81,288 | 110,854 | 560,640 |
| Intergovernmental | 0 | 50,633 | 0 | 50,633 |
| Interest on delinquent accounts | 2,210 | 2,069 | 2,703 | 6,982 |
| Miscellaneous | 0 | 52 | 8,958 | 9,010 |
| Total operating revenues | 370,708 | 134,042 | 122,515 | 627,265 |
| Operating expenses: | | | | |
| Personnel services | 9,145 | 41,111 | 39,924 | 90,180 |
| Taxes | 6,891 | 2,218 | 1,774 | 10,883 |
| Professional services | 45,580 | 7,321 | 11,436 | 64,337 |
| Purchased power | 246,767 | 0 | 0 | 246,767 |
| Utilities and telephone | 281 | 8,926 | 13,063 | 22,270 |
| Insurance | 0 | 0 | 0 | 0 |
| Operating supplies and equipment | 8,638 | 9,252 | 20,884 | 38,774 |
| Office supplies and expenses | 2,714 | 2,193 | 1,894 | 6,801 |
| Depreciation and amortization | 14,497 | 128,526 | 37,043 | 180,066 |
| Other | 203 | 1,408 | 769 | 2,380 |
| Total operating expenses | 334,716 | 200,955 | 126,787 | 662,458 |
| Operating income (loss) | 35,992 | (66,913) | (4,272) | (35,193) |
| Nonoperating revenues (expenses): | | | | |
| Investment income | 1,540 | 77 | 1,147 | 2,764 |
| Interest expense | (44) | 0 | 0 | (44) |
| Total nonoperating revenues (expenses) | 1,496 | 77 | 1,147 | 2,720 |
| Income (loss) before operating transfers | 37,488 | (66,836) | (3,125) | (32,473) |
| Operating transfers in (out) | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |
| Change in net assets | 37,488 | (66,836) | (3,125) | (32,473) |
| Total net assets - beginning, as restated | 218,978 | 3,896,675 | 819,077 | 4,934,730 |
| Total net assets - ending | \$ 256,466 | 3,829,839 | 815,952 | 4,902,257 |

See accompanying notes to financial statements.

TOWN OF READSBORO, VERMONT
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2010

| | Enterprise Fund | | | Total |
|---|--------------------|-----------------|-----------------|-----------------|
| | Electric Fund | Water Fund | Sewer Fund | |
| Cash flows from operating activities: | | | | |
| Cash receipts from customers | \$ 361,625 | 76,755 | 109,575 | 547,955 |
| Other cash receipts | 0 | 50,685 | 8,958 | 59,643 |
| Cash payments to: | | | | |
| Suppliers of goods or services | (366,232) | (31,318) | (48,046) | (445,596) |
| Employees for services | (9,145) | (41,111) | (41,698) | (91,954) |
| Net cash provided by (used in) operating activities | (13,752) | 55,011 | 28,789 | 70,048 |
| Cash flows from non-capital financing activities: | | | | |
| Interest on meter deposits | (44) | 0 | 0 | (44) |
| Transfers in | 0 | 0 | 0 | 0 |
| Net cash provided by (used in) non-capital financing activities | (44) | 0 | 0 | (44) |
| Cash flows from investing activities: | | | | |
| Interest on cash investments | 1,540 | 77 | 1,147 | 2,764 |
| Purchase of capital assets | 0 | (65,011) | (13,789) | (78,800) |
| Net cash provided by (used in) investing activities | 1,540 | (64,934) | (12,642) | (76,036) |
| Net Increase (decrease) in cash | (12,256) | (9,923) | 16,147 | (6,032) |
| Cash, beginning | 14,797 | 20,268 | 105,160 | 140,225 |
| Cash, ending | \$ 2,541 | 10,345 | 121,307 | 134,193 |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | | | |
| Operating income | \$ 35,992 | (66,913) | (4,272) | (35,193) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 5,539 | 128,526 | 37,043 | 171,108 |
| Loss on disposal of assets | 0 | 0 | 0 | 0 |
| (Increase) decrease in current assets | | | | |
| Accounts receivable | (9,559) | (2,379) | (5,665) | (17,603) |
| Due from other funds | (36,306) | (4,223) | 10,641 | (29,888) |
| Inventory and other assets | 0 | 0 | 0 | 0 |
| Increase (decrease) in current liabilities | | | | |
| Accounts payable | (9,894) | 0 | 0 | (9,894) |
| Accrued expenses and other liabilities | 476 | 0 | (8,958) | (8,482) |
| Net cash provided by (used in) operating activities | \$ (13,752) | 55,011 | 28,789 | 70,048 |

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 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) **Cash**

At December 31, 2010 the carrying amount of the Town's deposits was \$1,297,765 and the bank balance was \$1,335,593. Of the bank balance, \$434,877 was covered by Federal depository insurance and \$900,716 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.

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(3) Investments

Investments at December 31, 2010 are as follows:

| | Fair Value | Investment Maturities (Years) | |
|-----------------------------|-------------------|-------------------------------|---------------|
| | | Less Than 1 | 1-5 |
| Cash equivalents | \$ 60,654 | N/A | N/A |
| Mutual funds - fixed income | 473,203 | N/A | N/A |
| U.S. Government bonds | 26,525 | 0 | 26,525 |
| | \$ 560,382 | 0 | 26,525 |

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.

(4) 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 or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

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.

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(5) Capital Assets

Capital assets and activity for the year ended December 31, 2010 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 | 18,392 | 0 | 0 | 18,392 |
| | 97,425 | 0 | 0 | 97,425 |
| Depreciable Assets | | | | |
| Land Improvements | 48,413 | 0 | 0 | 48,413 |
| Buildings | 56,714 | 0 | 0 | 56,714 |
| Building Improvements | 53,370 | 0 | 0 | 53,370 |
| Infrastructure | 110,914 | 95,960 | 0 | 206,874 |
| Vehicles and Equipment | 1,403,643 | 48,995 | 0 | 1,452,638 |
| Furniture and Fixtures | 2,900 | 0 | 0 | 2,900 |
| | 1,675,954 | 144,955 | 0 | 1,820,909 |
| Accumulated Depreciation | | | | |
| Land Improvements | (2,328) | (1,257) | 0 | (3,585) |
| Buildings | (47,394) | (958) | 0 | (48,352) |
| Building Improvements | (12,512) | (2,458) | 0 | (14,970) |
| Infrastructure | (2,218) | (6,356) | 0 | (8,574) |
| Vehicles and Equipment | (549,007) | (67,987) | 0 | (616,994) |
| Furniture and Fixtures | (435) | (290) | 0 | (725) |
| | (613,894) | (79,306) | 0 | (693,200) |
| Property and equipment, net | \$ 1,159,485 | | | 1,225,134 |

| Proprietary Funds | Beginning Balance | Additions | Retirements and Transfers | Ending Balance |
|---------------------------------|-------------------|-----------|---------------------------|----------------|
| Cost | | | | |
| Non-depreciable Assets | | | | |
| Land | \$ 233,355 | 0 | 0 | 233,355 |
| Construction in Process | 0 | 48,916 | 0 | 48,916 |
| | 233,355 | 48,916 | 0 | 282,271 |
| Depreciable Assets | | | | |
| Buildings | 7,050,460 | 0 | 0 | 7,050,460 |
| Building Improvements | 9,371 | 4,875 | 0 | 14,246 |
| Distribution/Collection Systems | 1,279,746 | 0 | 0 | 1,279,746 |
| Vehicles and Equipment | 102,194 | 25,007 | 0 | 127,201 |
| | 8,441,771 | 29,882 | 0 | 8,471,653 |

(continued)

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(5) Capital Assets (continued)

| Proprietary Funds | Beginning Balance | Additions | Retirements and Transfers | Ending Balance |
|---------------------------------|----------------------|------------------|------------------------------|--------------------|
| Accumulated Depreciation | | | | |
| Buildings | (3,167,281) | (141,009) | 0 | (3,308,290) |
| Building Improvements | (469) | (1,181) | 0 | (1,650) |
| Distribution/Collection Systems | (752,101) | (24,774) | 0 | (776,875) |
| Vehicles and Equipment | (69,511) | (4,143) | 0 | (73,654) |
| | <u>(3,989,362)</u> | <u>(171,107)</u> | <u>0</u> | <u>(4,160,469)</u> |
| Property and equipment, net | <u>\$ 4,685,764</u> | | | <u>4,593,455</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------|------------------|
| General government | \$ 1,937 |
| Public safety | 24,349 |
| Public works | 51,415 |
| Culture and recreation | 805 |
| Cemetery | 800 |
| | <u>\$ 79,306</u> |

(6) Notes Payable

Long term liabilities at December 31, 2010 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%. | <u>\$ 358,929</u> |
|---|-------------------|

Interest paid for the year ended December 31, 2010 was \$22,817.

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 | <u>\$ 369,705</u> | <u>(10,776)</u> | <u>358,929</u> | <u>11,405</u> |

(continued)

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(6) Notes Payable (continued)

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

| | Governmental Activities | | |
|-----------|--------------------------------|-----------------|----------------|
| | Principal | Interest | Total |
| 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 | 14,000 | 18,080 | 32,080 |
| 2016-2020 | 85,383 | 75,017 | 160,400 |
| 2021-2025 | 111,724 | 48,676 | 160,400 |
| 2026-2030 | 98,054 | 30,266 | 128,320 |
| | \$ 358,929 | 250,591 | 609,520 |

(7) 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, 2010, the leased truck had a cost of \$130,000 and accumulated depreciation of \$16,380 for a net book value of \$108,940. Future payments under this agreement for the years ending December 31 are as follows:

| | |
|---|------------------|
| 2011 | \$ 20,571 |
| 2012 | 20,572 |
| 2013 | 20,571 |
| 2014 | 20,572 |
| Total minimum lease payments | 82,286 |
| Less amount representing interest | (10,279) |
| Present value of minimum lease payments | \$ 72,007 |

(8) 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

(8) Reserved Fund Equity (continued)

Reserved fund equity is as follows:

| | | |
|--|------------|----------------|
| General Fund | | |
| Bridge repair | \$ 225,615 | |
| Machinery sinking fund | 55,945 | |
| Landfill closure | 9,383 | |
| Legal fees | 27,864 | |
| Reappraisal | 18,404 | |
| Restoration | 4,399 | |
| Tax sale escrow | 5,873 | |
| Town office reserve | 17,425 | |
| Town owned building fund | 720 | |
| Total general fund reservations | | 365,628 |
| Special Revenue Funds | | |
| Library | 0 | |
| Cemetery | 4,043 | |
| Total special revenue fund reservations | | 4,043 |
| Permanent Fund | | |
| Trust | | 282,500 |
| Total reserved fund balance | | 652,171 |

(9) 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 2010 was:

| | Residential | Non-Residential |
|-----------------|------------------|-----------------|
| Municipal | \$ 0.8653 | 0.8653 |
| Local agreement | 0.0077 | 0.0077 |
| Education | 0.7936 | 1.2457 |
| | \$ 1.6666 | 2.1187 |

TOWN OF READSBORO, VERMONT

Notes to Financial Statements

(10) 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.

(11) 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.

(12) 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

(13) Subsequent Events

In August 2011 the Town sold its electric utility to Central Vermont Public Service Corporation. Proceeds from the sale amounted to \$327,401 of which \$88,000 was used to establish an Energy Efficiency Fund.

The Town has evaluated subsequent events through April 18, 2012, the date on which the financial statements were available to be issued.

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2010

| | Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------------------|----------------|------------------|--|
| Revenues | | | |
| Taxes | | | |
| Property taxes | \$ 815,348 | 825,364 | 10,016 |
| Delinquent interest | 7,000 | 17,333 | 10,333 |
| Tax sales | 16,666 | 17,433 | 767 |
| Total taxes | 839,014 | 860,130 | 21,116 |
| Licenses and Permits | | | |
| Dog licenses | 500 | 452 | (48) |
| Liquor licenses | 235 | 235 | 0 |
| Zoning permits | 2,500 | 3,181 | 681 |
| Dog fines | 100 | 225 | 125 |
| Total licenses and permits | 3,335 | 4,093 | 758 |
| Intergovernmental | | | |
| Highway aid | 0 | 95,891 | 95,891 |
| State aid - bridges | 0 | 95,806 | 95,806 |
| Other grants and fees | 90,000 | 56,134 | (33,866) |
| Re-appraisal | 0 | 7,781 | 7,781 |
| Total intergovernmental | 90,000 | 255,612 | 165,612 |
| Charges for Services | | | |
| Copier/fax use | 150 | 424 | 274 |
| Recording fees | 7,000 | 7,897 | 897 |
| Civil fines | 0 | 481 | 481 |
| Restoration fund fees | 0 | 2,096 | 2,096 |
| Computerization fund fees | 0 | 996 | 996 |
| Rental | 2,000 | 1,775 | (225) |
| Total charges for services | 9,150 | 13,669 | 4,519 |
| Solid Waste | | | |
| Tipping fees | 12,000 | 11,623 | (377) |
| Car stickers | 2,000 | 1,980 | (20) |
| Metal sales | 300 | 649 | 349 |
| Total solid waste | 14,300 | 14,252 | (48) |
| Miscellaneous Income | | | |
| Interest income | 1,000 | 1,365 | 365 |
| Other miscellaneous income | 500 | 17,784 | 17,284 |
| Appropriations received: | | | |
| Machinery sinking fund | 0 | 50,000 | 50,000 |
| Bridge fund | 0 | 25,000 | 25,000 |
| Total miscellaneous income | 1,500 | 94,149 | 92,649 |
| Total revenues | 957,299 | 1,241,905 | 284,606 |

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2010

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|---------------|---------------|--|
| Expenditures | | | |
| General Government | | | |
| <i>Selectmen</i> | | | |
| Salaries | 5,680 | 5,205 | 475 |
| Clerk salaries | 6,000 | 3,447 | 2,553 |
| Payroll taxes | 880 | 1,196 | (316) |
| Unemployment compensation | 1,000 | 2,615 | (1,615) |
| Building maintenance | 0 | 120 | (120) |
| Office supplies | 1,000 | 678 | 322 |
| Projects | 10,586 | 3,146 | 7,440 |
| Tax bill expenses | 0 | 854 | (854) |
| Tax sale purchases | 0 | 11,743 | (11,743) |
| Town agent | 150 | 15 | 135 |
| Travel | 200 | 114 | 86 |
| Postage | 1,500 | 1,471 | 29 |
| Professional services | 2,500 | 4,013 | (1,513) |
| GASB 34 | 6,000 | 4,275 | 1,725 |
| Total selectmen | 35,496 | 38,892 | (3,396) |
| <i>Clerk</i> | | | |
| Salary | 12,168 | 13,227 | (1,059) |
| Asst. clerk salary | 3,900 | 3,249 | 651 |
| Ballot clerk salaries | 1,000 | 1,846 | (846) |
| BCA member | 1,520 | 1,451 | 69 |
| BCA meeting expense | 300 | 222 | 78 |
| Moderator salary | 80 | 200 | (120) |
| Payroll taxes | 1,544 | 1,389 | 155 |
| Retirement | 800 | 701 | 99 |
| Health insurance | 5,119 | 5,198 | (79) |
| Travel | 100 | 129 | (29) |
| Office supplies | 1,175 | 1,130 | 45 |
| Postage | 500 | 258 | 242 |
| Town meeting expense | 750 | 278 | 472 |
| Town reports | 872 | 872 | 0 |
| Equipment | 961 | 961 | 0 |
| Dog expense | 125 | 75 | 50 |
| Telecommunications | 750 | 520 | 230 |
| Professional services | 500 | 493 | 7 |
| Training | 250 | 110 | 140 |
| Membership dues | 1,211 | 1,426 | (215) |

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2010

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|---------------|---------------|--|
| Expenditures (continued) | | | |
| General Government (continued) | | | |
| <i>Clerk (continued)</i> | | | |
| Equipment repair | 250 | 135 | 115 |
| Copier | 1,300 | 589 | 711 |
| Records restoration | 3,000 | 3,000 | 0 |
| Restoration expenses | 0 | 1,200 | (1,200) |
| Computerization expenses | 0 | 250 | (250) |
| Miscellaneous | 100 | 81 | 19 |
| Total clerk | 38,275 | 38,990 | (715) |
| | | | |
| <i>Treasurer</i> | | | |
| Salary | 15,912 | 15,973 | (61) |
| Asst. treasurer salary | 3,200 | 2,481 | 719 |
| Payroll taxes | 1,462 | 1,304 | 158 |
| Retirement | 1,000 | 799 | 201 |
| Health insurance | 5,119 | 5,198 | (79) |
| Travel | 250 | 436 | (186) |
| Office supplies | 1,000 | 358 | 642 |
| Small equipment | 961 | 961 | (0) |
| Telephone | 750 | 520 | 230 |
| Audit | 11,500 | 20,150 | (8,650) |
| Professional services | 3,000 | 5,886 | (2,886) |
| Training | 400 | 110 | 290 |
| Copier contract | 1,500 | 589 | 911 |
| Postage | 1,500 | 682 | 818 |
| Bank charges | 150 | 50 | 100 |
| Miscellaneous | 150 | 160 | (10) |
| Total treasurer | 47,854 | 55,657 | (7,803) |
| | | | |
| <i>Delinquent Tax Collector</i> | | | |
| Salary | 0 | 0 | 0 |
| Payroll taxes | 800 | 1,177 | (377) |
| Office supplies | 150 | 448 | (298) |
| Total delinquent tax collector | 950 | 1,625 | (675) |

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2010

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|---------------|---------------|---|
| Expenditures (continued) | | | |
| General Government (continued) | | | |
| <i>Listers</i> | | | |
| Salaries | 27,000 | 28,857 | (1,857) |
| Payroll taxes | 2,066 | 2,121 | (55) |
| Travel | 700 | 518 | 182 |
| Postage | 500 | 1,584 | (1,084) |
| Office supplies | 1,200 | 1,450 | (250) |
| Equipment | 1,000 | 1,324 | (324) |
| Contracted services | 1,300 | 2,056 | (756) |
| Telephone | 900 | 1,057 | (157) |
| Electricity, water and sewer | 0 | 866 | (866) |
| Professional services | 1,000 | 986 | 14 |
| Training | 1,000 | 244 | 756 |
| Re-appraisal | 0 | 6,737 | (6,737) |
| Miscellaneous | 200 | 0 | 200 |
| Total listers | 36,866 | 47,800 | (10,934) |
| <i>Planning / Zoning</i> | | | |
| Zoning administrator | 1,550 | 1,550 | 0 |
| Payroll taxes | 119 | 119 | 0 |
| Zoning miscellaneous | 475 | 0 | 475 |
| Development Review Board | 350 | 0 | 350 |
| Office supplies | 135 | 143 | (8) |
| Postage | 275 | 578 | (303) |
| 911 Project | 500 | 0 | 500 |
| Beautification Fund | 200 | 109 | 91 |
| Public hearings - Town plan | 200 | 173 | 27 |
| Other | 65 | 869 | (804) |
| Total planning / zoning | 3,869 | 3,541 | 328 |
| <i>911 Coordinator</i> | | | |
| Salary | 100 | 100 | 0 |
| Payroll taxes | 8 | 0 | 8 |
| Total 911 coordinator | 108 | 100 | 8 |

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2010

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|----------------|----------------|--|
| Expenditures (continued) | | | |
| General Government (continued) | | | |
| <i>Dog Officer</i> | | | |
| Salary | 525 | 525 | 0 |
| Payroll taxes | 40 | 40 | 0 |
| Travel expense | 100 | 201 | (101) |
| Dog expense | 250 | 64 | 186 |
| Total dog officer | 915 | 830 | 85 |
| | | | |
| <i>Public Safety</i> | | | |
| Contracted seivces | 14,000 | 11,694 | 2,306 |
| | | | |
| <i>Miscellaneous</i> | | | |
| Electricity (Streets) | 10,000 | 10,199 | (199) |
| Electricity (Lions Park) | 1,600 | 1,462 | 138 |
| Historical Society Electricity | 250 | 162 | 88 |
| Historical Society Sewer | 400 | 363 | 37 |
| Historical Society Water | 350 | 336 | 14 |
| Bandstand | 200 | 166 | 34 |
| Windham Regional Planning | 1,253 | 4,591 | (3,338) |
| Legal Fees | 0 | 24,273 | (24,273) |
| Ballfield | 400 | 214 | 186 |
| Health Officer | 275 | 275 | 0 |
| Payroll taxes | 20 | 21 | (1) |
| Postage | 0 | 28 | (28) |
| Travel expenses | 0 | 145 | (145) |
| Workshop | 0 | 55 | (55) |
| Town-owned building expense | 0 | 592 | (592) |
| Other | 0 | 0 | 0 |
| Total miscellaneous | 14,748 | 42,882 | (28,134) |
| | | | |
| Total general government | 193,081 | 242,011 | (48,930) |
| | | | |
| Highway | | | |
| <i>Winter Roads</i> | | | |
| Salaries | 77,500 | 77,999 | (499) |
| Payroll taxes | 5,929 | 5,898 | 31 |
| Retirement | 4,500 | 3,744 | 756 |
| Health insurance | 29,157 | 29,555 | (398) |
| Travel | 250 | 174 | 76 |

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2010

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|----------------|----------------|--|
| Expenditures (continued) | | | |
| Highway (continued) | | | |
| Winter Roads (continued) | | | |
| Outside equipment | 500 | 0 | 500 |
| New equipment | 500 | 0 | 500 |
| Uniforms | 0 | 1,598 | (1,598) |
| Sand | 20,000 | 17,189 | 2,811 |
| Salt | 14,000 | 9,243 | 4,757 |
| Miscellaneous | 100 | 0 | 100 |
| Total winter roads | 152,436 | 145,400 | 7,036 |
| Winter Garage | | | |
| Office supplies | 300 | 739 | (439) |
| Supplies | 3,500 | 5,365 | (1,865) |
| Telephone | 800 | 1,118 | (318) |
| Electricity | 1,900 | 1,304 | 596 |
| Sewer / Water | 735 | 419 | 316 |
| Total winter garage | 7,235 | 8,945 | (1,710) |
| Summer Roads | | | |
| Salaries | 95,000 | 96,668 | (1,668) |
| Summer help | 6,000 | 6,554 | (554) |
| Payroll taxes | 7,727 | 8,231 | (504) |
| Retirement | 5,300 | 4,635 | 665 |
| Health insurance | 29,227 | 29,555 | (328) |
| Insurance | 14,271 | 14,834 | (563) |
| Workers compensation insurance | 18,495 | 18,687 | (192) |
| Travel | 100 | 246 | (146) |
| Postage | 250 | 48 | 202 |
| Professional services | 0 | 2,515 | (2,515) |
| Outside equipment | 5,000 | 4,680 | 320 |
| Small equipment | 500 | 0 | 500 |
| Uniforms | 2,000 | 322 | 1,678 |
| Road materials | 65,000 | 64,132 | 868 |
| Gravel | 0 | 7,550 | (7,550) |
| Miscellaneous | 250 | 25 | 225 |
| Total summer roads | 249,120 | 258,682 | (9,562) |

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2010

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|----------------|----------------|--|
| Expenditures (continued) | | | |
| Highway (continued) | | | |
| <i>Summer Garage</i> | | | |
| Supplies | 2,500 | 3,182 | (682) |
| Telephone | 1,100 | 479 | 621 |
| Electricity | 1,000 | 1,210 | (210) |
| Sewer / Water | 800 | 889 | (89) |
| Special summer projects | 0 | 893 | (893) |
| Miscellaneous | 100 | 0 | 100 |
| Total summer garage | 5,500 | 6,653 | (1,153) |
| <i>Fuels</i> | | | |
| Heating oil | 3,000 | 4,757 | (1,757) |
| Gas | 750 | 380 | 370 |
| Diesel | 30,000 | 27,077 | 2,923 |
| Total fuels | 33,750 | 32,214 | 1,536 |
| <i>Parts and Supplies</i> | | | |
| Truck 1 and plow | 2,000 | 1,410 | 590 |
| Truck 2 and plow | 1,500 | 468 | 1,032 |
| Truck 10 and plow | 1,500 | 4,318 | (2,818) |
| Truck 20 and plow | 1,500 | 2,360 | (860) |
| Truck 21 and plow | 2,000 | 7,235 | (5,235) |
| Truck 22 and plow | 4,000 | 2,563 | 1,437 |
| Backhoes | 2,000 | 1,963 | 37 |
| Loaders | 1,500 | 1,867 | (367) |
| Grader | 3,000 | 6,013 | (3,013) |
| Chainsaws | 500 | 89 | 411 |
| Mower | 1,000 | 726 | 274 |
| Compressor | 150 | 0 | 150 |
| Brush cutter | 700 | 1,039 | (339) |
| Chipper | 500 | 79 | 421 |
| Supplies | 0 | 215 | (215) |
| Miscellaneous | 100 | 150 | (50) |
| Total parts and supplies | 21,950 | 30,495 | (8,545) |
| Total highway | 469,991 | 482,389 | (12,398) |

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2010

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|---------------|---------------|--|
| Expenditures (continued) | | | |
| Solid Waste | | | |
| Salaries | 8,500 | 8,685 | (185) |
| Payroll taxes | 650 | 665 | (15) |
| Insurance | 1,100 | 0 | 1,100 |
| Travel | 50 | 0 | 50 |
| Office supplies | 300 | 255 | 45 |
| Electricity | 1,200 | 1,403 | (203) |
| Professional services | 450 | 1,011 | (561) |
| Container rental/pickup | 30,000 | 26,162 | 3,838 |
| WSWD assessment | 9,750 | 9,846 | (96) |
| Repairs | 500 | 293 | 207 |
| Miscellaneous | 300 | 279 | 21 |
| Total solid waste | 52,800 | 48,599 | 4,201 |
| Fire Department | | | |
| Fire warden | 500 | 191 | 309 |
| Insurance | 3,752 | 4,317 | (565) |
| Postage | 100 | 0 | 100 |
| Telephone | 2,000 | 2,194 | (194) |
| Electricity | 1,000 | 930 | 70 |
| Sewer / Water | 750 | 773 | (23) |
| Heating oil | 2,000 | 1,984 | 16 |
| Equipment | 3,000 | 3,024 | (24) |
| Training | 500 | 65 | 435 |
| Training officer | 1,200 | 1,241 | (41) |
| Membership dues | 8,425 | 8,465 | (40) |
| Gas | 100 | 16 | 84 |
| Diesel | 1,000 | 202 | 798 |
| Radio repairs | 1,500 | 1,453 | 47 |
| Equipment repairs | 4,000 | 4,939 | (939) |
| Miscellaneous | 500 | 1,486 | (986) |
| Total fire department | 30,327 | 31,280 | (953) |
| Library | | | |
| Salaries | 17,578 | 15,962 | 1,616 |
| Payroll taxes | 1,345 | 1,198 | 147 |
| Programs | 2,100 | 1,829 | 271 |
| Insurance | 400 | 395 | 5 |
| Travel | 300 | 220 | 80 |
| Office supplies | 400 | 277 | 123 |

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2010

| | Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------------------|----------------|----------------|--|
| Expenditures (continued) | | | |
| Library (continued) | | | |
| Postage | 325 | 220 | 105 |
| Books | 1,800 | 1,065 | 735 |
| Periodicals | 400 | 170 | 230 |
| Audio / Visual | 500 | 242 | 258 |
| Telephone | 1,000 | 394 | 606 |
| Technology | 1,000 | 1,258 | (258) |
| Membership dues | 250 | 178 | 72 |
| Miscellaneous reimbursement | 0 | (4,096) | 4,096 |
| Total library | 27,398 | 19,312 | 8,086 |
| Appropriations | | | |
| Machinery replacement fund | 50,000 | 50,000 | 0 |
| County tax | 6,500 | 6,618 | (118) |
| Historical Society building | 500 | 500 | 0 |
| 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 |
| 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 |
| Bridge fund | 25,000 | 25,000 | 0 |
| Tax maps | 10,000 | 10,000 | 0 |
| Total appropriations | 113,030 | 112,800 | 230 |
| Capital Outlays | | | |
| VC bank repair | 5,000 | 5,000 | 0 |
| VC maintenance | 5,000 | 5,000 | 0 |
| Fire Department bank maintenance | 20,000 | 9,270 | 10,730 |
| Electric Barn repair | 15,000 | 15,000 | 0 |
| Gravel fund expenses | 0 | 57,953 | (57,953) |
| Fire truck | 20,572 | 20,572 | (0) |
| Machinery replacement | 0 | 48,995 | (48,995) |
| TH 24BR20 | 0 | 95,960 | (95,960) |
| Bridges | 0 | 132,217 | (132,217) |
| Total capital outlays | 65,572 | 389,967 | (324,395) |

(continued)

TOWN OF READSBORO, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended December 31, 2010

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|-----------------|------------------|--|
| Expenditures (continued) | | | |
| Cemeteries: | | | |
| Village Cemetary | 5,120 | 6,225 | (1,105) |
| Village Cemetary Special | 2,190 | 2,597 | (407) |
| North Hill Cemetery | 2,060 | 900 | 1,160 |
| South Hill Cemetery | 1,810 | 1,425 | 385 |
| South Hill Cemetery Special | 0 | 133 | (133) |
| Heartwellville Cemetery | 1,820 | 1,216 | 604 |
| Total cemeteries | 13,000 | 12,496 | 504 |
| Debt Service | | | |
| Water bond | 32,100 | 32,080 | 20 |
| Total debt service | 32,100 | 32,080 | 20 |
| Total expenditures | 997,299 | 1,370,934 | (373,635) |
| Excess (deficiency) of revenues over expenditures | (40,000) | (129,029) | (89,029) |
| Other financing sources (uses) | | | |
| Operating transfer (to) from: | | | |
| Trust Fund | 40,000 | 28,036 | (11,964) |
| Total other financing uses | 40,000 | 28,036 | (11,964) |
| Excess of revenues over expenditures and other financing uses | 0 | (100,993) | (100,993) |
| Fund balance January 1, 2010 | | 824,882 | |
| Fund balance December 31, 2010 | \$ | 723,889 | |



**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 Readsboro, Vermont

We have audited the financial statements of the governmental activities, the business-type activities, the each major fund, and the aggregate remaining fund information of Town of Readsboro, Vermont, as of and for the year ended December 31, 2010, which collectively comprise the Town of Readsboro, Vermont's basic financial statements and have issued our report thereon dated April 18, 2012. 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 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 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (see findings 2010-1 and 2010-2). 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Town of Readsboro, Vermont's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Town of Readsboro, Vermont's response and, accordingly, we express no opinion on it.

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.

April 18, 2012

Vt. Reg. #357

Love, Cody & Company, CPAs

TOWN OF READSBORO, VERMONT
Schedule of Findings and Responses
Year Ended December 31, 2010

Summary of audit results:

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Readsboro, VermontTown of Readsboro, Vermont.
2. No instances of noncompliance material to the financial statements of the Town of Readsboro, VermontTown of Readsboro, Vermont were disclosed during the audit.

Findings:

2010-1

Statement of condition: A system was not in place to insure that adjustments arising from the Town's external audit are properly reflected in the general ledger.

Effect of condition: The fund balance of the general fund did not agree with the prior year audited fund balance.

Cause of condition: The journal entries provided to Town personnel at the conclusion of the audit were not properly entered into the Town's accounting system.

Recommendation: A system should be implemented to insure that all adjusting entries proposed and accepted by the Town as a result of the external audit are properly recorded in the Town's general ledger.

Management's Response: The Select Board has budgeted for and contracted with its software provider to manage the Towns financial transactions. They offer training and support resources to the Town Treasurer. The Town has also budgeted and contracted with a CPA firm to provide accounting and training services to relevant staff. Key aspects of this on-going training will include internal controls, and the establishment of policies and procedures that requires journal entries will be properly recorded in the general ledger, verified and completed in a timely and accurate manner.

2010-2

Statement of condition: A system was not in place to insure that general ledger balance sheet accounts reconciled to supporting records.

Effect of condition: The general ledger balances of accounts receivable accounts were not in agreement with the supporting detailed accounts receivable trial balances.

Cause of condition: Town accounting personnel were not aware of the need to verify that balances per the various billing modules agreed to the corresponding general ledger account balances.

Recommendation: In addition to reconciling bank balances to the general ledger on a monthly basis procedures should be implemented to verify that accounts receivable sub-ledgers agree to the general ledger.

Management's Response: The Select Board has budgeted for and contracted with its software provider to manage the Towns financial transactions. They offer training and support resources to the Town Treasurer. The Town has also budgeted and contracted with a CPA firm to provide accounting and training services to relevant staff. Key aspects of this on-going training will include internal controls, and the establishment of policies and procedures that requires reconciling bank balances to the general ledger on a monthly basis. Procedures that verify that accounts receivable sub-ledgers agree to the general ledger will be implemented, verified and ensure timely and accurate practices.