

**TOWN OF READSBORO, VERMONT**  
**Financial Statements and Schedules**  
**December 31, 2012**  
**(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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Readsboro, Vermont as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## 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, each major fund, and the aggregate remaining fund information of the Town of Readsboro, Vermont, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 9 and 30 - 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated May 23, 2014, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Readsboro, Vermont's internal control over financial reporting and compliance.

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

May 23, 2014

Vt. Reg. #357

**Love, Cody & Company, CPAs**

TOWN OF READSBORO, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012

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, 2012. 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 Position* – The assets of the Town exceeded its liabilities at the close of the fiscal year by \$6,668,191. Of this amount, \$1,040,861 was reported as *unrestricted net position* and may be used to meet the government's ongoing obligations to citizens and creditors, and \$5,344,830 was invested in capital assets.

#### Fund Highlights:

- *Governmental Funds* – Governmental funds include general, special revenue, and permanent funds. As of December 31, 2012, the Town's governmental funds reported a combined ending fund balance of \$1,370,577.

#### Enterprise Funds:

- *Water Fund* – As of December 31, 2012, the Town's Water Fund reported total net position of \$3,445,646; \$(85,320) represents the *unrestricted balance* available for future expenses and \$3,530,966 is the amount invested in capital assets, net of related debt.
- *Sewer Fund* – As of December 31, 2012, the Town's Sewer Fund reported total net position of \$825,768, \$237,980 represents the *unrestricted balance* available for future expenses and \$587,788 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 Position 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 12. 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 position* and *statement of activities*.

The *statement of net position* presents information of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is

TOWN OF READSBORO, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012  
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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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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 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*.

**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

TOWN OF READSBORO, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012  
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*business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for the 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 10 and 11.

<b>Table 1</b>						
<b>Net Position (in Thousands)</b>						
	<b>2012</b>			<b>2011</b>		
	<b>Govern- mental Activities</b>	<b>Business- type Activities</b>	<b>Total Govern- ment</b>	<b>Govern- mental Activities</b>	<b>Business- type Activities</b>	<b>Total Govern- ment</b>
Current and other assets	\$ 2,128	200	2,328	1,822	236	2,058
Capital assets	1,264	4,119	5,383	1,181	4,279	5,460
<b>Total assets</b>	<b>3,392</b>	<b>4,319</b>	<b>7,711</b>	<b>3,003</b>	<b>4,515</b>	<b>7,518</b>
Current liabilities	645	47	692	616	1	617
Noncurrent liabilities	350	0	350	373	0	373
<b>Total liabilities</b>	<b>995</b>	<b>47</b>	<b>1,042</b>	<b>989</b>	<b>1</b>	<b>990</b>
Net position:						
Invested in capital assets, net of debt	1,226	4,119	5,345	1,126	4,279	5,405
Restricted	283	0	283	283	0	283
Unrestricted	888	153	1,041	605	235	840
<b>Total net position</b>	<b>\$ 2,397</b>	<b>4,272</b>	<b>6,669</b>	<b>2,014</b>	<b>4,514</b>	<b>6,528</b>

Unrestricted net position – is the part of net position 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, 2012  
(Continued)

	2012			2011		
	Govern- mental Activities	Business- type Activities	Total Govern- ment	Govern- mental Activities	Business- type Activities	Total Govern- ment
<b>REVENUES</b>						
General revenues:						
Property taxes	\$ 844	0	844	737	0	737
Other general revenues	69	99	168	118	99	217
Earnings on investments	22	1	23	35	2	37
Program revenues:						
Charges for services	35	185	220	33	416	449
Operating grants and contributions	391	0	391	145	0	145
Capital grants and contributions	229	51	280	13	44	57
<b>Total revenues</b>	<b>1,590</b>	<b>336</b>	<b>1,926</b>	<b>1,081</b>	<b>561</b>	<b>1,642</b>
<b>PROGRAM EXPENSES</b>						
General government	308	0	308	306	0	306
Public safety	81	0	81	60	0	60
Public works	757	0	757	841	0	841
Parks, recreation and library	31	0	31	32	0	32
Cemetery	22	0	22	19	0	19
Interest	28	0	28	25	0	25
Electric	0	0	0	0	244	244
Water	0	466	466	0	273	273
Sewer	0	112	112	0	124	124
<b>Total program expenses</b>	<b>1,227</b>	<b>578</b>	<b>1,805</b>	<b>1,283</b>	<b>641</b>	<b>1,924</b>
Transfers	20	0	20	309	(309)	0
<b>Increase (decrease) in net position</b>	<b>\$ 383</b>	<b>(242)</b>	<b>141</b>	<b>107</b>	<b>(389)</b>	<b>(282)</b>

*Governmental Expenses.* Total governmental activity expenses were \$1,227,403 and \$1,282,925 in 2012 and 2011, 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 \$654,860 and \$189,798 in 2012 and 2011, 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, 2012  
(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 \$935,722 and \$890,367 in 2012 and 2011, respectively. Taxes of \$844,134 comprised 90% of the Town's general revenues for the year ended December 31, 2012.

**Business-Type Activities.** Net position for business-type (Water and Sewer) activities were \$4,271,414 and \$4,513,662 at December 31, 2012 and 2011, respectively. Total revenues for business-type activities were \$335,380 and \$561,297 in 2012 and 2011, respectively. Total expenses for the business-type activities were \$577,628 and \$640,526 in 2012 and 2011, 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 \$1,370,577. \$468,648 is unassigned and is available for spending at the government's discretion. \$306,000 is restricted for the trust fund, \$33,418 is assigned for library use and \$562,511 is committed for special revenue funds and other purposes.

**Proprietary Funds.** The Town's proprietary funds (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 2012 to the approved budget for the General Fund. The most significant variances were as follows:

<b>Table 3</b>			
<b>Significant General Fund Budget Variances for the Year Ended December 31, 2012</b>			
REVENUES AND OTHER SOURCES:			EXPENDITURES AND OTHER USES:
	Favorable (Unfavorable)		Favorable (Unfavorable)
State aid - bridges	\$ 228,992	Tax sale purchases	\$ (32,024)
Disaster aid	188,045	Park and Ride Grant expense	(16,541)
		Delinquent Tax Collector Salary	(16,162)
		Summer Roads - road materials	(90,906)
		Summer Roads - gravel and stone	(15,675)
		Bridges	(169,922)

TOWN OF READSBORO, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

**Revenues and other sources**

- The variances in State aid – bridges and Disaster aid is due to the reimbursement of funds from FEMA and other agencies during 2012 for emergency work completed in 2011.

**Expenditures and other uses**

- The variance in Tax sale purchases is due to the Town being the highest and/or only bidder on several properties during the 2012 delinquent property tax sale.
- The variance in Park and Ride Grant expense is due to a reimbursable grant and; therefore, is not a budgeted item.
- The variance in Delinquent Tax Collector Salary is due to the unpredictability of the account balance during the budgeting process because of the variable nature of this expense (8% of the amount collected per State statute).
- The variance in Summer Roads - road materials is due to a major paving project that was offset by a VTrans grant.
- The variance in Summer Roads - gravel and stone is due to a transfer of \$15,000 into the gravel fund from the 2011 fund balance voted on at a Town Meeting.
- The variance in Bridges is due to relocating a waterline to the Lions Park footbridge and monthly expenses paid regarding the future replacement of Bridge 32 on Tunnel Street.

**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, 2012, amounts to \$5,382,777, net of accumulated depreciation of \$5,215,669. 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 \$173,667, including construction in progress, equipment and bridge improvements.

	December 31, 2012			December 31, 2011		
	Govern- mental Activities	Business- type Activities	Total Govern- ment	Govern- mental Activities	Business- type Activities	Total Govern- ment
Land and land improvements	\$ 124,796	233,355	358,151	122,605	233,355	355,960
Construction in progress	18,392	48,916	67,308	18,392	48,916	67,308
Distribution & collection systems	0	336,116	336,116	0	357,802	357,802
Buildings and improvements	40,160	3,469,899	3,510,059	43,260	3,612,332	3,655,592
Equipment and vehicles	766,814	30,468	797,282	805,293	26,578	831,871
Furniture and fixtures	1,595	0	1,595	1,885	0	1,885
Infrastructure	312,266	0	312,266	190,025	0	190,025
<b>Total net assets</b>	<b>\$ 1,264,023</b>	<b>4,118,754</b>	<b>5,382,777</b>	<b>1,181,460</b>	<b>4,278,983</b>	<b>5,460,443</b>

TOWN OF READSBORO, VERMONT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2012  
 (Continued)

**Debt Administration**

*Long-Term Liabilities* – At the end of the current fiscal year, the Town had \$382,331 in long-term liabilities.

<b>Table 5</b>			
<b>Noncurrent Liability Balances at December 31, 2012</b>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government</u>
Capital leases	\$ 37,949	0	37,949
Bonds	344,382	0	344,382
<b>Total net assets</b>	<b>\$ 382,331</b>	<b>0</b>	<b>382,331</b>

**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.
- Tropical Storm Irene caused substantial damages to the Town's roads, bridges, culverts, municipal water services and homes. Three homes were deemed at risk of falling into the Deerfield River on School Street. The total cost of damages may be in excess of \$2,000,000.
- An additional cost will be realized by the Town. This cost is due to Tropical Storm Irene as it relates to cost that FEMA or the State of Vermont will not reimburse the Town.
- 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.

**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 Position**  
**December 31, 2012**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash	\$ 1,300,867	158,110	1,458,977
Investments	608,557	0	608,557
Accounts and notes receivable	33,246	45,747	78,993
Delinquent taxes receivable, net	177,996	0	177,996
Inventory	0	3,390	3,390
Internal balances	7,371	(7,371)	0
Deferred charges	0	0	0
Capital assets:			
Land	97,425	233,355	330,780
Other capital assets, net of accumulated depreciation	1,166,600	3,885,399	5,051,999
<b>Total assets</b>	<b>\$ 3,392,062</b>	<b>4,318,630</b>	<b>7,710,692</b>
<b>Liabilities:</b>			
Accounts payable	\$ 60,988	45,450	106,438
Accrued liabilities	10,854	1,145	11,999
Due to School District	523,307	0	523,307
Deferred revenue	17,805	621	18,426
Capital leases payable:			
Due within one year	17,489	0	17,489
Due in more than one year	20,460	0	20,460
Bonds payable:			
Due within one year	14,620	0	14,620
Due in more than one year	329,762	0	329,762
<b>Total liabilities</b>	<b>995,285</b>	<b>47,216</b>	<b>1,042,501</b>
<b>Net position:</b>			
Invested in capital assets, net of related debt	1,226,076	4,118,754	5,344,830
Restricted	282,500	0	282,500
Unrestricted	888,201	152,660	1,040,861
<b>Total net position</b>	<b>\$ 2,396,777</b>	<b>4,271,414</b>	<b>6,668,191</b>

See accompanying notes to financial statements.

**TOWN OF READSBORO, VERMONT**  
**Statement of Activities**  
**December 31, 2012**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government		
			24,207	14,598		228,992	Governmental Activities	Business-type Activities
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General government	\$ 308,435	35,146	24,207	0	(249,082)	0	(249,082)	
Public safety	80,962	0	14,598	0	(66,364)	0	(66,364)	
Public works	757,242	0	351,917	228,992	(176,333)	0	(176,333)	
Parks, recreation and library	30,776	0	0	0	(30,776)	0	(30,776)	
Cemetery	22,442	0	0	0	(22,442)	0	(22,442)	
Interest	27,546	0	0	0	(27,546)	0	(27,546)	
<b>Total governmental activities</b>	<b>1,227,403</b>	<b>35,146</b>	<b>390,722</b>	<b>228,992</b>	<b>(572,543)</b>	<b>0</b>	<b>(572,543)</b>	
<b>Business-type activities:</b>								
Water	465,657	84,044	0	50,594	0	(331,019)	(331,019)	
Sewer	111,971	101,243	0	0	0	(10,728)	(10,728)	
<b>Total business-type activities</b>	<b>577,628</b>	<b>185,287</b>	<b>0</b>	<b>50,594</b>	<b>0</b>	<b>(341,747)</b>	<b>(341,747)</b>	
<b>Total primary government</b>	<b>\$ 1,805,031</b>	<b>220,433</b>	<b>390,722</b>	<b>279,586</b>	<b>(572,543)</b>	<b>(341,747)</b>	<b>(914,290)</b>	
<b>General revenues:</b>								
Property taxes					844,134	0	844,134	
Investment earnings					22,542	854	23,396	
Miscellaneous					69,046	98,645	167,691	
Transfers					20,000	0	20,000	
<b>Total general revenues and transfers</b>					<b>955,722</b>	<b>99,499</b>	<b>1,055,221</b>	
Change in net assets					383,179	(242,248)	140,931	
<b>Net position - beginning</b>					<b>2,013,598</b>	<b>4,513,662</b>	<b>6,527,260</b>	
<b>Net position - ending</b>					<b>\$ 2,396,777</b>	<b>4,271,414</b>	<b>6,668,191</b>	

See accompanying notes to financial statements.

**TOWN OF READSBORO, VERMONT**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2012**

	General Fund	Special Revenue Funds		Permanent Fund	Total
		Cemetery Fund	Library Fund	Trust Fund	
<b>Assets:</b>					
Cash	\$ 1,267,449	33,418	0	0	1,300,867
Investments	0	0	0	608,557	608,557
Delinquent taxes receivable, net	177,996	0	0	0	177,996
Accounts and notes receivable	33,248	0	0	0	33,248
Due from other funds	461,709	0	864	0	462,573
<b>Total assets</b>	<b>\$ 1,940,402</b>	<b>33,418</b>	<b>864</b>	<b>608,557</b>	<b>2,583,241</b>
<b>Liabilities:</b>					
Accounts payable	\$ 60,988	0	0	0	60,988
Due to School District	523,307	0	0	0	523,307
Due to other funds	152,645	0	0	302,557	455,202
Accrued liabilities	5,945	0	0	0	5,945
Deferred revenue	160,351	0	6,871	0	167,222
Total liabilities	903,236	0	6,871	302,557	1,212,664
<b>Fund balance:</b>					
Restricted	0	0	0	306,000	306,000
Committed	562,511	0	0	0	562,511
Assigned	0	33,418	0	0	33,418
Unassigned	474,655	0	(6,007)	0	468,648
Total fund balance	1,037,166	33,418	(6,007)	306,000	1,370,577
<b>Total liabilities and fund balance</b>	<b>\$ 1,940,402</b>	<b>33,418</b>	<b>864</b>	<b>608,557</b>	<b>2,583,241</b>

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, 2012**

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Total fund balances - governmental funds, page 12		\$ 1,370,577
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Governmental capital assets	\$ 2,120,921	
Less accumulated depreciation	<u>(856,896)</u>	1,264,025
<p>Other long-term assets (property taxes receivable) are not available to pay for current period expenditures and therefore are deferred in the funds.</p>		
		149,808
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds</p>		
		(387,633)
<hr/>		
Net assets - governmental activities, page 10		\$ 2,396,777

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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, 2012**

	General Fund	Special Revenue Funds		Permanent Fund	Total
		Cemetery Fund	Library Fund	Trust Fund	
<b>Revenues:</b>					
Property taxes	\$ 844,192	0	0	0	844,192
Licenses and permits	2,547	0	0	0	2,547
Intergovernmental	609,717	0	0	0	609,717
Charges for services	13,732	0	0	0	13,732
Solid waste	17,611	0	0	0	17,611
Interest and dividend income	196	212	0	17,178	17,586
Investment income	0	0	0	4,983	4,983
Miscellaneous	170,511	0	0	23,500	194,011
<b>Total revenues</b>	<b>1,658,506</b>	<b>212</b>	<b>0</b>	<b>45,661</b>	<b>1,704,379</b>
<b>Expenditures:</b>					
General government	279,371	0	0	125	279,496
Highways	672,378	0	0	0	672,378
Solid waste	48,558	0	0	0	48,558
Fire Department	68,861	0	0	0	68,861
Library	24,166	0	0	0	24,166
Appropriations	124,170	0	0	0	124,170
Cemetery	21,642	0	0	0	21,642
Capital outlays	190,494	0	0	0	190,494
Debt service	27,606	0	0	0	27,606
<b>Total expenditures</b>	<b>1,457,246</b>	<b>0</b>	<b>0</b>	<b>125</b>	<b>1,457,371</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>201,260</b>	<b>212</b>	<b>0</b>	<b>45,536</b>	<b>247,008</b>
<b>Other financing sources (uses):</b>					
Operating transfers in (out)	24,206	(2,170)	0	(22,036)	0
	24,206	(2,170)	0	(22,036)	0
<b>Excess of revenue and other financing sources over expenditures and other financing uses</b>	<b>225,466</b>	<b>(1,958)</b>	<b>0</b>	<b>23,500</b>	<b>247,008</b>
<b>Beginning fund balance</b>	<b>811,700</b>	<b>35,376</b>	<b>(6,007)</b>	<b>282,500</b>	<b>1,123,569</b>
<b>Ending fund balance</b>	<b>\$ 1,037,166</b>	<b>33,418</b>	<b>(6,007)</b>	<b>306,000</b>	<b>1,370,577</b>

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, 2012**

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Net change in fund balances - governmental funds, page 14	\$	247,008
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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	\$	166,114	
Less: current year depreciation and amortization		<u>(83,550)</u>	82,564

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	20,632
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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

	32,975
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Change in net assets - governmental activities, page 11	\$	383,179
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See accompanying notes to financial statements.

**TOWN OF READSBORO, VERMONT**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2012**

	Water Fund	Sewer Fund	Total
<b>Assets:</b>			
Current assets:			
Cash	\$ 0	158,110	158,110
Due from other funds	0	54,664	54,664
Accounts receivable	20,099	25,648	45,747
Inventory	3,390	0	3,390
<b>Total current assets</b>	<b>23,489</b>	<b>238,422</b>	<b>261,911</b>
Capital assets:			
Land	215,140	18,215	233,355
Distribution and collection systems	0	1,084,245	1,084,245
Buildings and equipment	6,425,005	734,922	7,159,927
Less accumulated depreciation	(3,109,179)	(1,249,594)	(4,358,773)
<b>Total non-current assets</b>	<b>3,530,966</b>	<b>587,788</b>	<b>4,118,754</b>
<b>Total assets</b>	<b>\$ 3,554,455</b>	<b>826,210</b>	<b>4,380,665</b>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 45,450	0	45,450
Accrued liabilities	703	442	1,145
Due to other funds	62,035	0	62,035
Deferred revenue	621	0	621
<b>Total current liabilities</b>	<b>108,809</b>	<b>442</b>	<b>109,251</b>
<b>Total liabilities</b>	<b>108,809</b>	<b>442</b>	<b>109,251</b>
<b>Net position:</b>			
Invested in capital assets, net of related debt	3,530,966	587,788	4,118,754
Unrestricted - designated	(85,320)	237,980	152,660
<b>Total net position</b>	<b>3,445,646</b>	<b>825,768</b>	<b>4,271,414</b>
<b>Total liabilities and net position</b>	<b>\$ 3,554,455</b>	<b>826,210</b>	<b>4,380,665</b>

See accompanying notes to financial statements.

**TOWN OF READSBORO, VERMONT**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended December 31, 2012**

	Water Fund	Sewer Fund	Total
<b>Operating revenues:</b>			
Charges for services	\$ 84,044	101,243	185,287
Intergovernmental	50,594	0	50,594
Interest on delinquent accounts	3,873	4,853	8,726
Miscellaneous	89,919	0	89,919
<b>Total operating revenues</b>	<b>228,430</b>	<b>106,096</b>	<b>334,526</b>
<b>Operating expenses:</b>			
Personnel services	41,353	32,553	73,906
Taxes	2,670	2,317	4,987
Professional services	26,358	6,161	32,519
Purchased power	0	0	0
Utilities and telephone	7,354	13,207	20,561
Insurance	870	870	1,740
Operating supplies and equipment	33,762	17,256	51,018
Office supplies and expenses	2,595	1,851	4,446
Depreciation and amortization	130,201	37,582	167,783
PSB refunds	0	0	0
Other	331	174	505
Water project expenses	220,163	0	220,163
<b>Total operating expenses</b>	<b>465,657</b>	<b>111,971</b>	<b>577,628</b>
<b>Operating income (loss)</b>	<b>(237,227)</b>	<b>(5,875)</b>	<b>(243,102)</b>
<b>Nonoperating revenues (expenses):</b>			
Investment income	6	848	854
Gain on sale of assets	0	0	0
<b>Total nonoperating revenues (expenses)</b>	<b>6</b>	<b>848</b>	<b>854</b>
<b>Income (loss) before operating transfers</b>	<b>(237,221)</b>	<b>(5,027)</b>	<b>(242,248)</b>
Operating transfers in (out)	0	0	0
	0	0	0
<b>Change in net position</b>	<b>(237,221)</b>	<b>(5,027)</b>	<b>(242,248)</b>
<b>Total net position - beginning</b>	<b>3,682,867</b>	<b>830,795</b>	<b>4,513,662</b>
<b>Total net position - ending</b>	<b>\$ 3,445,646</b>	<b>825,768</b>	<b>4,271,414</b>

See accompanying notes to financial statements.

**TOWN OF READSBORO, VERMONT**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2012**

	Water Fund	Sewer Fund	Total
<b><i>Cash flows from operating activities:</i></b>			
Cash receipts from customers	\$ 88,438	107,780	196,218
Other cash receipts	141,135	0	141,135
Cash payments to:			
Suppliers of goods or services	(190,875)	(75,817)	(266,692)
Employees for services	(41,512)	(32,111)	(73,623)
<b><i>Net cash provided by (used in) operating activities</i></b>	<b>(2,814)</b>	<b>(148)</b>	<b>(2,962)</b>
<b><i>Cash flows from non-capital financing activities:</i></b>			
Interest on meter deposits	6	848	854
Transfers out	0	0	0
<b><i>Net cash provided by (used in) non-capital financing activities</i></b>	<b>6</b>	<b>848</b>	<b>854</b>
<b><i>Cash flows from investing activities:</i></b>			
Purchase of capital assets	(7,554)	0	(7,554)
Proceeds from sale of capital assets	0	0	0
<b><i>Net cash provided by (used in) investing activities</i></b>	<b>(7,554)</b>	<b>0</b>	<b>(7,554)</b>
<b><i>Net increase (decrease) in cash</i></b>	<b>(10,362)</b>	<b>700</b>	<b>(9,662)</b>
<b><i>Cash, beginning</i></b>	<b>10,362</b>	<b>157,410</b>	<b>167,772</b>
<b><i>Cash, ending</i></b>	<b>\$ 0</b>	<b>158,110</b>	<b>158,110</b>
<b><i>Reconciliation of operating income to net cash provided by (used in) operating activities:</i></b>			
Operating income (loss)	\$ (237,227)	(5,875)	(243,102)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	130,201	37,582	167,783
(Increase) decrease in current assets			
Accounts receivable	521	2,070	2,591
Due from other funds	0	(33,981)	(33,981)
Inventory	(3,390)	0	(3,390)
Increase (decrease) in current liabilities			
Accounts payable	45,450	0	45,450
Accrued expenses and other liabilities	(159)	442	283
Due to other funds	61,169	0	61,169
Deferred revenue	621	(386)	235
<b><i>Net cash provided by (used in) operating activities</i></b>	<b>\$ (2,814)</b>	<b>(148)</b>	<b>(2,962)</b>

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) *Governmental Fund Balance / Net Assets*

Beginning with fiscal year 2011, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance is either not in spendable form (such as inventory), or is required to be maintained intact legally or contractually.

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e., Select Board). To be reported as committed, amounts cannot be used for any other purpose unless the Select Board takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the Town intends to use for a specific purpose. Intent can be expressed by the Select Board or by an official or body to which the Select Board delegates the authority. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Select Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Select Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, the Town will consider applicable restrictions, time-constraints and conditions specified in grants or otherwise when determining the order of spending from each fund category.

(continued)



# TOWN OF READSBORO, VERMONT

## Notes to Financial Statements

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

#### (i) **Governmental Fund Balance / Net Assets (continued)**

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted resources are used first to fund appropriations when there are both restricted and unrestricted resources available.

Unrestricted – This category includes both designated and undesignated net assets of the Town. Designated net assets include reserves that were established by the Board, which are considered internally designated. Undesignated net assets are not restricted for any project or other purpose.

#### (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, 2012 the carrying amount of the Town's deposits was \$1,458,977 and the bank balance was \$1,484,495. Of the bank balance, \$457,150 was covered by Federal depository insurance and \$1,027,345 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, 2012 are as follows:

	Fair Value	Investment Maturities (Years)	
		Less Than 1	1-5
Cash equivalents	\$ 8,094	N/A	N/A
Mutual funds - fixed income	600,463	N/A	N/A
	\$ 608,557	-	-

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, 2012 are as follows:

Governmental Funds	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
<b>Cost</b>				
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	3,567	0	51,980
Buildings	56,714	0	0	56,714
Building Improvements	53,370	0	0	53,370
Infrastructure	206,874	133,179	0	340,053
Vehicles and Equipment	1,489,112	29,367	0	1,518,479
Furniture and Fixtures	2,900	0	0	2,900
	1,857,383	166,113	0	2,023,496
Accumulated Depreciation				
Land Improvements	(4,841)	(1,376)	0	(6,217)
Buildings	(49,195)	(843)	0	(50,038)
Building Improvements	(17,628)	(2,258)	0	(19,886)
Infrastructure	(16,849)	(10,938)	0	(27,787)
Vehicles and Equipment	(683,818)	(67,845)	0	(751,663)
Furniture and Fixtures	(1,015)	(290)	0	(1,305)
	(773,346)	(83,550)	0	(856,896)
Property and equipment, net	\$ 1,181,462			1,264,025
<b>Proprietary Funds</b>				
	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
<b>Cost</b>				
Non-depreciable Assets				
Land	\$ 233,355	0	0	233,355
Construction in Process	48,916	0	0	48,916
	282,271	0	0	282,271
Depreciable Assets				
Buildings	7,050,460	0	0	7,050,460
Building Improvements	14,246	0	0	14,246
Distribution/Collection Systems	1,084,246	0	0	1,084,246
Vehicles and Equipment	38,750	7,554	0	46,304
	8,187,702	7,554	0	8,195,256

*(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	(3,449,299)	(141,009)	0	(3,590,308)
Building Improvements	(3,075)	(1,425)	0	(4,500)
Distribution/Collection Systems	(726,444)	(21,685)	0	(748,129)
Vehicles and Equipment	(12,172)	(3,664)	0	(15,836)
	(4,190,990)	(167,783)	0	(4,358,773)
Property and equipment, net	\$ 4,278,983			4,118,754

Depreciation expense was charged to governmental functions as follows:

General government	\$ 1,937
Public safety	22,780
Public works	57,102
Culture and recreation	931
Cemetery	800
	\$ 83,550

**(6) Notes Payable**

Long term liabilities at December 31, 2012 consist of the following:

Note payable to the USDA for water system improvements. Semiannual payments of \$16,040 are due in May and November, with the final payment due in November 2029. Payments include principal and interest, which is charged at 3.930%.	\$ 344,382
--	------------

Interest paid for the year ended December 31, 2012 was \$22,817.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
Bonds payable	\$ 347,524	10,925	(14,067)	344,382	14,620

*(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:

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 14,620	13,534	28,154
2014	15,195	12,960	28,155
2015	15,792	12,362	28,154
2016	16,412	11,742	28,154
2017-2021	92,259	48,512	140,771
2022-2026	111,870	28,901	140,771
2027-2031	78,234	6,228	84,462
	<b>\$ 344,382</b>	<b>134,239</b>	<b>478,621</b>

**(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, 2011, the leased truck had a cost of \$130,000 and accumulated depreciation of \$30,420 for a net book value of \$99,580. Future payments under this agreement for the years ending December 31 are as follows:

2013	\$ 20,572
2014	20,572
Total minimum lease payments	41,144
Less amount representing interest	(3,195)
Present value of minimum lease payments	\$ 37,949

**(8) Fund Balances**

At December 31, 2012, the Town's fund balances were restricted, committed or assigned as follows:

**General Fund, Committed:**

Bridge repair	\$ 162,793
Machinery sinking fund	147,991
Gravel Fund	30,454
Landfill closure	9,520
Legal fees	24,062
Reappraisal	33,794
Restoration	8,063
Computerization	4,394
Tax sale escrow	5,881
Town office reserve	17,425

*(continued)*

**TOWN OF READSBORO, VERMONT**

**Notes to Financial Statements**

**(8) Fund Balances (continued)**

Town owned building fund	13,346
Communications	7,641
Ambulance	4,000
Cemetery	5,000
FD protective equipment	147
Energy efficiency	88,000
Total general fund, committed	\$ <u>562,511</u>

**Permanent Fund, Restricted:**

Trust	\$ <u>306,000</u>
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**(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 2012 was:

		Residential	Non-Residential
Municipal	\$	0.8875	0.8875
Local agreement		0.0079	0.0079
Education		0.8242	1.2780
	\$	1.7196	2.1734

**(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.

## TOWN OF READSBORO, VERMONT

### Notes to Financial Statements

**(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 \$370,803, \$235,460 was covered under the Vermont Municipal Employees' Retirement System.

Total employer contributions made to the System for the year ended December 31, 2012 was \$11,451.

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***

The Town has evaluated subsequent events through May 23, 2014, 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, 2012**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
<b>Taxes</b>			
Property taxes	\$ 768,515	811,159	42,644
Delinquent interest	12,000	16,837	4,837
Delinquent penalty	0	16,196	16,196
Tax sales	1,000	0	(1,000)
<b>Total taxes</b>	<b>781,515</b>	<b>844,192</b>	<b>62,677</b>
<b>Licenses and Permits</b>			
Dog licenses	500	222	(278)
Liquor licenses	300	235	(65)
Zoning permits	2,500	2,040	(460)
Dog fines	100	50	(50)
<b>Total licenses and permits</b>	<b>3,400</b>	<b>2,547</b>	<b>(853)</b>
<b>Intergovernmental</b>			
Highway aid	60,000	48,483	(11,517)
State aid - bridges	0	228,992	228,992
Other grants and fees	56,750	136,530	79,780
Disaster aid	0	188,045	188,045
Re-appraisal	0	7,667	7,667
<b>Total intergovernmental</b>	<b>116,750</b>	<b>609,717</b>	<b>492,967</b>
<b>Charges for Services</b>			
Service fees	0	12	12
Copier/fax use	225	1,163	938
Recording fees	6,000	7,050	1,050
Civil fines	250	0	(250)
Restoration fund fees	0	2,163	2,163
Computerization fund fees	0	2,219	2,219
Rental	2,000	1,125	(875)
<b>Total charges for services</b>	<b>8,475</b>	<b>13,732</b>	<b>5,257</b>
<b>Solid Waste</b>			
Tipping fees	13,000	14,332	1,332
Car stickers	2,000	1,950	(50)
Metal sales	700	1,329	629
<b>Total solid waste</b>	<b>15,700</b>	<b>17,611</b>	<b>1,911</b>
<b>Miscellaneous Income</b>			
Interest income	0	196	196
Other miscellaneous income	0	11,238	11,238
General reimbursement	500	14,675	14,175
Howe timber sales	6,000	0	(6,000)
Appropriations received:			
Machinery Sinking Fund	0	50,000	50,000
Bridge fund	0	50,000	50,000
Gravel Fund	0	30,000	30,000
PPE fund	0	14,598	14,598
<b>Total miscellaneous income</b>	<b>6,500</b>	<b>170,707</b>	<b>164,207</b>
<b>Total revenues</b>	<b>932,340</b>	<b>1,658,506</b>	<b>726,166</b>

(continued)



**TOWN OF READSBORO, VERMONT**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual - General Fund (continued)**  
**Year Ended December 31, 2012**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures</b>			
<b>General Government</b>			
<i>Selectmen</i>			
Salaries	13,680	5,144	8,536
Clerk salaries	4,000	3,964	36
Payroll taxes	1,340	1,099	241
Unemployment compensation	1,000	0	1,000
Office supplies	950	1,274	(324)
Projects	10,000	15,181	(5,181)
Tax bill expenses	1,000	1,713	(713)
Abatements	500	0	500
Tax sale purchases	0	32,024	(32,024)
Town agent	100	0	100
Travel	100	83	17
Postage	1,000	37	963
Professional services	2,500	14	2,486
Accounting services	500	0	500
Community Development	200	0	200
911 Project	500	0	500
Beautification Fund	200	75	125
Park and Ride Grant expense	0	16,541	(16,541)
<b>Total selectmen</b>	<b>37,570</b>	<b>77,149</b>	<b>(39,579)</b>
<i>Clerk</i>			
Salary	10,530	10,588	(58)
Asst. clerk salary	4,285	4,257	28
Ballot clerk salaries	1,000	1,454	(454)
BCA member	1,500	485	1,015
BCA meeting expense	250	89	161
Moderator salary	120	80	40
Payroll taxes	1,354	1,299	55
Retirement	527	525	2
Health insurance	0	0	0
Travel	100	98	2
Office supplies	2,450	1,201	1,249
Postage	500	192	308
Town meeting expense	500	220	280
Town reports	900	1,230	(330)
Equipment	500	707	(207)
Dog expense	100	76	24
Telecommunications	550	522	28
Professional services	500	790	(290)
Training	250	110	140
Membership dues	1,450	1,520	(70)
Equipment repair	250	0	250
Copier	500	562	(62)
Records restoration	3,000	3,000	0
<b>Total clerk</b>	<b>31,116</b>	<b>29,005</b>	<b>2,111</b>

(continued)

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - General Fund (continued)  
Year Ended December 31, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
<i>Expenditures (continued)</i>			
<i>General Government (continued)</i>			
<i>Treasurer</i>			
Salary	10,530	10,758	(228)
Asst. treasurer salary	4,285	4,173	112
Payroll taxes	1,134	823	311
Retirement	527	528	(1)
Health insurance	0	2,983	(2,983)
Travel	200	25	175
Office supplies	500	945	(445)
Small equipment	500	707	(207)
Telephone	550	530	20
Audit	13,000	17,149	(4,149)
Professional services	4,000	2,712	1,288
Training	250	13	237
Copier contract	500	562	(62)
Postage	1,000	1,254	(254)
Bank charges	50	7	43
Miscellaneous	150	0	150
<i>Total treasurer</i>	37,176	43,169	(5,993)
<i>Delinquent Tax Collector</i>			
Salary	0	16,162	(16,162)
Payroll taxes	950	1,285	(335)
Office supplies	100	176	(76)
<i>Total delinquent tax collector</i>	1,050	17,623	(16,573)
<i>Listers</i>			
Salaries	9,000	11,479	(2,479)
Payroll taxes	690	833	(143)
Travel	250	67	183
Postage	500	634	(134)
Office supplies	500	293	207
Equipment	1,340	1,061	279
Contracted services	1,100	2,997	(1,897)
Telephone	1,150	1,685	(535)
Electricity, water and sewer	760	529	231
Professional services	500	3,303	(2,803)
Training	500	0	500
<i>Total listers</i>	16,290	22,881	(6,591)
<i>911 Coordinator</i>			
Salary	100	100	0
Payroll taxes	9	0	9
<i>Total 911 coordinator</i>	109	100	9

(continued)

TOWN OF READSBORO, VERMONT  
Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - General Fund (continued)  
Year Ended December 31, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures (continued)</b>			
<b>General Government (continued)</b>			
<i>Planning / Zoning</i>			
Zoning administrator	1,550	1,421	129
Payroll taxes	120	109	11
Zoning miscellaneous	400	0	400
Development Review Board	350	0	350
Office supplies	110	76	34
Postage	75	56	19
Public hearings - Town plan	200	241	(41)
Community Development Com.	0	24	(24)
Other	0	131	(131)
<b>Total planning / zoning</b>	<b>2,805</b>	<b>2,058</b>	<b>747</b>
<i>Dog Officer</i>			
Salary	600	600	0
Payroll taxes	46	46	0
Travel expense	100	0	100
Dog expense	200	125	75
<b>Total dog officer</b>	<b>946</b>	<b>771</b>	<b>175</b>
<i>Public Safety</i>			
Contracted sevices	13,000	13,247	(247)
<i>Town Administrator</i>			
Salary	35,100	38,145	(3,045)
Payroll taxes	2,710	2,918	(208)
Travel expense	250	293	(43)
Office supplies	781	995	(214)
Telephone	700	717	(17)
Membership dues	75	75	0
Copier contract	400	453	(53)
	40,016	43,596	(3,580)
<i>Miscellaneous</i>			
Electricity (Streets)	15,000	18,697	(3,697)
Electricity (Lions Park)	1,300	1,017	283
Historical Society Electricity	200	189	11
Historical Society Sewer	400	343	57
Historical Society Water	410	408	2
Bandstand	200	221	(21)
Ballfield	300	171	129
Windham Regional Planning	1,328	4,855	(3,527)
Legal Fees	0	1,200	(1,200)
Health Officer	275	275	0
Payroll taxes	21	21	0
Postage	50	0	50

(continued)

TOWN OF READSBORO, VERMONT  
Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - General Fund (continued)  
Year Ended December 31, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures (continued)</b>			
<b>General Government (continued)</b>			
<i>Miscellaneous (continued)</i>			
Travel expenses	150	0	150
Workshop	110	0	110
Junk Officer	275	0	275
Payroll taxes	21	0	21
Travel expenses	100	0	100
Town owned building expense	0	2,375	(2,375)
<i>Total miscellaneous</i>	20,140	29,772	(9,632)
<b>Total general government</b>	200,218	279,371	(79,153)
<b>Highway</b>			
<i>Winter Roads</i>			
Salaries	80,360	75,208	5,152
Payroll taxes	6,187	5,598	589
Retirement	4,000	3,437	563
Health insurance	22,884	26,137	(3,253)
Travel	250	65	185
Outside equipment	0	5,700	(5,700)
New equipment	1,300	0	1,300
Uniforms	0	1,784	(1,784)
Sand	20,000	23,460	(3,460)
Salt	12,000	20,538	(8,538)
Miscellaneous	0	0	0
<i>Total winter roads</i>	146,981	161,927	(14,946)
<i>Winter Garage</i>			
Office supplies	1,500	2,211	(711)
Supplies	5,000	10,285	(5,285)
Telephone	700	871	(171)
Electricity	1,400	1,936	(536)
Sewer / Water	600	802	(202)
<i>Total winter garage</i>	9,200	16,105	(6,905)
<i>Summer Roads</i>			
Salaries	97,000	96,563	437
Summer help	6,000	8,226	(2,226)
Payroll taxes	7,995	8,182	(187)
Retirement	4,850	4,617	233
Health insurance	22,884	29,140	(6,256)
Insurance	11,200	16,070	(4,870)
Workers compensation insurance	14,619	11,995	2,624
Travel	250	227	23
Postage	50	28	22
Professional services	2,500	1,149	1,351
Outside equipment	5,000	1,723	3,277

(continued)

**TOWN OF READSBORO, VERMONT**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual - General Fund (continued)**  
**Year Ended December 31, 2012**

	Budget	Actual	Variance Favorable (Unfavorable)
<b><i>Expenditures (continued)</i></b>			
<i>Summer Roads (continued)</i>			
Small equipment	2,500	3,769	(1,269)
Uniforms	2,200	833	1,367
Road materials	70,000	160,906	(90,906)
Gravel and stone	15,000	30,675	(15,675)
Miscellaneous	0	345	(345)
<b><i>Total summer roads</i></b>	<b>262,048</b>	<b>374,448</b>	<b>(112,400)</b>
<i>Summer Garage</i>			
Supplies	3,500	3,801	(301)
Telephone	700	559	141
Electricity	1,400	930	470
Sewer / Water	850	717	133
Siding, windows and repairs	150	0	150
<b><i>Total summer garage</i></b>	<b>6,600</b>	<b>6,007</b>	<b>593</b>
<i>Fuels</i>			
Heating oil	12,000	4,871	7,129
Gas	750	754	(4)
Diesel	40,500	31,491	9,009
<b><i>Total fuels</i></b>	<b>53,250</b>	<b>37,116</b>	<b>16,134</b>
<i>Parts and Supplies</i>			
Truck 1 and plow	2,000	2,225	(225)
Truck 2 and plow	3,000	3,856	(856)
Truck 10 and plow	3,000	6,467	(3,467)
Truck 20 and plow	3,000	10,559	(7,559)
Truck 21 and plow	3,000	12,546	(9,546)
Truck 22 and plow	3,000	2,278	722
Backhoes	3,000	6,188	(3,188)
Loaders	2,000	1,848	152
Grader	10,000	15,518	(5,518)
Chainsaws	500	858	(358)
Mower	1,000	3,644	(2,644)
Compressor	150	82	68
Brush cutter	500	46	454
Chipper	250	0	250
Miscellaneous	0	10,660	(10,660)
<b><i>Total parts and supplies</i></b>	<b>34,400</b>	<b>76,775</b>	<b>(42,375)</b>
<b><i>Total highway</i></b>	<b>512,479</b>	<b>672,378</b>	<b>(159,899)</b>

(continued)

TOWN OF READSBORO, VERMONT  
Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - General Fund (continued)  
Year Ended December 31, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures (continued)</b>			
<b>Solid Waste</b>			
Salaries	8,500	8,791	(291)
Payroll taxes	651	673	(22)
Retirement	0	5	(5)
Insurance	885	885	0
Office supplies	275	249	26
Electricity	1,500	1,223	277
Professional services	450	629	(179)
Container rental/pickup	26,000	25,286	714
WSWD assessment	9,750	9,084	666
Repairs	500	1,040	(540)
Miscellaneous	0	693	(693)
<b>Total solid waste</b>	<b>48,511</b>	<b>48,558</b>	<b>(47)</b>
<b>Fire Department</b>			
Fire warden	500	0	500
Insurance	5,400	5,571	(171)
Telephone	2,000	1,368	632
Electricity	1,000	1,229	(229)
Sewer / Water	838	787	51
Heating oil	2,800	2,590	210
Equipment	3,500	3,594	(94)
Training	1,282	635	647
Training officer	1,600	1,904	(304)
Membership dues	10,500	10,342	158
Gas	500	186	314
Diesel	1,000	1,229	(229)
Radio repairs	1,500	1,886	(386)
Equipment repairs	4,500	8,185	(3,685)
Miscellaneous	500	14,905	(14,405)
PPE expense	0	14,450	(14,450)
<b>Total fire department</b>	<b>37,420</b>	<b>68,861</b>	<b>(31,441)</b>
<b>Library</b>			
Salaries	18,106	17,679	427
Payroll taxes	1,397	1,343	54
Programs	400	422	(22)
Insurance	400	49	351
Travel	300	337	(37)
Office supplies	200	225	(25)
Postage	200	200	0
Books	1,500	1,576	(76)
Periodicals	200	194	6
Audio / Visual	800	771	29
Telephone	700	334	366

(continued)

**TOWN OF READSBORO, VERMONT**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual - General Fund (continued)**  
**Year Ended December 31, 2012**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures (continued)</b>			
<b>Library (continued)</b>			
Technology	1,000	706	294
Membership dues	200	180	20
Miscellaneous	0	150	(150)
<b>Total library</b>	<b>25,403</b>	<b>24,166</b>	<b>1,237</b>
<b>Appropriations</b>			
Machinery replacement fund	50,000	50,000	0
County tax	0	5,914	(5,914)
Historical Society building	500	500	0
Ambulance	0	0	0
Council on Aging	900	0	900
Visiting Nurses Association	2,150	2,150	0
Green Up Day	50	0	50
Emergency Mngmt/Cell Phone	0	1,076	(1,076)
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
Article 10	0	10,000	(10,000)
Bridge Fund	0	50,000	(50,000)
Tax Maps	0	1,000	(1,000)
<b>Total appropriations</b>	<b>57,130</b>	<b>124,170</b>	<b>(67,040)</b>
<b>Capital Outlays</b>			
Fire truck	20,572	20,572	0
Machinery replacement	0	0	0
TH 24BR20	0	0	0
Bridges	0	169,922	(169,922)
<b>Total capital outlays</b>	<b>20,572</b>	<b>190,494</b>	<b>(169,922)</b>
<b>Cemeteries:</b>			
Contracted Services	11,100	18,018	(6,918)
Parts and supplies	1,900	3,624	(1,724)
<b>Total cemeteries</b>	<b>13,000</b>	<b>21,642</b>	<b>(8,642)</b>
<b>Debt Service</b>			
Water bond	27,607	27,606	1
<b>Total debt service</b>	<b>27,607</b>	<b>27,606</b>	<b>1</b>
<b>Total expenditures</b>	<b>942,340</b>	<b>1,457,246</b>	<b>(514,906)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(10,000)</b>	<b>201,260</b>	<b>211,260</b>

(continued)

TOWN OF READSBORO, VERMONT  
Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - General Fund (continued)  
Year Ended December 31, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
<b><i>Other financing sources (uses):</i></b>			
Operating transfer (to) from:			
Cemetery Fund	0	2,170	2,170
Trust Fund	10,000	22,036	12,036
<b><i>Total other financing sources (uses)</i></b>	<b>10,000</b>	<b>24,206</b>	<b>14,206</b>
<b><i>Excess (deficiency) of revenues over expenditures and other financing uses</i></b>	<b>0</b>	<b>225,466</b>	<b>225,466</b>
<b><i>Fund balance January 1, 2012</i></b>		<b>811,700</b>	
<b><i>Fund balance December 31, 2012</i></b>		<b>\$ 1,037,166</b>	





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

To the Select Board  
Town of Readsboro, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Readsboro, Vermont, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Town of Readsboro, Vermont's basic financial statements, and have issued our report thereon dated May 23, 2014.

### Internal Control over Financial Reporting

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Readsboro, Vermont's financial statements are free from 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*.

### Purpose of this Report

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

May 23, 2014

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

Vt. Reg. #357

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