

**TOWN OF MONKTON, VERMONT**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**DECEMBER 31, 2011**

**TOWN OF MONKTON, VERMONT**

**DECEMBER 31, 2011**

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**INDEPENDENT AUDITOR'S REPORT**

The Select Board  
Town of Monkton, Vermont

We have audited the accompanying modified cash basis 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, 2011, 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, 2011, 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, 2011, 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 May 18, 2012, 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 19 to 23 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 supplemental 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 assurance.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor financial statements are fairly stated in all material respects in relation to the financial statements as a whole.

Management has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. Our opinion on the basic financial statements is not affected by this missing information.

*Pace & Hawley, LLC*

Montpelier, VT  
May 18, 2012

**TOWN OF MONKTON, VERMONT**  
**Statement of Net Assets - Modified Cash Basis**  
**December 31, 2011**

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets:	
Cash	\$ 582,030
Other assets	<u>325</u>
Total current assets	<u>582,355</u>
Noncurrent assets:	
Capital Assets	1,443,097
(Accumulated depreciation)	<u>(643,413)</u>
Total noncurrent assets	<u>799,684</u>
Total assets	<u>1,382,039</u>
 <b>Liabilities</b>	
Current liabilities:	
Due to Delinquent Tax Collector	265
Due to Town Clerk	20
Advance payments for property taxes	4,745
Notes payable, current portion	<u>70,160</u>
Total current liabilities	<u>75,190</u>
Noncurrent liabilities:	
Notes payable, less current portion	<u>116,960</u>
Total noncurrent liabilities	<u>116,960</u>
Total liabilities	<u>192,150</u>
 <b>Net assets</b>	
Invested in capital assets, net of related debt	612,564
Restricted	175,364
Unrestricted	<u>401,961</u>
Total net assets	<u>\$ 1,189,889</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, 2011**

Functions/Programs	Program Revenues		Net (Expense) Revenue and Change in Net Assets
Governmental activities	Expenses	Charges for Services	Operating Grants and Contributions
General government	\$ 279,426	\$ 36,803	\$ 110,389
Highways	692,092	645	218,624
Cemetery	349	-	-
Recreation	16,528	12,402	-
Appropriations	100,568	-	-
Interest on long-term debt	9,738	-	-
Total governmental activities	\$ 1,098,701	\$ 49,850	\$ 329,013
<b>General revenues</b>			
Property taxes			773,630
Interest on delinquent taxes			11,713
Investment income			296
Miscellaneous			18,474
Total general revenues			804,113
Change in net assets			84,275
Net assets, January 1, 2011			1,105,614
Net assets, December 31, 2011			\$ 1,189,889

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

**TOWN OF MONKTON, VERMONT**  
**Balance Sheet - Modified Cash Basis - Governmental Funds**  
**December 31, 2011**

	General Fund	Highway Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 582,030	\$ -	\$ -	\$ 582,030
Other assets	325	-	-	325
Due from other funds	-	75,740	359,585	435,325
Total assets	<u>\$ 582,355</u>	<u>\$ 75,740</u>	<u>\$ 359,585</u>	<u>\$ 1,017,680</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Due to Delinquent Tax Collector	\$ 265	\$ -	\$ -	\$ 265
Due to Town Clerk	20	-	-	20
Advance payments for property taxes	4,745	-	-	4,745
Due to other funds	435,325	-	-	435,325
Total liabilities	<u>440,355</u>	<u>-</u>	<u>-</u>	<u>440,355</u>
Fund balances:				
Restricted:				
Specific purpose	-	75,740	99,624	175,364
Committed:				
Stabilization	125,000	-	-	125,000
Specific purpose	-	-	250,319	250,319
Assigned				
Planning and zoning	17,000	-	-	17,000
Specific purpose	-	-	9,642	9,642
Total fund balances	<u>142,000</u>	<u>75,740</u>	<u>359,585</u>	<u>577,325</u>
Total liabilities and fund balances	<u>\$ 582,355</u>	<u>\$ 75,740</u>	<u>\$ 359,585</u>	<u>\$ 1,017,680</u>

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

**TOWN OF MONKTON, VERMONT**  
**Reconciliation of the Balance Sheet - Modified Cash Basis - Governmental Funds**  
**to the Statement of Net Assets - Modified Cash Basis**  
**December 31, 2011**

Total fund balances - governmental funds	\$ 577,325
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	1,443,097
Accumulated depreciation	(643,413)
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>(187,120)</u>
Net assets - governmental activities	\$ <u>1,189,889</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, 2011**

	General Fund	Highway Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 143,847	\$ 571,942	\$ 57,841	\$ 773,630
Interest on delinquent taxes	11,624	-	89	11,713
Intergovernmental	102,194	218,624	8,195	329,013
Licenses, fees and permits	36,803	645	12,402	49,850
Investment interest	296	-	-	296
Miscellaneous	9,749	7,662	1,063	18,474
Total revenues	<u>304,513</u>	<u>798,873</u>	<u>79,590</u>	<u>1,182,976</u>
<b>Expenditures</b>				
General government	272,889	-	-	272,889
Highways	-	673,796	-	673,796
Cemetery	-	-	349	349
Recreation	-	-	16,528	16,528
Appropriations	100,568	-	-	100,568
Debt service - principal	38,400	42,260	-	80,660
Debt service - interest	5,695	4,043	-	9,738
Total expenditures	<u>417,552</u>	<u>720,099</u>	<u>16,877</u>	<u>1,154,528</u>
Excess (deficiency) of revenues over expenditures	<u>(113,039)</u>	<u>78,774</u>	<u>62,713</u>	<u>28,448</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,783	-	-	1,783
Transfers (out)	-	-	(1,783)	(1,783)
Total other financing sources (uses)	<u>1,783</u>	<u>-</u>	<u>(1,783)</u>	<u>-</u>
Net change in fund balances	(111,256)	78,774	60,930	28,448
Fund balances, January 1, 2011	<u>253,256</u>	<u>(3,034)</u>	<u>298,655</u>	<u>548,877</u>
Fund balances, December 31, 2011	<u>\$ 142,000</u>	<u>\$ 75,740</u>	<u>\$ 359,585</u>	<u>\$ 577,325</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, 2011**

Net change in fund balances - governmental funds	\$	28,448
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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		(24,833)
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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		<u>80,660</u>
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Change in net assets - governmental activities	\$	<u>84,275</u>
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*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, 2011**

	<u>West Escrow Fund</u>	
	<u>Agency Fund</u>	
<b>Assets</b>		
Cash	\$	<u>57,942</u>
<b>Liabilities</b>		
Due to third party		<u>57,942</u>
<b>Net assets</b>	\$	<u>-</u>

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

**TOWN OF MONKTON, VERMONT**  
**Notes to Financial Statements**  
**December 31, 2011**

**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 (MVFD) should be reported as a blended component unit within the financial statements of the Town. The Town has not included the MVFD in these financial statements. The Town has also not included the Russell Memorial Library in these financial statements.
- 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.

- 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.

**TOWN OF MONKTON, VERMONT**  
**Notes to Financial Statements**  
**December 31, 2011**

**1. Summary of significant accounting policies (continued):**

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. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

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.

If the Town utilized generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements and fiduciary fund financial statements would be presented on the accrual basis of accounting.

**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.

**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.

**TOWN OF MONKTON, VERMONT**  
**Notes to Financial Statements**  
**December 31, 2011**

**1. Summary of significant accounting policies (continued):**

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 does not have a formal policy regarding which classification should be reduced first when more than one classification is available. However, the Town has generally considered an expenditure to be made from the most restrictive first when more than one classification is available.

- 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 Town 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, 2011**

**2. Cash and investments:**

As of December 31, 2011, the Town reported cash of \$639,972 including \$57,942 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, 2011, the Town's bank balance was \$665,570. Of this amount, \$250,000 was insured by the FDIC. The remaining amount of \$415,570 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, 2011 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 435,325
Highway Fund	75,740	-
Other Governmental Funds	<u>359,585</u>	<u>-</u>
	<u>\$ 435,325</u>	<u>\$ 435,325</u>

The interfund payables and receivables are due to pooling cash in common bank accounts. These balances are not expected to be repaid within one year.

**4. Interfund transfers:**

Interfund transfers for the year ended December 31, 2011 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,783	\$ -
Other Governmental Funds	<u>-</u>	<u>1,783</u>
	<u>\$ 1,783</u>	<u>\$ 1,783</u>

Transfers from other governmental funds to the general fund were a result of expenditures being reported in the general fund but paid for by assets in other governmental funds.

**TOWN OF MONKTON, VERMONT**  
**Notes to Financial Statements**  
**December 31, 2011**

**5. Capital assets:**

Changes in capital assets consisted of the following:

	Balance January 1, <u>2011</u>	<u>Increase</u>	<u>Decrease</u>	Balance December 31, <u>2011</u>
Governmental activities -				
Capital assets, not depreciated:				
Land	\$ <u>185,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>185,000</u>
Capital assets, depreciated:				
Buildings & improvements	550,477	-	-	550,477
Equipment, machinery and vehicles	<u>724,595</u>	<u>-</u>	<u>16,975</u>	<u>707,620</u>
	<u>1,275,072</u>	<u>-</u>	<u>16,975</u>	<u>1,258,097</u>
Less accumulated depreciation for:				
Buildings & improvements	226,933	10,087	-	237,020
Equipment, machinery and vehicles	<u>408,622</u>	<u>14,746</u>	<u>16,975</u>	<u>406,393</u>
	<u>635,555</u>	<u>24,833</u>	<u>16,975</u>	<u>643,413</u>
Total capital assets depreciated, net	<u>639,517</u>	<u>(24,833)</u>	<u>-</u>	<u>614,684</u>
Capital assets, net, governmental activities	\$ <u>824,517</u>	\$ <u>(24,833)</u>	\$ <u>-</u>	\$ <u>799,684</u>

Depreciation expense in the governmental activities totaling \$24,833 was allocated to the following functions: general government \$6,537 and highway \$18,296.

**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 2011, the Town had expected to secure a Tax Anticipation Note prior to November 15<sup>th</sup>, but through diligent fiscal management, and borrowing against applicable fund reserves, no Note was required.

**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, 2011**

**7. Long-term liabilities (continued):**

The following is a summary of general obligation bonds & notes at December 31, 2011:

People's United Bank, John Deere 772D motor grader note payable, interest at 3.80% paid annually, principal of \$10,200 due October 27 <sup>th</sup> 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.	\$ 30,600
People's United Bank, 5 acres Ridge Road land note payable, interest at 2.35% established annually, principal of \$18,400 due September 7 <sup>th</sup> of each year until September 7, 2012. Originally borrowed \$92,000 on September 11, 2007.	18,400
Vermont Municipal Bond Bank, Fire Station bond payable, interest at variable rate (net interest cost 2.965%) paid semi-annually, principal of \$20,000 due December 1st of each year until 2015, then \$15,000 due on December 1 <sup>st</sup> of 2016. Originally borrowed \$275,000 on July 1, 2002.	95,000
People's United Bank, 2009 Mack dump truck note payable, interest at 3.35% paid annually, principal of \$21,560 due August 1 <sup>st</sup> of each year until August 1, 2013. Truck purchased July 31, 2008 for \$166,498. Originally borrowed \$107,800.	43,120
	\$ 187,120

Changes in long-term liabilities for the year ended December 31, 2011 were as follows:

	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2011</u>	Due Within <u>One Year</u>
<b>Governmental activities:</b>					
Note payable, 07 Ford truck	\$ 10,500	\$ -	\$ 10,500	\$ -	\$ -
Note payable, 09 Mack dump truck	64,680	-	21,560	43,120	21,560
Note payable, John Deere grader	40,800	-	10,200	30,600	10,200
Note payable, Ridge Road land	36,800	-	18,400	18,400	18,400
Bond payable, Fire Station	<u>115,000</u>	<u>-</u>	<u>20,000</u>	<u>95,000</u>	<u>20,000</u>
	<u>\$ 267,780</u>	<u>\$ -</u>	<u>\$ 80,660</u>	<u>\$ 187,120</u>	<u>\$ 70,160</u>

**TOWN OF MONKTON, VERMONT**  
**Notes to Financial Statements**  
**December 31, 2011**

**7. Long-term liabilities (continued):**

Annual maturities of long-term debt at December 31, 2011 were as follows:

Year ending December 31,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 70,160	\$ 7,017
2013	51,760	4,681
2014	30,200	2,758
2015	20,000	1,206
2016	15,000	304
2017-2012	-	(3,963)
	\$ 187,120	\$ 12,003

During the year ended December 31, 2011, the Town's Vermont Municipal Bond Bank 2002 Series I bond was refinanced with a 2011 Series 4 bond. The savings allocation associated with the Town's 2011 Series 4 bond, to be received between calendar year 2015 and calendar year 2021, has been reflected as a reduction of interest in the calculation of the annual debt service requirement to maturity for governmental activities shown above.

**8. Property taxes:**

Property taxes become an enforceable lien upon Town of Monkton property holders as of April 1<sup>st</sup> of each year. Taxes were levied in August 2011, and were payable in one installment due November 15, 2011. Taxes not paid by November 15<sup>th</sup>, were listed as delinquent taxes and were assessed related penalties and interest. For the year ending December 31, 2011, the assessed property tax rates were as follows:

	<u>Nonresidential</u>	<u>Residential</u>
Education	1.6998	1.6806
Municipal	0.4418	0.4418
Total tax rate per \$100 of assessed valuation	2.1416	2.1224

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 \$2,339,833 of education property taxes during the year ending December 31, 2011.

**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. 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, 2011**

**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, 2011 was \$321,777, while covered payroll was \$202,358. The Town's contributions to VMERS for the years ended December 31, 2011 and 2010 were \$10,118 and \$9,686, respectively.

**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, 2011**

**13. Governmental fund equity:**

As of December 31, 2011 governmental fund balances consisted of the following:

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:				
Restricted for:				
Highway	\$ -	\$ 75,740	\$ -	\$ 75,740
Reappraisal	-	-	99,270	99,270
PVR Education	-	-	354	354
	<u>-</u>	<u>75,740</u>	<u>99,624</u>	<u>175,364</u>
Committed for:				
Stabilization	125,000	-	-	125,000
Capital projects	-	-	117,524	117,524
Land conservation	-	-	132,795	132,795
	<u>125,000</u>	<u>-</u>	<u>250,319</u>	<u>375,319</u>
Assigned for:				
Planning and zoning	17,000	-	-	17,000
Recreation	-	-	9,642	9,642
	<u>17,000</u>	<u>-</u>	<u>9,642</u>	<u>26,642</u>
Total fund balances	\$ <u>142,000</u>	\$ <u>75,740</u>	\$ <u>359,585</u>	\$ <u>577,325</u>

The \$125,000 reported as stabilization in the General Fund was authorized by voters at the March 2000 Town Meeting for the purpose of setting aside \$125,000 of Town money as a reserve fund to be kept in a non-risk interest bearing account. No requirements have been established requiring additional amounts for stabilization. Conditions have not been identified under which the stabilization amounts may be spent.

**14. Subsequent event:**

Subsequent to December 31, 2011, the Town purchased a dump truck for \$189,030. The Town anticipates paying for the dump truck by using \$80,000 from the Town's Capital Reserve Fund and financing the remaining \$109,030.

**15. Excess of expenditures over budget:**

For the year ended December 31, 2011, the debt service principal payments of \$38,400 reported in the General Fund exceeded the budgeted amount by \$38,400. This excess was the result of the payments being entirely excluded from the original and amended budget because these expenditures were previously authorized under a separate article. The Town anticipates including required debt service payments within future operating General Fund budgets.

**TOWN OF MONKTON, VERMONT**  
**Schedule of Revenues, Expenditures - Modified Cash Basis**  
**Budget and Actual - General Fund**  
**For the Year Ended December 31, 2011**  
(Page 1 of 3)

Schedule 1

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 129,135	\$ 129,135	\$ 143,847	\$ 14,712
Interest on delinquent taxes	11,500	11,500	11,624	124
Intergovernmental	124,225	124,225	102,194	(22,031)
Licenses, fees and permits	35,600	35,600	36,803	1,203
Interest income	800	800	296	(504)
Miscellaneous	10,009	10,009	9,749	(260)
Total revenues	<u>311,269</u>	<u>311,269</u>	<u>304,513</u>	<u>(6,756)</u>
<b>Expenditures</b>				
General government payroll:				
Town Clerk fees	20,000	20,000	20,751	(751)
Town Clerk salary	8,500	8,500	8,538	(38)
Assistant Town Clerk	16,240	16,240	11,225	5,015
Treasurer	25,000	25,000	25,000	-
Assistant Treasurer	4,550	4,550	4,588	(38)
Webmaster	400	400	390	10
Select Board	7,000	7,000	7,080	(80)
Select Board Administrative	2,000	2,000	1,082	918
Auditors	6,650	6,650	5,706	944
BCA - Election Officials	1,750	1,750	1,489	261
Custodian	950	950	921	29
Constable	250	250	250	-
Fire Warden	250	250	250	-
Health Officer	900	900	466	434
Animal Control Officer	1,000	1,000	750	250
FICA	10,900	10,900	10,286	614
VMERS retirement contribution	1,250	1,250	1,250	-
Health insurance	2,000	2,000	2,009	(9)
Appraisal	14,640	14,640	14,104	536
Zoning Administrator	11,500	11,500	14,201	(2,701)
DRB - board members	1,680	1,680	1,260	420
DRB - clerical	700	700	900	(200)
DRB - recording secretary	1,500	1,500	713	787
Planning Commission - board members	1,680	1,680	920	760
Planning Commission - clerical	200	200	-	200
Total general government payroll	<u>141,490</u>	<u>-</u>	<u>141,490</u>	<u>7,361</u>
Town office:				
Copier rental	2,500	2,500	2,350	150
Office and general supplies	4,500	4,500	4,466	34
Postage	1,800	1,800	2,130	(330)
Equipment and furniture	1,500	1,500	705	795
Computer equipment and software	3,500	3,500	100	3,400

*continued*

**TOWN OF MONKTON, VERMONT**  
**Schedule of Revenues, Expenditures - Modified Cash Basis**  
**Budget and Actual - General Fund**  
**For the Year Ended December 31, 2011**  
(Page 2 of 3)

Schedule 1

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Computer contract service	2,500	2,500	2,453	47
Conferences and training	1,200	1,200	435	765
Mileage reimbursement	1,000	1,000	875	125
Telephone	2,000	2,000	2,036	(36)
Heat	3,200	3,200	2,600	600
Electricity	1,300	1,300	1,300	-
Total Town office	<u>25,000</u>	<u>25,000</u>	<u>19,450</u>	<u>5,550</u>
General expenditures:				
Sheriff department	23,000	23,000	21,292	1,708
Insurance - workmen's compensation	10,930	10,930	11,120	(190)
Insurance - property and liability	10,260	10,260	10,260	-
Appraisal	1,500	1,500	870	630
Reappraisal	-	-	1,275	(1,275)
PVR education	750	750	508	242
Printing and advertising	6,000	6,000	5,862	138
Property maintenance and upgrade	7,500	7,500	1,339	6,161
Consultant fees	10,000	10,000	7,720	2,280
Association dues and fees	2,780	2,780	2,743	37
Legal fees	9,000	9,000	1,893	7,107
BCA - election	1,200	1,200	971	229
Recycling	8,400	8,400	7,740	660
Animal expense	2,000	2,000	742	1,258
Restoration of records	2,644	2,644	2,647	(3)
Town Hall Committee	9,000	9,000	6,168	2,832
Cemetery maintenance	600	600	1,306	(706)
County taxes	12,030	12,030	12,168	(138)
Tax sales	2,500	2,500	-	2,500
Debt payments - interest	5,614	5,614	5,695	(81)
Debt payments - principal	-	-	38,400	(38,400)
Miscellaneous	600	600	59	541
Total general expenditures	<u>126,308</u>	<u>126,308</u>	<u>140,778</u>	<u>(14,470)</u>
Development Review Board:				
Supplies and postage	500	500	181	319
Advertising	400	400	406	(6)
Computer equipment and software	250	250	-	250
Conferences and training	255	255	-	255
Mileage reimbursement	200	200	53	147
Legal fees	500	500	6,058	(5,558)
Miscellaneous	-	-	350	(350)
Total Development Review Board	<u>2,105</u>	<u>2,105</u>	<u>7,048</u>	<u>(4,943)</u>
Planning Commission:				
Supplies and postage	100	100	-	100
Printing	1,800	1,800	993	807
Advertising	1,000	1,000	152	848
<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, 2011**  
(Page 3 of 3)

Schedule 1

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Mileage reimbursement	575	575	450	125
Consultants	500	500	-	500
Legal fees	1,500	1,500	876	624
Addison County Regional Planning Commission	2,135	2,135	2,135	-
Total Planning Commission	<u>7,610</u>	<u>7,610</u>	<u>4,606</u>	<u>3,004</u>
Conservation Commission	<u>20,000</u>	<u>20,000</u>	<u>10,973</u>	<u>9,027</u>
Appropriations:				
Addison Cty Community Action	1,250	1,250	1,250	-
Addison Cty Counseling Services, Inc.	1,500	1,500	1,500	-
Addison Cty Court Diversion	550	550	550	-
Addison Cty Home Health & Hospice	1,946	1,946	1,946	-
Addison Cty Humane Society	500	500	500	-
Addison Cty Parent / Child	1,600	1,600	1,600	-
Addison Cty Readers	450	450	450	-
Addison Cty Transit Resources	650	650	650	-
Bristol Family Center	200	200	200	-
Bristol Recreation Department	1,500	1,500	1,500	-
Bristol Rescue Squad	3,500	3,500	3,500	-
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	600	600	600	-
Vermont Adult Learning	700	700	700	-
Vermont Center for Independent Living	195	195	195	-
Women Safe	1,000	1,000	1,000	-
Monkton Volunteer Fire Department	59,000	59,000	59,000	-
Russell Memorial Library	20,269	20,269	20,269	-
Monkton Museum Historical Society	900	900	900	-
Total appropriations	<u>100,568</u>	<u>100,568</u>	<u>100,568</u>	<u>-</u>
Total expenditures	<u>423,081</u>	<u>423,081</u>	<u>417,552</u>	<u>5,529</u>
Excess (deficiency) of revenues over expenditures	<u>(111,812)</u>	<u>(111,812)</u>	<u>(113,039)</u>	<u>(1,227)</u>
Other financing sources (uses)				
Transfer in	500	500	1,783	1,283
Total other financing sources (uses)	<u>500</u>	<u>500</u>	<u>1,783</u>	<u>1,283</u>
Net change in fund balances	\$ <u>(111,312)</u>	\$ <u>(111,312)</u>	\$ <u>(111,256)</u>	\$ <u>56</u>

**TOWN OF MONKTON, VERMONT**  
**Schedule of Revenues, Expenditures - Modified Cash Basis**  
**Budget and Actual - Highway Fund**  
**For the Year Ended December 31, 2011**  
(Page 1 of 2)

Schedule 2

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 574,976	\$ 574,976	\$ 571,942	\$ (3,034)
Intergovernmental	142,165	142,165	218,624	76,459
Licenses, fees and permits	650	650	645	(5)
Miscellaneous	4,500	4,500	7,662	3,162
Total revenues	<u>722,291</u>	<u>722,291</u>	<u>798,873</u>	<u>76,582</u>
<b>Expenditures</b>				
Highway payroll:				
Regular employees	173,588	173,588	176,608	(3,020)
Part-time employees	500	500	587	(87)
FICA	13,318	13,318	13,555	(237)
VMERS retirement contribution	8,680	8,680	8,868	(188)
Health insurance	72,962	72,962	67,940	5,022
Dental insurance	2,869	2,869	2,822	47
Short-term disability insurance	550	550	492	58
Unemployment insurance	1,903	1,903	1,706	197
Total highway payroll	<u>274,370</u>	<u>274,370</u>	<u>272,578</u>	<u>1,792</u>
Highway garage:				
Equipment, tools and supplies	5,600	5,600	2,932	2,668
Conferences and training	200	200	-	200
Telephone	1,700	1,700	1,601	99
Heat	5,000	5,000	8,047	(3,047)
Electricity	1,800	1,800	1,587	213
Trash removal	1,450	1,450	1,637	(187)
Capital equipment	2,100	2,100	2,500	(400)
Property maintenance and upgrade	1,500	1,500	1,201	299
Total highway garage	<u>19,350</u>	<u>19,350</u>	<u>19,505</u>	<u>(155)</u>
Highway general:				
Insurance - property and liability	11,134	11,134	11,134	-
Grease and oil	2,100	2,100	1,957	143
Equipment fuel	42,000	42,000	52,189	(10,189)
Repairs, parts and blades	25,000	25,000	29,389	(4,389)
Oxygen and acetylene	400	400	270	130
Debt service - principal	42,260	42,260	42,260	-
Debt service - interest	4,043	4,043	4,043	-
Miscellaneous	600	600	870	(270)
Total highway general	<u>127,537</u>	<u>127,537</u>	<u>142,112</u>	<u>(14,575)</u>

*continued*

**TOWN OF MONKTON, VERMONT**  
**Schedule of Revenues, Expenditures - Modified Cash Basis**  
**Budget and Actual - Highway Fund**  
**For the Year Ended December 31, 2011**  
(Page 2 of 2)

Schedule 2

<i>continued</i>	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Highway road maintenance:				
Rental equipment	19,000	19,000	18,090	910
Gravel	75,500	75,500	68,824	6,676
Salt	29,000	29,000	37,702	(8,702)
Winter sand	22,800	22,800	17,388	5,412
Chloride	23,500	23,500	22,878	622
Hot mix	101,000	101,000	92,944	8,056
Cold patch	-	-	237	(237)
Culverts	9,000	9,000	10,159	(1,159)
Signs, painting	3,000	3,000	1,897	1,103
911 signs	200	200	141	59
Highway upgrade and paving	<u>15,000</u>	<u>15,000</u>	<u>15,644</u>	<u>(644)</u>
Total highway road maintenance	<u>298,000</u>	<u>298,000</u>	<u>285,904</u>	<u>12,096</u>
 Total expenditures	 <u>719,257</u>	 <u>719,257</u>	 <u>720,099</u>	 <u>(842)</u>
 Net change in fund balances	 \$ <u>3,034</u>	 \$ <u>3,034</u>	 \$ <u>78,774</u>	 \$ <u>75,740</u>

**TOWN OF MONKTON, VERMONT**  
**Combining Balance Sheet - Modified Cash Basis - Other Governmental Funds**  
**December 31, 2011**

	Capital Projects Funds			Special Revenue Funds						
		Community Center Building Fund	Capital Equipment Fund	Agricultural and Natural Area Conservation Fund	Barnumtown Cemetery Fund	PVR Education Fund	Reappraisal Fund	Recreation Fund	Total	
<b>Assets</b>										
Due from other funds	\$	17,524	\$ 100,000	\$ 132,795	-	\$ 354	\$ 99,270	\$ 9,642	\$ 359,585	
Total assets	\$	<u>17,524</u>	<u>\$ 100,000</u>	<u>\$ 132,795</u>	<u>-</u>	<u>\$ 354</u>	<u>\$ 99,270</u>	<u>\$ 9,642</u>	<u>\$ 359,585</u>	
<b>Liabilities and fund balances</b>										
Liabilities	\$	-	-	-	-	-	-	-	-	
Fund balances:										
Restricted		-	-	-	-	354	99,270	-	99,624	
Committed		17,524	100,000	132,795	-	-	-	-	250,319	
Assigned		-	-	-	-	-	-	9,642	9,642	
Total fund balances		<u>17,524</u>	<u>100,000</u>	<u>132,795</u>	<u>-</u>	<u>354</u>	<u>99,270</u>	<u>9,642</u>	<u>359,585</u>	
Total liabilities and fund balances	\$	<u>17,524</u>	<u>\$ 100,000</u>	<u>\$ 132,795</u>	<u>\$ -</u>	<u>\$ 354</u>	<u>\$ 99,270</u>	<u>\$ 9,642</u>	<u>\$ 359,585</u>	

**TOWN OF MONKTON, VERMONT**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Modified Cash Basis - Other Governmental Funds**  
**For the Year Ended December 31, 2011**

	Capital Projects Funds				Special Revenue Funds						Total
	Community Center Building Fund	Capital Equipment Fund	Agricultural and Natural Area Conservation Fund	Barnumtown Cemetery Fund	PVR Education Fund	Reappraisal Fund	Recreation Fund				
<b>Revenues</b>											
Property taxes	\$ -	\$ 20,000	\$ 34,841	\$ -	\$ -	\$ -	\$ 3,000	\$ 57,841			
Intergovernmental	-	-	-	-	392	7,803	-	8,195			
Investment interest	12	-	70	-	-	-	7	89			
Fees	-	-	-	-	-	-	12,402	12,402			
Other	-	-	-	-	-	-	1,063	1,063			
<b>Total revenues</b>	<u>12</u>	<u>20,000</u>	<u>34,911</u>	<u>-</u>	<u>392</u>	<u>7,803</u>	<u>16,472</u>	<u>79,590</u>			
<b>Expenditures</b>											
Cemetery	-	-	-	349	-	-	-	349			
Recreation	-	-	-	-	-	-	16,528	16,528			
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>349</u>	<u>-</u>	<u>-</u>	<u>16,528</u>	<u>16,877</u>			
<b>Excess (deficiency) of revenues over expenditures</b>	<u>12</u>	<u>20,000</u>	<u>34,911</u>	<u>(349)</u>	<u>392</u>	<u>7,803</u>	<u>(56)</u>	<u>62,713</u>			
<b>Other financing sources (uses)</b>											
Transfers (out)	-	-	-	-	(508)	(1,275)	-	(1,783)			
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(508)</u>	<u>(1,275)</u>	<u>-</u>	<u>(1,783)</u>			
<b>Net change in fund balances</b>	<u>12</u>	<u>20,000</u>	<u>34,911</u>	<u>(349)</u>	<u>(116)</u>	<u>6,528</u>	<u>(56)</u>	<u>60,930</u>			
<b>Fund balances, January 1, 2011</b>	<u>17,512</u>	<u>80,000</u>	<u>97,884</u>	<u>349</u>	<u>470</u>	<u>92,742</u>	<u>9,698</u>	<u>298,655</u>			
<b>Fund balances, December 31, 2011</b>	<u>\$ 17,524</u>	<u>\$ 100,000</u>	<u>\$ 132,795</u>	<u>\$ -</u>	<u>\$ 354</u>	<u>\$ 99,270</u>	<u>\$ 9,642</u>	<u>\$ 359,585</u>			

**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, 2011, which collectively comprise the Town of Monkton, Vermont's basic modified cash basis financial statements and have issued our report thereon dated May 18, 2012, 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  
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We noted certain matters that we reported to management of the Town of Monkton, VT in a separate letter dated May 18, 2012.

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 & Hawley, LLC*

Montpelier, VT  
May 18, 2012