

TOWN OF MONKTON, VERMONT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2012

TOWN OF MONKTON, VERMONT

DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

The Select Board
Town of Monkton, Vermont

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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, 2012, 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, 2012, 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.

Basis of Accounting

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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 21–23 and 24–25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that 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 the Government Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Monkton, VT's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2013, 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* in considering the Town of Monkton, Vermont's internal control over financial reporting and compliance.

Pace & Hawley, LLC

Montpelier, VT
May 10, 2013

TOWN OF MONKTON, VERMONT
Statement of Net Position - Modified Cash Basis
December 31, 2012

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash	\$ <u>357,913</u>
Total current assets	<u>357,913</u>
Noncurrent assets:	
Capital Assets	1,735,531
(Accumulated depreciation)	<u>(696,272)</u>
Total noncurrent assets	<u>1,039,259</u>
Total assets	<u>1,397,172</u>
 Deferred outflows of resources	 <u>-</u>
Liabilities	
Current liabilities:	
Due to Delinquent Tax Collector	162
Advance payments for property taxes	4,226
Notes payable, current portion	<u>160,790</u>
Total current liabilities	<u>165,178</u>
Noncurrent liabilities:	
Notes payable, less current portion	<u>65,200</u>
Total noncurrent liabilities	<u>65,200</u>
Total liabilities	<u>230,378</u>
 Deferred inflows of resources	 <u>-</u>
Net position	
Invested in capital assets, net of related debt	813,269
Restricted	124,243
Unrestricted	<u>229,282</u>
Total net position	\$ <u>1,166,794</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, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
General government	\$ 341,256	\$ 43,060	\$ 132,356	\$ (165,840)
Highways	800,597	660	343,102	(456,835)
Recreation	15,149	12,545	-	(2,604)
Library	20,822	-	-	(20,822)
Appropriations	76,499	-	-	(76,499)
Interest on long-term debt	6,996	-	-	(6,996)
Total governmental activities	\$ 1,261,319	\$ 56,265	\$ 475,458	(729,596)
General revenues				
				651,278
				10,210
				288
				17,989
				679,765
				(49,831)
				1,216,625
				\$ 1,166,794

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

TOWN OF MONKTON, VERMONT
Balance Sheet - Modified Cash Basis - Governmental Funds
December 31, 2012

	General Fund	Highway Fund	Capital Equipment Fund	Agricultural and Natural Area Conservation Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash	\$ 328,855	\$ -	\$ -	\$ -	\$ -	\$ 29,058	\$ 357,913
Due from other funds	<u>-</u>	<u>1,886</u>	<u>40,000</u>	<u>162,388</u>	<u>103,595</u>	<u>31,090</u>	<u>338,959</u>
Total assets	<u>\$ 328,855</u>	<u>\$ 1,886</u>	<u>\$ 40,000</u>	<u>\$ 162,388</u>	<u>\$ 103,595</u>	<u>\$ 60,148</u>	<u>\$ 696,872</u>
Liabilities and fund balances							
Liabilities:							
Due to Delinquent Tax Collector	\$ 162	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162
Advance payments for property taxes	4,226	-	-	-	-	-	4,226
Due to other funds	<u>338,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>338,959</u>
Total liabilities	<u>343,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>343,347</u>
Fund balances:							
Restricted:							
Specific purpose	-	1,886	-	-	103,595	18,762	124,243
Committed:							
Stabilization	65,551	-	-	-	-	-	65,551
Specific purpose	-	-	40,000	162,388	-	41,386	243,774
Unassigned	<u>(80,043)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,043)</u>
Total fund balances	<u>(14,492)</u>	<u>1,886</u>	<u>40,000</u>	<u>162,388</u>	<u>103,595</u>	<u>60,148</u>	<u>353,525</u>
Total liabilities and fund balances	<u>\$ 328,855</u>	<u>\$ 1,886</u>	<u>\$ 40,000</u>	<u>\$ 162,388</u>	<u>\$ 103,595</u>	<u>\$ 60,148</u>	<u>\$ 696,872</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 Position - Modified Cash Basis
December 31, 2012

Total fund balances - governmental funds	\$	353,525
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Amounts reported for governmental activities in the government-wide statement of net position 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		1,735,531
Accumulated depreciation		(696,272)

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

(225,990)

Net position - governmental activities	\$	<u>1,166,794</u>
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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, 2012
(Page 1 of 2)

	General Fund	Highway Fund	Capital Equipment Fund	Agricultural and Natural Area Conservation Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Property taxes	\$ 107,587	\$ 464,706	\$ 20,000	\$ 35,532	\$ -	\$ 23,453	\$ 651,278
Interest on delinquent taxes	10,210	-	-	-	-	-	10,210
Licenses and permits	2,001	660	-	-	-	-	2,661
Intergovernmental	116,601	343,102	-	-	7,863	7,892	475,458
Charges for services	41,059	-	-	-	-	12,545	53,604
Interest on cash deposits	180	-	-	61	-	47	288
Miscellaneous	9,681	9,612	-	-	-	6,196	25,489
Total revenues	<u>287,319</u>	<u>818,080</u>	<u>20,000</u>	<u>35,593</u>	<u>7,863</u>	<u>50,133</u>	<u>1,218,988</u>
Expenditures							
General government	326,276	-	-	-	2,263	717	329,256
Highways, streets and bridges	-	735,750	-	-	-	-	735,750
Land conservation	-	-	-	6,000	-	-	6,000
Library	-	-	-	-	-	20,285	20,285
Recreation	-	-	-	-	-	15,149	15,149
Appropriations	76,499	-	-	-	-	-	76,499
Capital outlay	-	121,817	189,030	-	-	7,612	318,459
Debt service - principal	38,400	31,760	-	-	-	-	70,160
Debt service - interest	4,389	2,607	-	-	-	-	6,996
Total expenditures	<u>445,564</u>	<u>891,934</u>	<u>189,030</u>	<u>6,000</u>	<u>2,263</u>	<u>43,763</u>	<u>1,578,554</u>
Excess (deficiency) of revenues over expenditures	<u>(158,245)</u>	<u>(73,854)</u>	<u>(169,030)</u>	<u>29,593</u>	<u>5,600</u>	<u>6,370</u>	<u>(359,566)</u>

continued

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, 2012
(Page 2 of 2)

	General Fund	Highway Fund	Capital Equipment Fund	Agricultural and Natural Area Conservation Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
<i>continued</i>							
Other financing sources (uses)							
Proceeds from note payable	-	-	109,030	-	-	-	109,030
Transfers in	1,753	-	-	-	-	-	1,753
Transfers (out)	-	-	-	-	(1,275)	(478)	(1,753)
Total other financing sources (uses)	<u>1,753</u>	<u>-</u>	<u>109,030</u>	<u>-</u>	<u>(1,275)</u>	<u>(478)</u>	<u>109,030</u>
Net change in fund balances	(156,492)	(73,854)	(60,000)	29,593	4,325	5,892	(250,536)
Fund balances, January 1, 2012 (as restated)	<u>142,000</u>	<u>75,740</u>	<u>100,000</u>	<u>132,795</u>	<u>99,270</u>	<u>54,256</u>	<u>604,061</u>
Fund balances, December 31, 2012	\$ <u>(14,492)</u>	\$ <u>1,886</u>	\$ <u>40,000</u>	\$ <u>162,388</u>	\$ <u>103,595</u>	\$ <u>60,148</u>	\$ <u>353,525</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 Governmental Funds
to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2012

Net change in fund balances - governmental funds	\$	(250,536)
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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.

Capital outlay		318,459
Current year depreciation		(65,004)
Disposition of capital assets		(13,880)

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.

Proceeds from note payable		(109,030)
Repayment of bond and note principal		<u>70,160</u>

Change in net position - governmental activities	\$	<u>(49,831)</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF MONKTON, VERMONT
Statement of Fiduciary Net Position
Modified Cash Basis - Fiduciary Funds
December 31, 2012

	West Escrow Fund	Tax Sale Fund
	<u>Agency Fund</u>	<u>Agency Fund</u>
Assets		
Cash	\$ <u>57,970</u>	\$ <u>13,533</u>
Liabilities		
Due to third party	<u>57,970</u>	<u>13,533</u>
Net position	\$ <u> -</u>	\$ <u> -</u>

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

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2012

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

Capital Equipment Fund – The Capital Equipment Fund accounts for funds committed for the purpose of purchases of capital equipment.

Agricultural and Natural Area Conservation Fund – The ANAC Fund accounts for funds committed for the purpose of preserving agricultural and natural areas.

Reappraisal Fund – The Reappraisal Fund accounts for funds restricted and committed for the purpose of conducted town-wide reappraisals.

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

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2012

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. 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 position) is segregated into restricted modified cash basis net position and unrestricted modified cash basis net position. Operating statements present increases (i.e. receipts) and decreases (i.e. disbursements) in modified cash basis net position.

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.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2012

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 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 uses the following procedure 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:

Infrastructure	50 years
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, 2012

2. Cash and investments:

As of December 31, 2012, the Town reported cash of \$429,416 including \$71,503 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, 2012, the Town’s bank balance was \$466,794. Of this amount, \$287,830 was insured by the FDIC. The remaining amount of \$178,964 was uninsured and collateralized with securities held by the pledging bank’s trust department but not in the Town’s name.

3. Reserve funds:

Through various approved articles, Voters have established Reserve Funds in order to set aside money for specific purposes. The Town has pooled this money into its general operating account for the purposes of coordinating cash flow needs. The Town has not established a formal borrowing agreement or terms for repayment.

4. Interfund balances:

Interfund receivable and payables balances at December 31, 2012 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 338,959
Highway Fund	1,886	-
Capital Equipment Fund	40,000	-
ANAC	162,388	-
Reappraisal Fund	103,595	-
Other Governmental Funds	<u>31,090</u>	<u>-</u>
	<u>\$ 338,959</u>	<u>\$ 338,959</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.

5. Interfund transfers:

Interfund transfers for the year ended December 31, 2012 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,753	\$ -
Reappraisal Fund	-	1,275
Other Governmental Funds	<u>-</u>	<u>478</u>
	<u>\$ 1,753</u>	<u>\$ 1,753</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, 2012

6. Capital assets:

Changes in capital assets consisted of the following:

	Balance January 1, <u>2012</u>	<u>Increase</u>	<u>Decrease</u>	Balance December 31, <u>2012</u>
Governmental activities -				
Capital assets, not depreciated:				
Land	\$ 185,000	\$ -	\$ -	\$ 185,000
Construction in process	<u>-</u>	<u>7,612</u>	<u>-</u>	<u>7,612</u>
	<u>185,000</u>	<u>7,612</u>	<u>-</u>	<u>192,612</u>
Capital assets, depreciated:				
Infrastructure	-	121,817	-	121,817
Buildings & improvements	550,477	-	-	550,477
Equipment, machinery and vehicles	<u>707,620</u>	<u>189,030</u>	<u>26,025</u>	<u>870,625</u>
	<u>1,258,097</u>	<u>310,847</u>	<u>26,025</u>	<u>1,542,919</u>
Less accumulated depreciation for:				
Infrastructure	-	2,436	-	2,436
Buildings & improvements	237,020	10,087	-	247,107
Equipment, machinery and vehicles	<u>406,393</u>	<u>52,481</u>	<u>12,145</u>	<u>446,729</u>
	<u>643,413</u>	<u>65,004</u>	<u>12,145</u>	<u>696,272</u>
Total capital assets depreciated, net	<u>614,684</u>	<u>245,843</u>	<u>13,880</u>	<u>846,647</u>
Capital assets, net, governmental activities	\$ <u>799,684</u>	\$ <u>253,455</u>	\$ <u>13,880</u>	\$ <u>1,039,259</u>

Depreciation expense in the governmental activities totaling \$65,004 was allocated to the following functions: general government \$6,000, highway \$58,467 and library \$537

7. 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 2012, the Town had expected to secure a Tax Anticipation Note prior to November 15th, but through diligent fiscal management, and borrowing against applicable fund reserves, no Note was required.

Subsequent to December 31, 2012, the Town obtained a Tax Anticipation Note in the amount of \$295,000 at an annual interest rate of 1.5% due December 15, 2013.

8. 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, 2012

8. Long-term liabilities (continued):

The following is a summary of general obligation bonds & notes at December 31, 2012:

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.	\$ 20,400
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 st of 2016. Originally borrowed \$275,000 on July 1, 2002.	75,000
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.	21,560
Merchants Bank, 2013 Mack dump truck note payable, interest at 1.69% payable June 14, 2013. This will be renewed annually for 5 years, with a principal reduction payment annually of \$21,806, until June 13, 2017. Truck purchased June 28, 2012 for \$189,030. Total borrowed was \$109,030.	<u>109,030</u>
	<u>\$ 225,990</u>

Changes in long-term liabilities for the year ended December 31, 2012 were as follows:

	Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2012</u>	Due Within <u>One Year</u>
Governmental activities:					
Note payable, '13 Mack dump truck	\$ -	\$ 109,030	\$ -	\$ 109,030	\$ 109,030
Note payable, '09 Mack dump truck	43,120	-	21,560	21,560	21,560
Note payable, John Deere grader	30,600	-	10,200	20,400	10,200
Note payable, Ridge Road land	18,400	-	18,400	-	-
Bond payable, Fire Station	<u>95,000</u>	<u>-</u>	<u>20,000</u>	<u>75,000</u>	<u>20,000</u>
	<u>\$ 187,120</u>	<u>\$ 109,030</u>	<u>\$ 70,160</u>	<u>\$ 225,990</u>	<u>\$ 160,790</u>

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2012

8. Long-term liabilities (continued):

Annual maturities of long-term debt at December 31, 2012 were as follows:

Year ending December 31,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 160,790	\$ 6,524
2014	30,200	2,758
2015	20,000	1,206
2016	15,000	304
2017	-	(577)
2018-2021	-	(3,386)
	\$ 225,990	\$ 6,829

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.

9. 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 2012, and were payable in one installment due November 15, 2012. Taxes not paid by November 15th, were listed as delinquent taxes and were assessed related penalties and interest. For the year ending December 31, 2012, the assessed property tax rates were as follows:

	<u>Nonresidential</u>	<u>Residential</u>
Education	1.6821	1.7220
Municipal	0.3696	0.3696
Total tax rate per \$100 of assessed valuation	2.0517	2.0916

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 \$2,490,391 of education property taxes during the year ending December 31, 2012.

10. 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, 2012

10. 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.

11. 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, 2012 was \$342,275, while covered payroll was \$207,350. The Town's contributions to VMERS for the years ended December 31, 2012, 2011 and 2010 were \$10,368, \$10,118 and \$9,686, respectively.

12. 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.

13. 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.

The Town is involved in legal cases and lawsuits which have arisen through the normal operations of the Town. Based upon currently known facts of the cases and damages claimed, management does not expect any potential liabilities of the Town to be material to the financial statements.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2012

14. Governmental fund equity:

As of December 31, 2012 governmental fund balances consisted of the following:

	General Fund	Highway Fund	Capital Equipment Fund	ANAC Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:							
Restricted for:							
Highway	\$ -	\$ 1,886	\$ -	\$ -	\$ -	\$ -	\$ 1,886
Community Center	-	-	-	-	-	18,494	18,494
Reappraisal	-	-	-	-	103,595	-	103,595
PVR Education	-	-	-	-	-	268	268
	<u>-</u>	<u>1,886</u>	<u>-</u>	<u>-</u>	<u>103,595</u>	<u>18,762</u>	<u>124,243</u>
Committed for:							
Stabilization	65,551	-	-	-	-	-	65,551
Land conservation	-	-	-	162,388	-	-	162,388
Library	-	-	-	-	-	29,058	29,058
Capital projects	-	-	40,000	-	-	-	40,000
Recreation	-	-	-	-	-	12,328	12,328
	<u>65,551</u>	<u>-</u>	<u>40,000</u>	<u>162,388</u>	<u>-</u>	<u>41,386</u>	<u>309,325</u>
Unassigned	<u>(80,043)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,043)</u>
Total fund balances	<u>\$ (14,492)</u>	<u>\$ 1,886</u>	<u>\$ 40,000</u>	<u>\$ 162,388</u>	<u>\$ 103,595</u>	<u>\$ 60,148</u>	<u>\$ 353,525</u>

The \$65,551 reported as stabilization in the General Fund is the remainder of the amount 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. The Select Board authorized the use of \$59,449 to offset an erroneous under-billing of property taxes for the year ended December 31, 2012.

15. Excess of expenditures over budget:

For the year ended December 31, 2012, the general expenditures legal fees in the General Fund exceeded the budgeted amount by \$9,501, and the development review board legal fees in the General Fund exceeded the budgeted amount by \$11,022. This excess was the result of the Town's need to obtain attorney's services regarding unanticipated legal matters during the year ended December 31, 2012. Additionally, the highway road maintenance hot mix expenditures exceeded the budgeted amount by \$74,265. The majority of these expenditures were for paving related to a grant for which revenues and expenditures were not budgeted.

16. Fund balance deficit:

For the year ended December 31, 2012, the General Fund had an unassigned deficit balance of \$80,043. This deficit is anticipated to be eliminated through revenues exceeding expenditures in future years.

17. Fund balance restatement:

The Town has restated that beginning fund balance of the governmental funds from \$577,325 to \$604,061 as result of including the Library Fund in the financial statements for the year ended December 31, 2012. Previously, this fund was excluded from the Town's financial statements. The beginning net position of governmental activities changed from \$1,189,899 to \$1,216,625 as a result of this change in presentation.

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - General Fund
For the Year Ended December 31, 2012
(Page 1 of 3)

Schedule 1

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 278,805	\$ 278,805	\$ 107,587	\$ (171,218)
Interest on delinquent taxes	11,400	11,400	10,210	(1,190)
Intergovernmental	110,718	110,718	116,601	5,883
Licenses, fees and permits	38,087	38,087	43,060	4,973
interest on cash deposits	220	220	180	(40)
Miscellaneous	9,250	9,250	9,681	431
Total revenues	<u>448,480</u>	<u>448,480</u>	<u>287,319</u>	<u>(161,161)</u>
Expenditures				
General government payroll:				
Town Clerk Fees	21,549	21,549	27,162	(5,613)
Town Clerk salary	10,519	10,519	10,519	-
Assistant Town Clerk	13,500	13,500	9,260	4,240
Treasurer	25,962	25,962	25,962	-
Assistant Treasurer	4,930	4,930	4,930	-
Webmaster	400	400	200	200
Select Board	7,080	7,080	7,485	(405)
Select Board Administrative	1,500	1,500	1,022	478
Auditors	6,650	6,650	6,091	559
BCA - Election Officials	2,200	2,200	3,486	(1,286)
Custodian	950	950	1,062	(112)
Constable	250	250	250	-
Fire Warden	250	250	250	-
Health Officer	600	600	466	134
Animal Control Officer	1,000	1,000	1,155	(155)
FICA	10,824	10,824	11,369	(545)
VMERS retirement contribution	1,298	1,298	1,299	(1)
Health insurance	385	385	385	-
Appraisal	16,500	16,500	17,966	(1,466)
Zoning Administrator	15,000	15,000	16,011	(1,011)
DRB - board members	2,000	2,000	1,800	200
DRB - clerical	1,650	1,650	1,568	82
DRB - recording secretary	1,000	1,000	1,901	(901)
Planning Commission - board members	1,680	1,680	1,140	540
Planning Commission - clerical	200	200	-	200
Total general government payroll	<u>147,877</u>	<u>147,877</u>	<u>152,739</u>	<u>(4,862)</u>
Town office:				
Copier rental	2,500	2,500	3,046	(546)
Office and general supplies	4,800	4,800	5,629	(829)
Postage	2,300	2,300	2,298	2
Equipment and furniture	1,500	1,500	320	1,180
Computer equipment and software	3,500	3,500	2,535	965
Computer contract service	3,000	3,000	2,491	509

continued

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - General Fund
For the Year Ended December 31, 2012
(Page 2 of 3)

Schedule 1

<i>continued</i>	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Conferences and training	1,000	1,000	780	220
Mileage reimbursement	900	900	1,021	(121)
Telephone	2,036	2,036	2,113	(77)
Heat	3,200	3,200	2,707	493
Electricity	1,300	1,300	1,401	(101)
Total Town office	<u>26,036</u>	<u>26,036</u>	<u>24,341</u>	<u>1,695</u>
General expenditures:				
Sheriff department	22,500	22,500	21,387	1,113
Insurance - workmen's compensation	11,621	11,621	12,115	(494)
Insurance - property and liability	8,718	8,718	8,718	-
Appraisal	1,000	1,000	998	2
Reappraisal	1,275	1,275	1,275	-
PVR education	600	600	478	122
Printing and advertising	6,000	6,000	6,492	(492)
Property maintenance and upgrade	6,000	6,000	869	5,131
Consultant fees	7,720	7,720	7,113	607
Association dues and fees	2,880	2,880	2,895	(15)
Legal fees	3,000	3,000	12,501	(9,501)
BCA - election	4,200	4,200	2,610	1,590
Recycling	8,000	8,000	6,795	1,205
Animal expense	1,700	1,700	1,338	362
Restoration of records	2,900	2,900	2,881	19
Town Hall Committee	8,000	8,000	3,216	4,784
Cemetery maintenance	4,000	4,000	4,000	-
County taxes	10,497	10,497	10,488	9
Debt payments - interest	4,391	4,391	4,389	2
Debt payments - principal	38,400	38,400	38,400	-
Miscellaneous	500	500	9,171	(8,671)
Total general expenditures	<u>153,902</u>	<u>153,902</u>	<u>158,129</u>	<u>(4,227)</u>
Development Review Board:				
Supplies and postage	300	300	258	42
Advertising	400	400	625	(225)
Computer equipment and software	250	250	-	250
Conferences and training	200	200	-	200
Mileage reimbursement	100	100	71	29
Legal fees	6,000	6,000	17,022	(11,022)
Miscellaneous	-	-	28	(28)
Total Development Review Board	<u>7,250</u>	<u>7,250</u>	<u>18,004</u>	<u>(10,754)</u>
Planning Commission:				
Supplies and postage	-	-	190	(190)
Printing	1,000	1,000	-	1,000
Advertising	500	500	-	500
Mileage reimbursement	575	575	393	182
<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, 2012
(Page 3 of 3)

Schedule 1

<i>continued</i>	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Consultants	500	500	-	500
MPG Expense	7,875	7,875	4,728	3,147
Legal Fees	1,000	1,000	664	336
Addison County Regional Planning Commission	2,138	2,138	2,138	-
Total Planning Commission	<u>13,588</u>	<u>13,588</u>	<u>8,113</u>	<u>5,475</u>
Conservation Commission: Consultant	<u>6,175</u>	<u>6,175</u>	<u>7,739</u>	<u>(1,564)</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	150	150	150	-
Addison Cty Parent / Child	1,600	1,600	1,600	-
Addison Cty Readers	450	450	450	-
Addison Cty Transit Resources	850	850	850	-
Bristol Family Center	250	250	250	-
Bristol Recreation Department	1,500	1,500	1,500	-
Bristol Rescue Squad	3,700	3,700	3,700	-
Central Vermont Agency on Aging	1,100	1,100	1,100	-
Elderly Services	800	800	800	-
Geo D Aiken RC &C Council	100	100	100	-
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	55,000	55,000	55,000	-
Green Up Vermont	150	150	150	-
Russell Memorial Library	18,953	18,953	-	18,953
Monkton Museum Historical Society	900	900	900	-
Total appropriations	<u>95,452</u>	<u>95,452</u>	<u>76,499</u>	<u>18,953</u>
Total expenditures	<u>450,280</u>	<u>450,280</u>	<u>445,564</u>	<u>4,716</u>
Excess (deficiency) of revenues over expenditures	<u>(1,800)</u>	<u>(1,800)</u>	<u>(158,245)</u>	<u>(156,445)</u>
Other financing sources (uses)				
Transfer in	<u>1,800</u>	<u>1,800</u>	<u>1,753</u>	<u>(47)</u>
Total other financing sources (uses)	<u>1,800</u>	<u>1,800</u>	<u>1,753</u>	<u>(47)</u>
Net change in fund balances	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(156,492)</u>	\$ <u>(156,492)</u>

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - Highway Fund
For the Year Ended December 31, 2012
(Page 1 of 2)

Schedule 2

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 527,447	\$ 527,447	\$ 464,706	\$ (62,741)
Intergovernmental	113,038	113,038	343,102	230,064
Licenses, fees and permits	650	650	660	10
Miscellaneous	4,620	4,620	9,612	4,992
Total revenues	<u>645,755</u>	<u>645,755</u>	<u>818,080</u>	<u>172,325</u>
Expenditures				
Highway payroll:				
Regular employees	180,265	180,265	180,243	22
Part-time employees	600	600	142	458
FICA	13,790	13,790	13,799	(9)
VMERS retirement contribution	9,063	9,063	9,068	(5)
Health insurance	56,209	56,209	53,288	2,921
Dental insurance	2,907	2,907	2,883	24
Short-term disability insurance	500	500	493	7
Unemployment insurance	1,540	1,540	1,562	(22)
Total highway payroll	<u>264,874</u>	<u>264,874</u>	<u>261,478</u>	<u>3,396</u>
Highway garage:				
Equipment, tools and supplies	5,600	5,600	9,337	(3,737)
Conferences and training	200	200	-	200
Telephone	1,700	1,700	1,639	61
Heat	6,000	6,000	4,961	1,039
Electricity	1,800	1,800	1,514	286
Trash removal	1,550	1,550	1,653	(103)
Capital equipment	5,000	5,000	3,217	1,783
Property maintenance and upgrade	3,000	3,000	1,205	1,795
Total highway garage	<u>24,850</u>	<u>24,850</u>	<u>23,526</u>	<u>1,324</u>
Highway general:				
Insurance - property and liability	10,004	10,004	10,303	(299)
Grease and oil	2,400	2,400	2,251	149
Equipment fuel	48,000	48,000	45,576	2,424
Repairs, parts and blades	26,000	26,000	29,296	(3,296)
Oxygen and acetylene	400	400	324	76
Debt service - principal	31,760	31,760	31,760	-
Debt service - interest	2,607	2,607	2,607	-
Miscellaneous	600	600	1,012	(412)
Total highway general	<u>121,771</u>	<u>121,771</u>	<u>123,129</u>	<u>(1,358)</u>

continued

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - Highway Fund
For the Year Ended December 31, 2012
(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	16,482	2,518
Gravel	77,000	77,000	61,210	15,790
Salt	32,000	32,000	23,292	8,708
Winter sand	22,800	22,800	22,813	(13)
Chloride	24,000	24,000	22,248	1,752
Hot mix	101,000	101,000	175,265	(74,265)
Cold patch	-	-	301	(301)
Culverts	10,000	10,000	11,194	(1,194)
Signs, painting	3,000	3,000	3,476	(476)
911 signs	200	200	49	151
Winter Solution Chloride	5,500	5,500	5,581	(81)
Highway upgrade and paving	<u>15,500</u>	<u>15,500</u>	<u>20,073</u>	<u>(4,573)</u>
Total highway road maintenance	<u>310,000</u>	<u>310,000</u>	<u>361,984</u>	<u>(51,984)</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>121,817</u>	<u>(121,817)</u>
 Total expenditures	 <u>721,495</u>	 <u>721,495</u>	 <u>891,934</u>	 <u>(170,439)</u>
 Excess (deficiency) of revenues over expenditures	 <u>(75,740)</u>	 <u>(75,740)</u>	 <u>(73,854)</u>	 <u>1,886</u>
 Net change in fund balances	 \$ <u>(75,740)</u>	 \$ <u>(75,740)</u>	 \$ <u>(73,854)</u>	 \$ <u>1,886</u>

TOWN OF MONKTON, VERMONT
Combining Balance Sheet - Modified Cash Basis - Other Governmental Funds
December 31, 2012

Schedule 3

	Community Center Building Fund	Library Fund	PVR Education Fund	Recreation Fund	Total
Assets					
Cash	\$ -	\$ 29,058	\$ -	\$ -	\$ 29,058
Due from other funds	<u>18,494</u>	<u>-</u>	<u>268</u>	<u>12,328</u>	<u>31,090</u>
Total assets	<u>\$ 18,494</u>	<u>\$ 29,058</u>	<u>\$ 268</u>	<u>\$ 12,328</u>	<u>\$ 60,148</u>
Liabilities and fund balances					
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:					
Restricted	18,494	-	268	-	18,762
Committed	<u>-</u>	<u>29,058</u>	<u>-</u>	<u>12,328</u>	<u>41,386</u>
Total fund balances	<u>18,494</u>	<u>29,058</u>	<u>268</u>	<u>12,328</u>	<u>60,148</u>
Total liabilities and fund balances	<u>\$ 18,494</u>	<u>\$ 29,058</u>	<u>\$ 268</u>	<u>\$ 12,328</u>	<u>\$ 60,148</u>

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, 2012

	Community Center Building Fund	Library Fund	PVR Education Fund	Recreation Fund	Total
Revenues					
Property taxes	\$ -	\$ 18,953	\$ -	\$ 4,500	\$ 23,453
Intergovernmental	7,500	-	392	-	7,892
Investment interest	11	32	-	4	47
Fees	-	-	-	12,545	12,545
Other	1,788	3,622	-	786	6,196
Total revenues	<u>9,299</u>	<u>22,607</u>	<u>392</u>	<u>17,835</u>	<u>50,133</u>
Expenditures					
Library	-	20,285	-	-	20,285
Community Center	717	-	-	-	717
Recreation	-	-	-	15,149	15,149
Capital Outlay	7,612	-	-	-	7,612
Total expenditures	<u>8,329</u>	<u>20,285</u>	<u>-</u>	<u>15,149</u>	<u>43,763</u>
Excess (deficiency) of revenues over expenditures	<u>970</u>	<u>2,322</u>	<u>392</u>	<u>2,686</u>	<u>6,370</u>
Other financing sources (uses)					
Transfers (out)	-	-	(478)	-	(478)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(478)</u>	<u>-</u>	<u>(478)</u>
Net change in fund balances	970	2,322	(86)	2,686	5,892
Fund balances, January 1, 2012 (as restated)	<u>17,524</u>	<u>26,736</u>	<u>354</u>	<u>9,642</u>	<u>54,256</u>
Fund balances, December 31, 2012	\$ <u>18,494</u>	\$ <u>29,058</u>	\$ <u>268</u>	\$ <u>12,328</u>	\$ <u>60,148</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, in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Monkton, Vermont as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town of Monkton, Vermont's basic modified cash basis financial statements and have issued our report thereon dated May 10, 2013, in which we identified that the Town's blended component unit was not reported with the aggregate remaining fund information.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Monkton, VT's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

We noted certain matters that we reported to management of the Town of Monkton, VT in a separate letter dated May 10, 2013.

Pace & Hawley, LLC

Montpelier, VT
May 10, 2013