

TOWN OF MONKTON, VERMONT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2010

TOWN OF MONKTON, VERMONT

DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

The Select Board
Town of Monkton, Vermont

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Monkton, Vermont, as of and for the year ended December 31, 2010, which collectively comprise the Town of Monkton, Vermont's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Monkton, Vermont's 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.

As discussed in Note 1, the Town of Monkton, Vermont prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements do not include financial data for the Town's legally separate component unit, Monkton Volunteer Fire Department, Incorporated. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the Town's primary government unless the Town also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Town has not issued such reporting entity financial statements. The amount by which the assets, liabilities, fund balances, revenues and expenditures of the aggregate remaining fund information would have changed was not readily determinable.

In our opinion, except for the effects of omitting the blended component unit as discussed above, the financial statements referred to previously present fairly, in all material respects, the respective modified cash basis financial position of the aggregate remaining fund information of the Town of Monkton, Vermont, as of December 31, 2010, and the respective changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the Town of Monkton, Vermont, as of December 31, 2010, and the respective changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011, on our consideration of the Town of Monkton, 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 assessing the results of our audit.

The Select Board
Town of Monkton, Vermont
(Page two)

The budgetary comparison information on pages 19 to 21 and 22 to 23 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Monkton's basic financial statements. The combining and individual nonmajor fund financial statements on pages 24 to 25 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Town of Monkton has not presented Management's Discussion and Analysis. Accounting principles generally accepted in the United States of America require the presentation of Management's Discussion and Analysis to supplement the information presented in the basic financial statements.

Pace and Hawley, LLC

Montpelier, VT
December 16, 2011

TOWN OF MONKTON, VERMONT
Statement of Net Assets - Modified Cash Basis
December 31, 2010

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash	\$ <u>554,402</u>
Total current assets	<u>554,402</u>
Noncurrent assets:	
Capital Assets	1,460,072
(Accumulated depreciation)	<u>(635,555)</u>
Total noncurrent assets	<u>824,517</u>
Total assets	<u>1,378,919</u>
 Liabilities	
Current liabilities:	
Due to delinquent tax collector	1,184
Advance payments for property taxes	4,341
Notes payable, current portion	<u>80,660</u>
Total current liabilities	<u>86,185</u>
Noncurrent liabilities:	
Notes payable, less current portion	<u>187,120</u>
Total noncurrent liabilities	<u>187,120</u>
Total liabilities	<u>273,305</u>
 Net assets	
Invested in capital assets, net of related debt	556,737
Restricted	93,561
Unrestricted	<u>455,316</u>
Total net assets	\$ <u>1,105,614</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MONKTON, VERMONT
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2010

Functions/Programs	Program Revenues		Net (Expense) Revenue and Change in Net Assets
	Charges for Services	Operating Grants and Contributions	
Governmental activities			
General government	\$ 291,920	\$ 134,966	\$ (119,644)
Highways	697,625	173,500	(523,560)
Land conservation	75,000	-	(75,000)
Cemetery	720	-	(720)
Recreation	19,010	-	(7,565)
Appropriations	101,697	-	(101,697)
Interest on long-term debt	12,306	-	(12,306)
Total governmental activities	\$ 1,198,278	\$ 308,466	(840,492)
General revenues			
Property taxes			761,002
Interest on delinquent taxes			16,760
Investment income			1,055
Miscellaneous			9,556
Total general revenues			788,373
Change in net assets			(52,119)
Net assets, January 1, 2010			1,157,733
Net assets, December 31, 2010			\$ 1,105,614

The accompanying notes are an integral part of these financial statements.

TOWN OF MONKTON, VERMONT
Balance Sheet - Modified Cash Basis - Governmental Funds
December 31, 2010

	General Fund	Highway Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 554,402	\$ -	\$ -	\$ 554,402
Due from other funds	-	-	298,655	298,655
Total assets	<u>\$ 554,402</u>	<u>\$ -</u>	<u>\$ 298,655</u>	<u>\$ 853,057</u>
Liabilities and fund balances				
Liabilities:				
Due to delinquent tax collector	\$ 1,184	\$ -	\$ -	\$ 1,184
Advance payments for property taxes	4,341	-	-	4,341
Due to other funds	295,621	3,034	-	298,655
Total liabilities	<u>301,146</u>	<u>3,034</u>	<u>-</u>	<u>304,180</u>
Fund balances (deficit):				
Restricted:				
Specific purpose	-	-	93,561	93,561
Committed:				
Stabilization	125,000	-	-	125,000
Specific purpose	-	-	195,396	195,396
Assigned				
Planning and zoning	22,469	-	-	22,469
Specific purpose	-	-	9,698	9,698
Unassigned	105,787	(3,034)	-	102,753
Total fund balances (deficit)	<u>253,256</u>	<u>(3,034)</u>	<u>298,655</u>	<u>548,877</u>
Total liabilities and fund balances	<u>\$ 554,402</u>	<u>\$ -</u>	<u>\$ 298,655</u>	<u>\$ 853,057</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MONKTON, VERMONT
Reconciliation of the Governmental Funds Balance Sheet - Modified Cash Basis
to the Statement of Net Assets - Modified Cash Basis
December 31, 2010

Total fund balances - governmental funds	\$ 548,877
Amounts reported for governmental activities in the government-wide statement of net assets are different because:	
Capital assets used in governmental funds are not current financial resources and therefore are not reported in the government funds balance sheet.	
Capital assets	1,460,072
Accumulated depreciation	(635,555)
Long-term liabilities, including notes and bonds payable, are not due and payable in the current year and therefore are not reported in the governmental funds balance sheet	
	<u>(267,780)</u>
Net assets - governmental activities	\$ <u>1,105,614</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MONKTON, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis - Governmental Funds
For the Year Ended December 31, 2010

	General Fund	Highway Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 244,942	\$ 478,314	\$ 37,746	\$ 761,002
Interest on delinquent taxes	16,760	-	-	16,760
Intergovernmental	126,787	173,500	8,179	308,466
Licenses, fees and permits	37,310	565	11,445	49,320
Investment interest	795	-	260	1,055
Miscellaneous	7,517	1,854	185	9,556
Total revenues	<u>434,111</u>	<u>654,233</u>	<u>57,815</u>	<u>1,146,159</u>
Expenditures				
General government	285,383	-	-	285,383
Highways	-	645,769	-	645,769
Land conservation	-	-	75,000	75,000
Cemetery	-	-	720	720
Recreation	-	-	19,010	19,010
Appropriations	101,697	-	-	101,697
Debt service - principal	38,400	42,260	-	80,660
Debt service - interest	6,839	5,467	-	12,306
Total expenditures	<u>432,319</u>	<u>693,496</u>	<u>94,730</u>	<u>1,220,545</u>
Excess (deficiency) of revenues over expenditures	<u>1,792</u>	<u>(39,263)</u>	<u>(36,915)</u>	<u>(74,386)</u>
Other financing sources (uses)				
Transfers in	884	-	-	884
Transfers (out)	-	-	(884)	(884)
Total other financing sources (uses)	<u>884</u>	<u>-</u>	<u>(884)</u>	<u>-</u>
Net change in fund balances	2,676	(39,263)	(37,799)	(74,386)
Fund balances, January 1, 2010	<u>250,580</u>	<u>36,229</u>	<u>336,454</u>	<u>623,263</u>
Fund balances, December 31, 2010	\$ <u>253,256</u>	\$ <u>(3,034)</u>	\$ <u>298,655</u>	\$ <u>548,877</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MONKTON, VERMONT
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances - Modified Cash Basis of Governmental Funds
to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2010

Net change in fund balances - governmental funds \$ (74,386)

Amounts reported for governmental activities in the government-wide 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.

Current year depreciation (58,393)

Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and note principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.

Repayment of bond and note principal 80,660

Change in net assets - governmental activities \$ (52,119)

The accompanying notes are an integral part of these financial statements.

TOWN OF MONKTON, VERMONT
Statement of Fiduciary Net Assets - Modified Cash Basis - Fiduciary Funds
December 31, 2010

	West Escrow Fund
	<u> </u>
	Agency Fund
	<u> </u>
Assets	
Cash	\$ <u>57,901</u>
Liabilities	
Due to third party	<u>57,901</u>
Net assets	\$ <u> -</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2010

1. Summary of significant accounting policies:

The Town of Monkton, Vermont (herein the "Town") operates under a Select Board form of government and provides the following services: highways and streets, health and social services, community/economic development, recreation, public improvements, planning and zoning and administrative services.

The Government Accounting and Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As discussed further in Note 1.C. these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The following is a summary of the Town's more significant accounting policies:

A. Reporting entity - The Town is a primary unit of government under reporting criteria established by the GASB. Those criteria include separate legal standing, separate elected governing body, and fiscal independence from other governmental entities. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units and evaluated them against the criteria established by the GASB. Based on these criteria, the Monkton Volunteer Fire Department should be reported as a blended component unit within the financial statements of the Town.

B. Basis of presentation -

Fund accounting: The accounts of the Town are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Government-wide statements: The Statement of Net Assets and the Statement of Activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. The effect of interfund activity has been removed from these statements.

Fund financial statements: Fund financial statements are presented according to each fund category; governmental and fiduciary. Separate financial statements are provided for each of these categories. Major governmental funds are reported as separate columns in the fund financial statements. Non-major governmental funds are reported aggregate as a single column in the fund financial statements.

The Town reports the following major governmental funds:

General Fund - The General Fund is used to account for the primary activity of the Town. Revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Highway Fund - The fund is used to account for activities related to the highway department.

The Town also reports fiduciary activities for the West Escrow Agency Fund.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2010

1. Summary of significant accounting policies (continued):

- C. Measurement focus and basis of accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus refers to what items are reported on the financial statements. Basis of accounting refers to when cash receipts and cash disbursements are recognized in the accounts and reported in the financial statements.

The Town's policy is to prepare its financial statements generally on the basis of cash receipts and disbursements; consequently, certain revenues and related assets are recognized when received rather than when earned and certain expenditures and related liabilities are recognized when paid rather than when the obligation is incurred. The exceptions to this are the following. The Town records liabilities for amounts withheld from payroll checks and for education property taxes received from taxpayers as advance payments. In addition, the Town records either an asset or liability for the balance of education property taxes that are due from or due to the school district.

The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. Fund equity (i.e. modified cash basis net assets) is segregated into restricted modified cash basis net assets and unrestricted modified cash basis net assets. Operating statements present increases (i.e. receipts) and decreases (i.e. disbursements) in modified cash basis net assets.

The governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Their reported fund balances (modified cash basis fund balances) are considered a measure of available financial resources. Operating statements of these funds present increases (i.e., receipts and other financing sources) and decreases (i.e., disbursements and other financing uses) in modified cash basis fund balances.

Fiduciary fund financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. Additions are recorded when received and deductions when disbursed.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

- D. Governmental fund equity - In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – Resources which cannot be spent because they are either a) not in spendable form; or b) legally or contractually required to be maintained intact.

Restricted – Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – Resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner. For the purposes of defining the committed fund balance category, the Town considers the taxpayers, through voted Town Articles, its highest level of decision making authority.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2010

1. Summary of significant accounting policies (continued):

Assigned – Resources neither restricted nor committed for which a government has a stated intended use as established by the Select Board or a body or official to which the Select Board has delegated the authority to assign amounts for specific purposes.

Unassigned – Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include any negative residual balance resulting from expenditures exceeded amounts restricted, committed or assigned for a specific purpose.

For the classification of governmental fund balances, the Town considers an expenditure to be made from the most restrictive first when more than one classification is available unless specifically determined.

- E. Budgetary accounting - The Town follows the following procedures in establishing the General Fund budget presented in the financial statements:

Budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year.

- F. Estimates - The preparation of the financial statements require 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, expenditures, or expenses, during the reported period. Actual results could differ from those estimates.

- G. Cash and cash equivalents - Cash and cash equivalents consists of cash and short-term investments with an original maturity of three months or less.

- H. Capital assets - Capital assets, which include land, buildings, furniture and equipment, are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are reported in the government-wide financial statements and depreciated in order for their costs to be charged as expenses over their estimated useful lives. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets of the District are depreciated using the straight line method over the following useful lives:

Buildings and improvements	50 years
Equipment	15 years

- I. Long-term debt – Proceeds of general long-term debt are reported as other financing sources.
- J. Interfund balances and transfers - Interfund receivables and payables represent transactions incurred within the fund for other funds. These transactions are in the form of receipts of revenues, payments of expenses, and operating transfers to and from other funds. These accounts are expected to be eliminated in the normal course of operations.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2010

1. Summary of significant accounting policies (continued):

K. New accounting standards implemented –

Beginning with the fiscal year ended December 31, 2010, the Town has applied the provisions of Governmental Accounting Standards Board Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the Town's financial statements have been changed as a result of implementing this statement.

Beginning with the fiscal year ended December 31, 2010, the Town has applied the provisions of Governmental Accounting Standards Board Statement No 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate certain private sector standards issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements, into the GASB's authoritative literature. There was no current effect on the financial statements as a result of implementing this Statement.

2. Cash and investments:

As of December 31, 2010, the Town reported cash of \$612,303 including \$57,901 held as an escrow agent and reported in fiduciary activities.

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2010, the Town's bank balance was \$630,974. Of this amount, \$250,000 was insured by the FDIC. The remaining amount of \$380,974 was uninsured and collateralized with securities held by the pledging bank's trust department but not in the Town's name.

3. Interfund balances:

Interfund receivable and payables balances at December 31, 2010 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 295,621
Highway Fund	-	3,034
Other Governmental Funds	<u>298,655</u>	<u>-</u>
	\$ <u>298,655</u>	\$ <u>298,655</u>

The interfund payables and receivables are due to pooling cash in common bank accounts. Balances are expected to be refunded in the normal course of operations.

4. Interfund transfers:

Interfund transfers for the year ended December 31, 2010 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 884	\$ -
Other Governmental Funds	<u>-</u>	<u>884</u>
	\$ <u>884</u>	\$ <u>884</u>

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2010

5. Capital assets:

Changes in capital assets consisted of the following:

	Balance January 1, <u>2010</u>	<u>Increase</u>	<u>Decrease</u>	Balance December 31, <u>2010</u>
Governmental activities -				
Capital assets, not depreciated:				
Land	\$ 185,000	\$ -	\$ -	\$ 185,000
Capital assets, depreciated:				
Buildings & improvements	550,477	-	-	550,477
Equipment, machinery and vehicles	724,595	-	-	724,595
	<u>1,275,072</u>	<u>-</u>	<u>-</u>	<u>1,275,072</u>
Less accumulated depreciation for:				
Buildings & improvements	216,846	10,087	-	226,933
Equipment, machinery and vehicles	360,316	48,306	-	408,622
	<u>577,162</u>	<u>58,393</u>	<u>-</u>	<u>635,555</u>
Total capital assets depreciated, net	697,910	(58,393)	-	639,517
Capital assets, net, governmental activities	\$ <u>882,910</u>	\$ <u>(58,393)</u>	\$ -	\$ <u>824,517</u>

Depreciation expense in the governmental activities totaling \$58,393 was allocated to the following functions: general government \$6,537 and highway \$51,856.

6. Short-term debt:

Short-term – Because the Town bills and collects its property tax revenues towards the very end (mid-November) of each fiscal year (same as calendar year), cash flow management can be challenging. For the first ten and half months of each year, the Town pays employees and vendors from monies collected from the prior year. During 2010, the Town had expected to secure a Tax Anticipation Note prior to November 15th, but through diligent fiscal management and vendor renegotiation, no note was required, and no associated interest expense was incurred.

7. Long-term liabilities:

The Town issues general obligation bonds to finance the acquisition and construction of major capital facilities, renovations, and equipment purchases. General obligation bonds are direct obligations and pledge the full faith and credit of the issuing entity. These bonds are generally issued as 20-year serial bonds with equal amounts of principal maturing each year. The town's debt obligations for less costly projects (e.g. road equipment) are notes payable from local institutions.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2010

7. Long-term liabilities (continued):

The following is a summary of general obligation bonds & notes at December 31, 2010:

People's United Bank, John Deere 772D motor grader note payable, interest at 3.80% paid annually, principal of \$10,200 due October 27 th of each year until October 27, 2014. Originally borrowed \$99,000 via Citizens Bank on November 30, 2005; switched lenders in 2009 for better rate.	\$ 40,800
People's United Bank, 2007 Ford dump truck note payable, interest at 3.10% paid annually, principal of \$10,500 due November 13 th of each year until November 13, 2011. Originally borrowed \$57,432 via Citizens Bank on November 16, 2006; switched lenders in 2009 for better rate.	10,500
People's United Bank, 5 acres Ridge Road land note payable, interest at 2.35% established annually, principal of \$18,400 due September 10 th of each year until September 10, 2011, then \$12,000 due on September 10, 2012, originally borrowed \$92,000 on September 11, 2007.	36,800
Vermont Municipal Bond Bank, Fire Station bond payable, interest at 4.06% paid semi-annually, principal of \$20,000 due December 1 st of each year until 2015, then \$15,000 due on December 1 st of 2016, originally borrowed \$275,000 on July 1, 2002.	115,000
People's United Bank, 2009 Mack dump truck note payable, interest at 3.35% paid annually, principal of \$21,560 due August 1 st of each year until August 1, 2013. Truck purchased July 31, 2008 for \$166,498. Originally borrowed \$107,800.	64,680
	<u>\$ 267,780</u>

Changes in long-term liabilities for the year ended December 31, 2010 were as follows:

	Balance January 1, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2010</u>	Due Within <u>One Year</u>
Governmental activities:					
Note payable, 07 Ford truck	\$ 21,000	\$ -	\$ 10,500	\$ 10,500	\$ 10,500
Note payable, 09 Mack dump truck	86,240	-	21,560	64,680	21,560
Note payable, John Deere grader	51,000	-	10,200	40,800	10,200
Note payable, Ridge Road land	55,200	-	18,400	36,800	18,400
Bond payable, Fire Station	135,000	-	20,000	115,000	20,000
	<u>\$ 348,440</u>	<u>\$ -</u>	<u>\$ 80,660</u>	<u>\$ 267,780</u>	<u>\$ 80,660</u>

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2010

7. Long-term liabilities (continued):

Annual maturities of long-term debt at December 31, 2010 were as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending December 31,		
2011	\$ 80,660	\$ 9,657
2012	70,160	7,017
2013	51,760	4,682
2014	30,200	2,759
2015	20,000	1,421
2016	15,000	774
	<u>\$ 267,780</u>	<u>\$ 26,310</u>

8. Property taxes:

Property taxes become an enforceable lien upon Town of Monkton property holders as of April 1st of each year. Taxes were levied in August 2010 and were payable in one installment due November 15, 2010. Taxes not paid by November 15th, were listed as delinquent taxes and were assessed related penalties and interest. For the year ending December 31, 2010, the assessed property tax rates were as follows:

	<u>Nonresidential</u>	<u>Residential</u>
Education	1.7213	1.6288
Municipal	<u>0.4186</u>	<u>0.4186</u>
Total tax rate per \$100 of assessed valuation	<u>2.1399</u>	<u>2.0474</u>

The Town's municipal tax rate for the year ending December 31, 2010 was decreased by the Town's use of the prior year surplus of \$118,831 and increased by anticipated end of year delinquent taxes of \$155,000; resulting in a rate of \$0.4186 per \$100 of assessed property valuation.

The Town serves as agent for the State of Vermont for the purpose of collecting and distributing education property taxes for those taxpayers residing in the Town of Monkton. As instructed by the State of Vermont, the Town collected and disbursed \$2,266,060 of education property taxes during the year ending December 31, 2010.

9. Risk management:

The Town of Monkton is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2010

9. Risk management (continued):

In addition, the Town of Monkton is a member of the Vermont League of Cities and Towns Health Trust. The Health Trust is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont municipalities and is owned by participating members.

The Town of Monkton is also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members.

10. Retirement plan:

Vermont Municipal Employees Retirement System - The Town contributes to the Vermont Municipal Retirement System (VMERS) a cost-sharing multiple-employer public employee retirement system with defined benefit and defined contributions plans, administered by the State of Vermont. VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The State statutory provisions, found in Title 24, V.S.A., Chapter 125, govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the operation of VMERS is vested in the Board of Trustees. VMERS issues annual financial information which is available at the VMERS' office, 133 State Street, Montpelier, Vermont 05602.

Employees meeting certain eligibility requirements are covered under the VMERS defined benefit plan. Town employees participating in this plan (Group B) are required to contribute 4.5% of gross wages and the Town contributes 5.0% of the employees' gross wages to the plan. Total payroll for the year ending December 31, 2010 was \$312,529, while covered payroll was \$193,710. The Town's contributions to VMERS for the year ended December 31, 2010 was \$9,686.

11. Addison County Solid Waste Management District:

The Town is a participating member in the Addison County Solid Waste Management District (the District); which is a union municipal district that exists to cooperatively and comprehensively address the solid waste management interest of its 19 member towns. The District is governed by a Board of Supervisors composed of one representative from each of the participating municipalities. The District has primary liability for its future obligations, including operating costs and debt service. Municipalities have contingent liability through membership in the District.

12. Contingencies:

The Town receives significant financial assistance from the State of Vermont through grants and other forms of state aid. Entitlement to these resources is generally based on compliance with terms and conditions of grant agreements and applicable state regulations, including the expenditure of the resources for eligible purposes. These funds are subject to audit by the granting authority in order to ensure compliance. Any disallowance as a result of these audits becomes a liability of the Town. Management believes that there are no significant contingent liabilities relating to compliance with grant agreements and applicable state regulations.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2010

13. Governmental fund equity:

As of December 31, 2010 governmental fund balances consisted of the following:

	General Fund	Highway Fund	Other Governmental Funds	Total Governmental Funds
Fund balances (deficit):				
Restricted for:				
Reappraisal	\$ -	\$ -	\$ 92,742	\$ 92,742
Cemetery maintenance	-	-	349	349
PVR Education	-	-	470	470
	<u>-</u>	<u>-</u>	<u>93,561</u>	<u>93,561</u>
Committed for:				
Stabilization	125,000	-	-	125,000
Capital projects	-	-	97,512	97,512
Land conservation	-	-	97,884	97,884
	<u>125,000</u>	<u>-</u>	<u>195,396</u>	<u>320,396</u>
Assigned for:				
Planning and zoning	22,469	-	-	22,469
Recreation	-	-	9,698	9,698
	<u>22,469</u>	<u>-</u>	<u>9,698</u>	<u>32,167</u>
Unassigned	<u>105,787</u>	<u>(3,034)</u>	<u>-</u>	<u>102,753</u>
Total fund balances (deficit)	\$ <u>253,256</u>	\$ <u>(3,034)</u>	\$ <u>298,655</u>	\$ <u>548,877</u>

The \$125,000 reported as committed for stabilization in the General Fund was established at the March 2000 Town Meeting by voter approval of Article 9. The article did not identify conditions on how the money should be spent.

Of the \$97,512 reported as committed for capital projects, \$80,000 was originally voted to be committed for construction of a salt shed. However, at the March 2011 Town Meeting, voters recommitted this money to spent on capital equipment.

The Town anticipates eliminating the deficit in the Highway Fund with excess revenues over expenditures in future years.

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - General Fund
For the Year Ended December 31, 2010
(Page 1 of 3)

Schedule 1

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 231,348	\$ 231,348	\$ 244,942	\$ 13,594
Interest on delinquent taxes	9,900	9,900	16,760	6,860
Intergovernmental	118,317	118,317	126,787	8,470
Licenses, fees and permits	29,555	29,555	37,310	7,755
Interest income	3,000	3,000	795	(2,205)
Miscellaneous	6,240	6,240	7,517	1,277
Total revenues	<u>398,360</u>	<u>398,360</u>	<u>434,111</u>	<u>35,751</u>
Expenditures				
General government payroll:				
Town Clerk fees	16,000	16,000	20,796	(4,796)
Town Clerk salary	8,500	8,500	8,500	-
Assistant Town Clerk	11,276	11,276	10,682	594
Treasurer	24,231	24,231	24,231	-
Assistant Treasurer	4,250	4,250	4,536	(286)
Webmaster	600	600	390	210
Select Board	7,000	7,000	6,985	15
Select Board Administrative	3,000	3,000	526	2,474
Auditors	7,000	7,000	5,853	1,147
BCA - Election Officials	2,500	2,500	3,577	(1,077)
Custodian	950	950	875	75
Constable	250	250	500	(250)
Fire Warden	250	250	250	-
Health Officer	600	600	906	(306)
Animal Control Officer	1,000	1,000	915	85
Tree Warden	230	230	-	230
FICA	9,580	9,580	10,293	(713)
VMERS retirement contribution	1,000	1,000	1,213	(213)
Health insurance	2,000	2,000	2,000	-
Appraisal	15,000	15,000	13,515	1,485
Zoning Administrator	10,000	10,000	11,521	(1,521)
DRB - board members	1,680	1,680	1,460	220
DRB - clerical	700	700	741	(41)
DRB - recording secretary	1,500	1,500	894	606
Planning Commission - board members	1,680	1,680	1,640	40
Planning Commission - clerical	200	200	-	200
Total general government payroll	<u>130,977</u>	<u>130,977</u>	<u>132,799</u>	<u>(1,822)</u>
Town office:				
Copier rental	2,600	2,600	2,070	530
Office and general supplies	5,000	5,000	3,932	1,068
Postage	2,000	2,000	2,187	(187)
Equipment and furniture	3,000	3,000	549	2,451
Computer equipment and software	4,000	4,000	1,637	2,363
<i>continued</i>				

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - General Fund
For the Year Ended December 31, 2010
(Page 2 of 3)

Schedule 1

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Computer contract service	2,300	2,300	2,423	(123)
Conferences and training	1,500	1,500	590	910
Mileage reimbursement	1,200	1,200	776	424
Telephone	2,000	2,000	2,049	(49)
Heat	3,200	3,200	1,934	1,266
Electricity	1,300	1,300	1,387	(87)
Total Town office	28,100	28,100	19,534	8,566
General expenditures:				
Sheriff department	22,500	22,500	21,577	923
Insurance - workmen's compensation	12,650	12,650	12,650	-
Insurance - property and liability	7,290	7,290	7,676	(386)
Appraisal	2,000	2,000	1,081	919
PVR education	300	300	884	(584)
Printing and advertising	6,000	6,000	5,992	8
Property maintenance and upgrade	5,000	5,000	9,582	(4,582)
Consultant fees	3,000	3,000	-	3,000
Association dues and fees	2,500	2,500	2,685	(185)
Legal fees	7,500	7,500	12,328	(4,828)
BCA - election	2,500	2,500	3,863	(1,363)
Recycling	7,800	7,800	8,382	(582)
Animal expense	1,200	1,200	1,193	7
Restoration of records	2,500	2,500	-	2,500
Town Hall Committee	16,000	16,000	15,971	29
Cemetery maintenance	600	600	540	60
County taxes	14,000	14,000	12,651	1,349
Tax maps	2,000	2,000	1,475	525
Tax sales	-	-	2,408	(2,408)
Debt payments - interest	10,200	10,200	6,839	3,361
Debt payments - principal	-	-	38,400	(38,400)
Miscellaneous	600	600	243	357
Total general expenditures	126,140	126,140	166,420	(40,280)
Development Review Board:				
Supplies and postage	300	300	446	(146)
Advertising	500	500	662	(162)
Computer equipment and software	500	500	200	300
Conferences and training	500	500	96	404
Mileage reimbursement	200	200	363	(163)
Legal fees	500	500	-	500
Total Development Review Board	2,500	2,500	1,767	733
Planning Commission:				
Supplies and postage	200	200	61	139
Printing	3,000	3,000	1,120	1,880
Advertising	500	500	829	(329)
<i>continued</i>				

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - General Fund
For the Year Ended December 31, 2010
(Page 3 of 3)

Schedule 1

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Mileage reimbursement	350	350	572	(222)
Consultants	-	-	200	(200)
Legal fees	1,500	1,500	3,164	(1,664)
Addison County Regional Planning Commission	2,135	2,135	2,135	-
Total Planning Commission	7,685	7,685	8,081	(396)
Conservation Commission	2,568	2,568	2,021	547
Appropriations:				
Addison Cty Community Action	1,000	1,000	1,000	-
Addison Cty Counseling Services, Inc.	1,500	1,500	1,500	-
Addison Cty Home Health & Hospice	1,889	1,889	1,946	(57)
Addison Cty Humane Society	500	500	500	-
Addison Cty Parent / Child	1,600	1,600	1,600	-
Addison Cty Transit Resources	450	450	450	-
Bristol Family Center	200	200	200	-
Bristol Recreation Department	1,500	1,500	1,500	-
Bristol Rescue Squad	3,000	3,000	3,000	-
Central Vermont Agency on Aging	1,100	1,100	1,100	-
Elderly Services	800	800	800	-
Green Up Vermont	150	150	150	-
Hospice Volunteer Service	275	275	275	-
John D. Graham Emergency Shelter	900	900	900	-
Lewis Creek Association	550	550	550	-
Otter Creek Natural Resources CD	198	198	198	-
Retired & Senior Volunteer Program	285	285	285	-
Vergennes Rescue Squad	300	300	300	-
Vermont Adult Learning	700	700	700	-
Vermont Center for Independent Living	195	195	195	-
Women Safe	750	750	750	-
Monkton Volunteer Fire Department	65,800	65,800	65,800	-
Russell Memorial Library	17,098	17,098	17,098	-
Monkton Museum Historical Society	900	900	900	-
Total appropriations	101,640	101,640	101,697	(57)
Total expenditures	399,610	399,610	432,319	(32,709)
Excess (deficiency) of revenues over expenditures	(1,250)	(1,250)	1,792	3,042
Other financing sources (uses)				
Transfer in	300	300	884	584
Total other financing sources (uses)	300	300	884	584
Net change in fund balances	\$ (950)	\$ (950)	\$ 2,676	\$ 3,626

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - Highway Fund
For the Year Ended December 31, 2010
(Page 1 of 2)

Schedule 2

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 436,054	\$ 436,054	\$ 478,314	\$ 42,260
Intergovernmental	189,820	189,820	173,500	(16,320)
Licenses, fees and permits	700	700	565	(135)
Miscellaneous	<u>2,700</u>	<u>2,700</u>	<u>1,854</u>	<u>(846)</u>
Total revenues	<u>629,274</u>	<u>629,274</u>	<u>654,233</u>	<u>24,959</u>
Expenditures				
Highway payroll:				
Regular employees	173,040	173,040	168,532	4,508
Part-time employees	500	500	-	500
FICA	13,324	13,324	12,893	431
VMERS retirement contribution	8,652	8,652	8,472	180
Health insurance	66,514	66,514	64,883	1,631
Dental insurance	3,465	3,465	3,150	315
Short-term disability insurance	500	500	493	7
Unemployment insurance	<u>1,903</u>	<u>1,903</u>	<u>1,867</u>	<u>36</u>
Total highway payroll	<u>267,898</u>	<u>267,898</u>	<u>260,290</u>	<u>7,608</u>
Highway garage:				
Equipment, tools and supplies	5,600	5,600	2,687	2,913
Conferences and training	200	200	-	200
Telephone	1,700	1,700	1,561	139
Heat	4,750	4,750	6,726	(1,976)
Electricity	1,800	1,800	1,601	199
Trash removal	1,450	1,450	1,555	(105)
Capital equipment	2,200	2,200	2,109	91
Property maintenance and upgrade	<u>1,500</u>	<u>1,500</u>	<u>3,763</u>	<u>(2,263)</u>
Total highway garage	<u>19,200</u>	<u>19,200</u>	<u>20,002</u>	<u>(802)</u>
Highway general:				
Insurance - property and liability	9,356	9,356	9,356	-
Grease and oil	2,000	2,000	2,213	(213)
Equipment fuel	40,000	40,000	41,209	(1,209)
Repairs, parts and blades	24,000	24,000	23,671	329
Oxygen and acetylene	400	400	199	201
Debt service - principal	-	-	42,260	(42,260)
Debt service - interest	7,100	7,100	5,467	1,633
Miscellaneous	<u>1,650</u>	<u>1,650</u>	<u>633</u>	<u>1,017</u>
Total highway general	<u>84,506</u>	<u>84,506</u>	<u>125,008</u>	<u>(40,502)</u>

continued

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - Highway Fund
For the Year Ended December 31, 2010
(Page 2 of 2)

Schedule 2

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Highway road maintenance:				
Rental equipment	20,000	20,000	14,301	5,699
Gravel	74,500	74,500	70,915	3,585
Salt	29,000	29,000	31,863	(2,863)
Winter sand	22,200	22,200	22,121	79
Chloride	23,000	23,000	22,591	409
Hot mix	101,000	101,000	100,510	490
Culverts	6,000	6,000	5,107	893
Signs, painting	3,000	3,000	5,697	(2,697)
911 signs	200	200	91	109
Highway upgrade and paving	15,000	15,000	15,000	-
Total highway road maintenance	<u>293,900</u>	<u>293,900</u>	<u>288,196</u>	<u>5,704</u>
 Total expenditures	 <u>665,504</u>	 <u>665,504</u>	 <u>693,496</u>	 <u>(27,992)</u>
 Net change in fund balances	 \$ <u>(36,230)</u>	 \$ <u>(36,230)</u>	 \$ <u>(39,263)</u>	 \$ <u>(3,033)</u>

TOWN OF MONKTON, VERMONT
Combining Balance Sheet - Modified Cash Basis - Other Governmental Funds
December 31, 2010

	Capital Projects Funds			Special Revenue Funds				
	Community Center Building Fund	Salt Shed Fund	Agricultural and Natural Area Conservation Fund	Barnumtown Cemetery Fund	PVR Education Fund	Reappraisal Fund	Recreation Fund	Total
Assets								
Due from other funds	\$ 17,512	\$ 80,000	\$ 97,884	\$ 349	\$ 470	\$ 92,742	\$ 9,698	\$ 298,655
Total assets	\$ 17,512	\$ 80,000	\$ 97,884	\$ 349	\$ 470	\$ 92,742	\$ 9,698	\$ 298,655
Liabilities and fund balances								
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:								
Restricted	-	-	-	349	470	92,742	-	93,561
Committed	17,512	80,000	97,884	-	-	-	-	195,396
Assigned	-	-	-	-	-	-	9,698	9,698
Total fund balances	17,512	80,000	97,884	349	470	92,742	9,698	298,655
Total liabilities and fund balances	\$ 17,512	\$ 80,000	\$ 97,884	\$ 349	\$ 470	\$ 92,742	\$ 9,698	\$ 298,655

TOWN OF MONKTON, VERMONT

Schedule 4

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis - Other Governmental Funds
For the Year Ended December 31, 2010**

	Capital Projects Funds			Special Revenue Funds				
	Community Center Building Fund	Salt Shed Fund	Agricultural and Natural Area Conservation Fund	Barnumtown Cemetery Fund	PVR Education Fund	Reappraisal Fund	Recreation Fund	Total
Revenues								
Property taxes	\$ -	\$ -	\$ 34,746	\$ -	\$ -	\$ -	\$ 3,000	\$ 37,746
Intergovernmental	-	-	-	-	393	7,786	-	8,179
Investment interest	31	-	205	1	-	-	23	260
Fees	-	-	-	-	-	-	11,445	11,445
Other	-	-	-	-	-	-	185	185
Total revenues	31	-	34,951	1	393	7,786	14,653	57,815
Expenditures								
Cemetery	-	-	-	720	-	-	-	720
Land conservation	-	-	75,000	-	-	-	-	75,000
Recreation	-	-	-	-	-	-	19,010	19,010
Total expenditures	-	-	75,000	720	-	-	19,010	94,730
Excess (deficiency) of revenues over expenditures	31	-	(40,049)	(719)	393	7,786	(4,357)	(36,915)
Other financing sources (uses)								
Transfers (out)	-	-	-	-	(884)	-	-	(884)
Total other financing sources (uses)	-	-	-	-	(884)	-	-	(884)
Net change in fund balances	31	-	(40,049)	(719)	(491)	7,786	(4,357)	(37,799)
Fund balances, January 1, 2010	17,481	80,000	137,933	1,068	961	84,956	14,055	336,454
Fund balances, December 31, 2010	\$ 17,512	\$ 80,000	\$ 97,884	\$ 349	\$ 470	\$ 92,742	\$ 9,698	\$ 298,655

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

The Select Board
Town of Monkton, Vermont

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Monkton, Vermont as of and for the year ended December 31, 2010, which collectively comprise the Town of Monkton, Vermont's basic modified cash basis financial statements and have issued our report thereon dated December 16, 2011, in which we identified that the Town's blended component unit was not reported with the aggregate remaining fund information. 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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Monkton, 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*.

The Select Board
Town of Monkton, Vermont
(Page Two)

We noted certain matters that we reported to management of the Town of Monkton, VT in a separate letter dated December 16, 2011.

This report is intended solely for the information and use of management, the Select Board, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Pace and Hawley, LLC

Montpelier, VT
December 16, 2011