TOWN OF CHARLOTTE, VERMONT

AUDIT REPORT

JUNE 30, 2014

TOWN OF CHARLOTTE, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2014

		Page #
Independent Auditor's Report		1-3
Management's Discussion and Analysis		4-8
Basic Financial Statements:		
Statement of Net Position	Exhibit A	9
Statement of Activities	Exhibit B	10
Governmental Funds:		
Balance Sheet	Exhibit C	11
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit D	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit E	13
Proprietary Fund:		
Statement of Net Position	Exhibit F	14
Statement of Revenues, Expenses and Changes in Fund Net Position	Exhibit G	15
Statement of Cash Flows	Exhibit H	16
Fiduciary Funds:		
Statement of Fiduciary Net Position	Exhibit I	17
Statement of Changes in Fiduciary Net Position	Exhibit J	18
Notes to the Financial Statements		19-38

TOWN OF CHARLOTTE, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2014

		Page #
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	Schedule 1	39-44
Combining Balance Sheet - Non-Major Governmental Funds	Schedule 2	45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	Schedule 3	46
Combining Balance Sheet - Non-Major Special Revenue Funds	Schedule 4	47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Special Revenue Funds	Schedule 5	48
Combining Balance Sheet - Non-Major Capital Projects Funds	Schedule 6	49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Capital Projects Funds	Schedule 7	50
Schedule of Taxes Raised	Schedule 8	51
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"		52-53
Schedule of Findings and Deficiencies in Internal Control		54-56
Response to Deficiencies in Internal Control		

Sullivan,Powers & Co.,P.C.
CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
www.sullivanpowers.com

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

Independent Auditor's Report

Selectboard
Town of Charlotte
P.O. Box 119
Charlotte, VT 05445

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlotte, Vermont, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Charlotte, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlotte, Vermont, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Correction of Errors

As described in Note III.C. to the financial statements, certain errors resulting in an understatement of capital assets and unbilled receivables were corrected by management during the current year. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and Schedule 1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Charlotte, Vermont's basic financial statements. The combining fund financial statements and the schedule of taxes raised are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated December 16, 2014 on our consideration of the Town of Charlotte, 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 Charlotte, Vermont's internal control over financial reporting and compliance.

December 16, 2014
Montpelier, Vermont
VT Lic. #92-000180

Sullivan, Powers & Company

The Town of Charlotte (the "Town") herein sets forth an overview and analysis of its financial operations for the fiscal years ending June 30, 2014 and 2013.

Financial Highlights

- Assets exceeded liabilities on June 30, 2014 by $8,907,895 *(net position).* Of this amount, $836,316 *(unrestricted net position)* may be used by the various funds of the Town to meet the Town's ongoing obligations.
- The Town's total governmental activities net position decreased by $388,181.
- Fund Balances of Governmental Funds increased by $68,450 up to a total of $1,226,339 in fiscal year 2014. The General Fund had a total fund balance of $305,823 of which $175,232 was unassigned.

Overview of the Town's Financial Statements:

The annual financial report consists of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Charlotte's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town of Charlotte's assets and liabilities with the difference between the two reported as net position.

The *statement of activities* presents information showing how the Town's net position changed during the past fiscal year. The *statement of activities* is on the full accrual basis (i.e. all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows) whereas the *statement of revenues, expenditures and changes in fund balances - governmental funds* is on the modified accrual basis (i.e. revenue is recognized when it becomes measurable and available as net current position and expenditures are recognized when the related liability is incurred). Thus in the *statement of activities,* revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The major governmental activities of the Town of Charlotte include general government, highways and bridges, and public safety. The government-wide financial statements can be found in Exhibits A and B of this report. The business-type activity of the Town is the wastewater operation on Thompson's Point, which is accounted for in the proprietary fund statements.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town has three types of funds: governmental funds, a proprietary fund and fiduciary funds. The proprietary fund of the Town is an enterprise fund (business activities). This covers our Thompson's Point wastewater department. Fund financial statements can be found in Exhibits C through J.

Notes to the financial statements. The notes provide additional information that is necessary for an understanding of the information in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements in this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. This supplementary information includes the General Fund budget/actual reports and combining statements for various funds. The supplementary information can be found immediately following the notes to the financial statements.

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Current and Other Assets	$ 1,497,756	$ 1,365,769	$ 186,963	$ 200,128	$ 1,684,719	$ 1,565,897
Capital Assets	6,687,672	7,231,991	1,018,341	1,048,341	7,706,013	8,280,332
Total Assets	8,185,428	8,597,760	1,205,304	1,248,469	9,390,732	9,846,229
Current Liabilities	89,575	86,988	75,000	2,227	164,575	89,215
Long-term Liabilities	306,668	345,000	0	150,000	306,668	495,000
Total Liabilities	396,243	431,988	75,000	152,227	471,243	584,215
Deferred Inflows of Resources	11,594	0	0	0	11,594	0
Net Investment in Capital Assets	6,687,672	6,841,991	943,341	898,341	7,631,013	7,740,332
Restricted	440,566	0	0	0	440,566	0
Unrestricted	649,353	1,323,781	186,963	197,901	836,316	1,521,682
Total Net Position	$ 7,777,591	$ 8,165,772	$ 1,130,304	$ 1,096,242	$ 8,907,895	$ 9,262,014

As indicated above, assets exceeded liabilities by $8,907,895 at the end of fiscal year 2014. Assets exceeded liabilities by $9,262,014 at the end of fiscal year 2013.

The largest portion of the Town's net position is in its investment in capital assets (85.7% = $7,631,013). These assets are used to provide services to its citizens (e.g. land, buildings, equipment, and infrastructure). Therefore these assets are not available for future spending. A portion (4.9% = $440,566) of the Town's net position is subject to restrictions on how it may be used (e.g. highway maintenance, affordable housing, etc.). The remaining balance is an unrestricted net position (9.4% = $836,316) may be used to meet the government's ongoing obligations to citizens and creditors. Some of the amounts included in unrestricted net position have been assigned by management for particular purposes (e.g. capital projects).

Governmental activities. Governmental activities decreased the Town's net position by $388,181 in FY14. This is primarily due to the conveyance of two vehicles, a pumper truck and a heavy rescue truck, to Charlotte Volunteer Fire and Rescue Services, Inc. (CVFRS), in conjunction with the agreement between the town and CVFRS. This conveyance is included in the Statement of Activities below as a Special item, Transfer of capital assets to CVFRS, Inc. ($667,386).

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Revenues:						
Program Revenues:						
Charge for Services	$ 1,049,454	$ 1,071,858	$ 187,884	$ 207,931	$ 1,237,338	$ 1,279,789
Operating Grants and Contributions	379,998	316,177	0	0	379,998	316,177
Capital Grants and Contributions	119,003	0	0	0	119,003	0
General Revenues:						
Property Taxes	1,598,567	1,272,452	0	0	1,598,567	1,272,452
Penalties and Interest on Delinquent Taxes	28,564	0	0	0	28,564	0
General State Grants	76,300	0	0	0	76,300	0
Unrestricted Investment Earnings	289	1,041	13	0	302	1,041
Other Revenues	1,514	23,467	0	46	1,514	23,513
Total Revenues	3,253,689	2,684,995	187,897	207,977	3,441,586	2,892,972
Expenses:						
General Government	852,915	656,736	0	0	852,915	656,736
Public Safety	715,632	527,188	0	0	715,632	527,188
Highways and Streets	889,559	1,040,610	0	0	889,559	1,040,610
Culture and Recreation	345,604	391,101	0	0	345,604	391,101
Community Development	156,444	393,028	0	0	156,444	393,028
Interest on Long-term Debt	14,330	18,802	0	0	14,330	18,802
Wastewater	0	0	153,835	141,468	153,835	141,468
Total Expenses	2,974,484	3,027,465	153,835	141,468	3,128,319	3,168,933
Special item:						
Transfer of Capital Assets to Charlotte Fire and Rescue Services, Inc.	(667,386)	0	0	0	(667,386)	0
Increase/(Decrease) in Net Position	$ (388,181)	$ (342,470)	$ 34,062	$ 66,509	$ (354,119)	$ (275,961)

Financial Analysis of Major Governmental Funds

The General Fund

The General Fund balance decreased $18,820 from $324,643 at the end of fiscal year 2013 to $305,823 at the end of fiscal year 2014.

A budget surplus of $121,828 was generated in the General Fund during fiscal year 2014. The total revenues budgeted were $3,030,766. The actual revenues collected were $2,991,343, which was $39,423 less than budgeted. The Selectboard anticipated applying $133,000 of the surplus from the prior year cumulative fund balance to meet expenses, which would have resulted in a planned deficit of $133,000. However, the resulting deficit of $11,172 meant that a budget surplus of $121,828 was generated during FY14. In setting the tax rate for FY15, the Selectboard applied $125,000 of the anticipated surplus to meet expenses, thereby returning this amount to taxpayers. A contributing factor to the surplus created during FY14 was that revenue from Thompson's Point Rent was $80,044 greater than anticipated, due in part to an increase of the statewide non-residential property tax rate, which factors into the formula for determining rent. During FY14, the Selectboard and CVFRS agreed to allow CVFRS to keep revenue from patient billing (budgeted at $110,000) while reducing the town's appropriation to CVFRS by the same amount.

A total of $3,163,766 was budgeted for expenses of which only $3,002,515 was actually spent, resulting in a savings of $161,251. A large portion of the $161,251 expense savings came from the $110,000 reduction in the appropriation to CVFRS described above. Another contributing factor ($39,511) is that a portion of employees' health insurance cost is paid through a health reimbursement arrangement (HRA); so, although the full potential cost must be budgeted, the actual cost is usually less. Additionally, expenditures in the Planning & Zoning Department were down by $14,370.

During FY14 the town also received $104,941 from a Structures Grant (Bridge Grant) and $195,571 in Highway State Aid for paving—these funds came into the General Fund and were paid to the town on reimbursement basis for actual costs expended.

In the highway expense budget a total of $975,432 was spent, $4,254 less than the budget. Some line items were underspent and some were overspent. Winter plowing/sanding was over by $55,588, while gravel road maintenance was under by $63,189. Costs of bridge reconstruction (primarily associated with the Dorset Street bridge) were $46,933 greater than budget.

The Highway Reserve Fund

The Highway Reserve Fund ended fiscal year 2014 with a cumulative surplus of $217,902. The prior year cumulative surplus was $67,887 resulting in a current year gain of $150,015. This increase was due to a transfer of $150,000 from the General Fund approved at Town Meeting, 2013 to be used for bridge repairs.

Other Funds

The Town has the following reserve funds at June 30, 2014:

Highway Reserve Fund	$ 217,902
Conservation Fund	432,980
Affordable Housing Fund	154,571
Non-Major Government Funds	115,063
Total Other Funds	$ 920,516

Restricted Net Position and Reserved Fund Balances

The restricted net position was $440,566 on June 30, 2014. These funds are reserved for specific future expenses, such as highway maintenance, affordable housing, trails and other purposes determined by trust or grant agreements.

The unassigned fund balance of the Governmental Funds was $175,232 on June 30, 2014. These funds are available to address planned or unexpected expenses in the General Fund.

Capital Assets

Governmental Capital Assets decreased $544,319 net of accumulated depreciation to a total of $6,687,672 as of June 30, 2014. This was primarily the result of transferring capital assets to the Charlotte Fire and Rescue Services, Inc.

Long Term Debt

At the end of the current year, the Town had total long-term debt outstanding of $420,000. This amount represents bonded debt backed by the full faith and credit of the Town.

Table 3
Outstanding Debt at Year-End

	Governmental Activities		Business-type Activities		Total	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Bonds Payable	$ 345,000	$ 390,000	$ 75,000	$ 150,000	$ 420,000	$ 540,000

The Town's total debt decreased by $120,000 during the year, reflecting repayments of principal. State statutes limit the amount of bonded debt any governmental entity may issue to 10 times its total assessed valuation. The current debt limit for the Town is $95,195,440, which is significantly in excess of the Town's outstanding bonded debt.

Bonds are issued through the Vermont Municipal Bond Bank. The Town issues no bonded debt on its own behalf and does not maintain its own credit rating.

Additional information on the Town's long-term debt can be found in Note IV F. in the notes to financial statements.

Economic Factors and Next Year's Budget and Rates

The following factors were considered in the development of budgets for FY 15:

The Town approved a general fund budget for fiscal year 2015 in the amount of $3,114,904. This represents a decrease of $48,862 (1.5%) from the approved budget for the prior fiscal year.

The following factors will influence budgets in future fiscal year:

The Selectboard will be attempting to keep the municipal budget flat in the coming fiscal year. The Selectboard applied $125,000 of the FY15 anticipated surplus to the tax rate, thereby returning it to taxpayers.

This financial report is designed to provide a general overview of the Town of Charlotte, Vermont's financial condition. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Administrator, P.O. Box 119, Charlotte, Vermont 05445.

Exhibit A

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 1,264,896	$ 143,569	$ 1,408,465
Receivables	232,950	43,304	276,254
Internal Balances	(90)	90	0
Capital Assets:			
Land	1,827,100	0	1,827,100
Other Capital Assets, (Net of Accumulated Depreciation)	4,860,572	1,018,341	5,878,913
Total Assets	8,185,428	1,205,304	9,390,732
LIABILITIES			
Accounts Payable	43,119	0	43,119
Accrued Interest Payable	1,456	0	1,456
Noncurrent Liabilities:			
Due Within One Year	45,000	75,000	120,000
Due in More than One Year	306,668	0	306,668
Total Liabilities	396,243	75,000	471,243
DEFERRED INFLOWS OF RESOURCES			
Prepaid Property Taxes	11,594	0	11,594
Total Deferred Inflows of Resources	11,594	0	11,594
NET POSITION			
Net Investment in Capital Assets	6,687,672	943,341	7,631,013
Restricted For:			
Highways and Streets	217,902	0	217,902
Affordable Housing	154,571	0	154,571
Other Purposes	68,093	0	68,093
Unrestricted	649,353	186,963	836,316
Total Net Position	$ 7,777,591	$ 1,130,304	$ 8,907,895

The accompanying notes are an integral part of this financial statement.

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	$ 852,915	$ 931,767	$ 19,635	$ 0	$ 98,487	$ 0	$ 98,487
Public Safety	715,632	23,356	0	6,500	(685,776)	0	(685,776)
Highways and Streets	889,559	1,000	195,571	104,941	(588,047)	0	(588,047)
Culture and Recreation	345,604	93,331	19,233	7,562	(225,478)	0	(225,478)
Community Development	156,444	0	145,559	0	(10,885)	0	(10,885)
Interest on Long-term Debt	14,330	0	0	0	(14,330)	0	(14,330)
Total Governmental Activities	2,974,484	1,049,454	379,998	119,003	(1,426,029)	0	(1,426,029)
Business-type Activities:							
Wastewater	153,835	187,884	0	0	0	34,049	34,049
Total Business-type Activities	153,835	187,884	0	0	0	34,049	34,049
Total Primary Government	$ 3,128,319	$ 1,237,338	$ 379,998	$ 119,003	(1,426,029)	34,049	(1,391,980)
General Revenues:							
Property Taxes					1,598,567	0	1,598,567
Penalties and Interest on Delinquent Taxes					28,564	0	28,564
General State Grants					76,300	0	76,300
Unrestricted Investment Earnings					289	13	302
Other Revenues					1,514	0	1,514
Total General Revenues					1,705,234	13	1,705,247
Change in Net Position Before Special Item					279,205	34,062	313,267
Special Item:							
Transfer of Capital Assets to Charlotte Fire and Rescue Services, Inc.					(667,386)	0	(667,386)
Change in Net Position					(388,181)	34,062	(354,119)
Net Position - July 1, 2013, As Restated					8,165,772	1,096,242	9,262,014
Net Position - June 30, 2014					$ 7,777,591	$ 1,130,304	$ 8,907,895

The accompanying notes are an integral part of this financial statement.

TOWN OF CHARLOTTE, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Highway Reserve Fund	Conservation Fund	Affordable Housing Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 343,480	$ 217,902	$ 432,980	$ 154,571	$ 115,963	$ 1,264,896
Receivables	232,950	0	0	0	0	232,950
Due from Other Funds	810	0	0	0	0	810
Total Assets	$ 577,240	$ 217,902	$ 432,980	$ 154,571	$ 115,963	$ 1,498,656
LIABILITIES						
Accounts Payable	$ 43,119	$ 0	$ 0	$ 0	$ 0	$ 43,119
Due to Other Funds	0	0	0	0	900	900
Total Liabilities	43,119	0	0	0	900	44,019
DEFERRED INFLOWS OF RESOURCES						
Prepaid Property Taxes	11,594	0	0	0	0	11,594
Unavailable Property Taxes, Penalties and Interest	215,000	0	0	0	0	215,000
Unavailable Fees	1,704	0	0	0	0	1,704
Total Deferred Inflows of Resources	228,298	0	0	0	0	228,298
FUND BALANCES						
Restricted	0	217,902	0	154,571	68,093	440,566
Assigned	130,591	0	432,980	0	46,970	610,541
Unassigned	175,232	0	0	0	0	175,232
Total Fund Balances	305,823	217,902	432,980	154,571	115,063	1,226,339
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 577,240	$ 217,902	$ 432,980	$ 154,571	$ 115,963	

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.	6,687,672
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.	216,704
Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.	(353,124)
Net Position of Governmental Activities	$ 7,777,591

The accompanying notes are an integral part of this financial statement.

Exhibit D

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Highway Reserve Fund	Conservation Fund	Affordable Housing Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	$ 1,549,459	$ 0	$ 0	$ 0	$ 0	$ 1,549,459
Penalties & Interest on Delinquent Taxes	28,564	0	0	0	0	28,564
Intergovernmental	376,812	0	0	0	162,423	539,235
Charges for Services	882,053	0	0	0	0	882,053
Permits, Licenses & Fees	129,446	0	0	0	12,895	142,341
Fines and Forfeits	8,356	0	0	0	0	8,356
Investment Income	203	15	41	16	14	289
Donations	0	0	0	0	36,066	36,066
Other	1,514	0	0	0	15,000	16,514
Total Revenues	2,976,407	15	41	16	226,398	3,202,877
Expenditures:						
General Government	824,552	0	0	0	12,749	837,301
Public Safety	501,726	0	0	0	213,906	715,632
Highways and Streets	588,934	0	0	0	0	588,934
Culture and Recreation	313,769	0	0	0	15,895	329,664
Community Development	0	0	0	10,000	146,444	156,444
Capital Outlay:						
General Government	2,160	0	0	0	47,065	49,225
Highways and Streets	386,498	0	0	0	0	386,498
Culture and Recreation	0	0	0	0	12,855	12,855
Debt Service:						
Principal	0	0	0	0	45,000	45,000
Interest	0	0	0	0	12,874	12,874
Total Expenditures	2,617,639	0	0	10,000	506,788	3,134,427
Excess/(Deficiency) of Revenues Over Expenditures	358,768	15	41	(9,984)	(280,390)	68,450
Other Financing Sources/(Uses):						
Transfers In	15,000	150,000	47,588	0	195,000	407,588
Transfers Out	(392,588)	0	0	0	(15,000)	(407,588)
Total Other Financing Sources/(Uses)	(377,588)	150,000	47,588	0	180,000	0
Net Change in Fund Balances	(18,820)	150,015	47,629	(9,984)	(100,390)	68,450
Fund Balances - July 1, 2013, As Reclassified	324,643	67,887	385,351	164,555	215,453	1,157,889
Fund Balances - June 30, 2014	$ 305,823	$ 217,902	$ 432,980	$ 154,571	$ 115,063	$ 1,226,339

The accompanying notes are an integral part of this financial statement.

Exhibit E

TOWN OF CHARLOTTE, VERMONT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	$	68,450
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets ($448,578) is allocated over their estimated useful lives and reported as depreciation expense ($325,511). This is the amount by which capital outlays exceeded depreciation in the current period.		123,067
The Town transferred capital assets ($847,203), net of accumulated depreciation ($179,817), to Charlotte Fire and Rescue Services, Inc. during the year. This amount is the net effect on net position.		(667,386)
The issuance of long-term debt ($0) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt ($45,000) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		45,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		50,812
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(8,124)
Change in net position of governmental activities (Exhibit B)	$	(388,181)

The accompanying notes are an integral part of this financial statement.

Exhibit F

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Wastewater Fund
ASSETS	
Current Assets:	
Cash	$ 143,569
Receivables	43,304
Due from Other Funds	90
Total Current Assets	186,963
Noncurrent Assets:	
Distribution and Collection Systems	1,500,000
Less: Accumulated Depreciation	(481,659)
Total Noncurrent Assets	1,018,341
Total Assets	$ 1,205,304
LIABILITIES	
Current Liabilities:	
General Obligation Bonds Payable - Current Portion	$ 75,000
Total Current Liabilities	75,000
Noncurrent Liabilities:	0
Total Liabilities	75,000
NET POSITION	
Net Investment in Capital Assets	943,341
Unrestricted	186,963
Total Net Position	1,130,304
Total Liabilities and Net Position	$ 1,205,304

The accompanying notes are an integral part of this financial statement.

Exhibit G

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Wastewater Fund
Operating Revenues:	
Charges for Services	$ 187,884
Total Operating Revenues	187,884
Operating Expenses:	
Contract Services	44,671
Utilities	1,307
Repairs and Maintenance	64,481
Materials and Supplies	4,771
Fees and Permits	1,000
Testing Fees	7,605
Depreciation	30,000
Total Operating Expenses	153,835
Operating Income	34,049
Non-Operating Revenues:	
Investment Income	13
Total Non-Operating Revenues	13
Change in Net Position	34,062
Net Position - July 1, 2013. As Restated	1,096,242
Net Position - June 30, 2014	$ 1,130,304

The accompanying notes are an integral part of this financial statement.

Exhibit H

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Wastewater Fund
Cash Flows From Operating Activities:	
Receipts from Customers and Users	$ 190,069
Payments to Suppliers	(126,062)
Net Cash Provided by Operating Activities	64,007
Cash Flows From Noncapital Financing Activities:	
Decrease/(Increase) in Due from Other Funds	1
Net Cash Provided by Noncapital Financing Activities	1
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on:	
General Obligation Bonds Payable	(75,000)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(75,000)
Cash Flows From Investing Activities:	
Receipt of Interest & Dividends	13
Net Cash Provided by Investing Activities	13
Net Increase/(Decrease) in Cash	(10,979)
Cash - July 1, 2013	154,548
Cash - June 30, 2014	$ 143,569
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	$ 34,049
Depreciation	30,000
(Increase)/Decrease in Receivables	2,185
Increase/(Decrease) in Accounts Payable	(2,227)
Net Cash Provided by Operating Activities	$ 64,007

The accompanying notes are an integral part of this financial statement.

Exhibit I

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private-Purpose Trust Funds		
	Serrell Fund	Trustee of Public Funds Fund	Total
ASSETS			
Cash	$ 3,409	$ 8,559	$ 11,968
Investments	0	491,440	491,440
Total Assets	$ 3,409	$ 499,999	$ 503,408
LIABILITIES AND NET POSITION			
Liabilities:	$ 0	$ 0	$ 0
Net Position:			
Restricted:			
Held in Trust for Individuals and Organizations	3,409	499,999	503,408
Total Liabilities and Net Position	$ 3,409	$ 499,999	$ 503,408

The accompanying notes are an integral part of this financial statement.

Exhibit J

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust Funds		
	Serrell Fund	Trustee of Public Funds Fund	Total
Additions:			
Investment Income	$ 0	$ 91,805	$ 91,805
Donations	235	0	235
Total Additions	235	91,805	92,040
Deductions:			
Scholarships	2,000	0	2,000
Miscellaneous	0	1,870	1,870
Total Deductions	2,000	1,870	3,870
Change in Net Position	(1,765)	89,935	88,170
Net Position - July 1, 2013	5,174	410,064	415,238
Net Position - June 30, 2014	$ 3,409	$ 499,999	$ 503,408

The accompanying notes are an integral part of this financial statement.

The Town of Charlotte, Vermont, (herein the "Town") operates under a Selectboard form of government and provides the following services: public safety, highways and streets, health and social services, culture and recreation, community/economic development, public improvements, planning and zoning, wastewater and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Town of Charlotte, Vermont (the "Town") conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the funds of the Town of Charlotte, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there are no other entities that should be combined with the financial statements of the Town.

B. Basis of Presentation

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and present a longer-term view of the Town's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental funds:

General Fund – This is the Town's main operating fund. It accounts for all financial resources of the Town except those accounted for in another fund.

Highway Reserve Fund – The fund accounts for the highway capital expenditures of the Town.

Conservation Fund – This fund accounts for the resources used for land preservation.

Affordable Housing Fund – This fund accounts for the resources used to provide feasibility studies and construction of affordable housing units to Charlotte property owners.

The Town reports on the following major enterprise fund:

Wastewater Fund – This fund accounts for the operations of the Wastewater Department.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Additionally, the Town reports the following fund types:

Private-Purpose Trust Funds – These funds are used to report trust arrangements under which resources are to be used for the benefit of individuals. All investment earnings, and in some cases, the principal of these funds may be used to support these activities.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows and inflows of resources and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Future Changes in Accounting Standards

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, "Financial Reporting for Pension Plans" – an amendment of GASB Statement No. 27, effective for fiscal years beginning after June 15, 2014. This new accounting and reporting standard may impact the Town's measurement and recognition of pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures in government-wide and/or enterprise fund financial statements. The requirements of this statement may require restating of beginning net position and fund balances. The Town is currently not planning to early implement this Statement and has made no estimation of the effect this Statement will have in the financial statements.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

1. Cash

Cash balances of most Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

Excess cash of individual funds are shown as due from other funds and excess withdrawals are shown as due to other funds.

2. Investments

The Town invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

4. Internal Balances

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as "advances from/to other funds". All other outstanding balances between funds are reported as "due from/to other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, "deferred outflows of resources", represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources", represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items which arise under the modified accrual basis of accounting and one type which arises under the accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, "unavailable revenue", is reported in the statement of net position and governmental funds balance sheet. The governmental activities reports unavailable revenues from one source; prepaid property taxes. The governmental funds reports unavailable revenues from three sources; prepaid property taxes, unavailable property taxes, penalties and interest and unavailable fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Estimated Service Life
Land	$ 1,000	Not Depreciated
Buildings and Building Improvements	$ 20,000	10-75 Years
Vehicles and Equipment	$ 5,000	3-25 Years
Infrastructure	$ 20,000	20-75 Years
Distribution and Collection Systems	$ 20,000	20-75 Years

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

7. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused leave time. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

8. Long-term Liabilities

Long-term liabilities include bonds and notes payable and other obligations such as compensated absences. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those statements use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

9. Fund Equity

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the government-wide and proprietary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances of governmental fund financial statements are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND GOVERNMENT-WIDE STATEMENTS

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, whereas government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as other financing sources, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The budget is approved at the annual Town Meeting in March. Budget changes within a department, which do not change the total expenditures, require approval of the Selectboard. Any budget changes which change total expenditures requires voter approval. There were no budget amendments during the year. The budget presented herein is for the Town's "General Fund" only and does not include the HRA Fund activity that is included with the General Fund.

B. Budgeted Deficit

The Town budgeted a current year's deficiency in the General Fund of $133,000 in order to utilize a portion of the previous year's surplus. This is reflected as a deficiency of revenues over expenditures on Schedule 1.

C. Restatement of Net Position/Reclassification of Fund Balances

The net position of the Governmental Activities, Business-Type Activities and Wastewater Fund were restated as follows:

	Governmental Activities	Business-Type Activities/ Wastewater Fund
Net Position - June 30, 2013, As Originally Reported	$ 6,075,820	$ 1,055,242
Correction of Misstatements:		
Understatement of Capital Assets	2,089,952	0
Understatement of Unbilled Receivables	0	41,000
Net Position - June 30, 2013, As Restated	$ 8,165,772	$ 1,096,242

The correction of the Governmental Activities was the result of an understatement of capital assets. The effect of this correction on the Governmental Activities Statement of Net Position is to increase assets and net position by $2,089,952. The effect on the 2013 Statement of Activities is not known.

The correction of the Business-Type Activities and the Wastewater Fund was the result of an understatement of unbilled receivables. The effect of this correction on the Business-Type Activities Statement of Net Position is to increase assets and net position by $41,000. The effect on the 2013 Statement of Activities is not known. The effect of this correction on the Wastewater Fund Statement of Net Position is to increase assets and net position by $41,000. The effect on the 2013 Statement of Revenues, Expenses and Changes in Fund Net Position is not known.

The fund balances in the following funds were reclassified as follows:

	General Fund	Subdivision Fund	Total
Fund Balances - June 30, 2013, As Originally Reported	$ 319,779	$ 4,864	$ 324,643
Reclassification:			
Consolidation of Subdivision Fund with the General Fund	4,864	(4,864)	0
Fund Balances - June 30, 2013, As Reclassified	$ 324,643	$ 0	$ 324,643

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2014 consisted of the following:

Cash:	
Deposits with Financial Institutions	$1,411,714
Deposits with Investment Company	8,559
Cash on Hand	160
Total Cash	1,420,433
Investments:	
Mutual Funds – Mixed Holdings	491,440
Total Cash and Investments	$1,911,873

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit the exposure to custodial credit risk. The mutual funds are in the name of the Town and are not exposed to custodial credit risk. The following table shows the custodial credit risk of the Town's deposits.

	Book Balance	Bank Balance
FDIC/SIPC Insured	$ 258,559	$ 258,559
Uninsured, Collateralized by U.S. Government Securities Held by the Bank in the Bank's Name for the Benefit of the Town	1,161,714	1,301,840
Total	$1,420,273	$1,560,399

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	$1,411,714
Cash – Deposits with Investment Company	8,559
Total	$1,420,273

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town's mutual funds are open-ended and, therefore, are also exempt from interest rate risk disclosure.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town does not have any policy to limit the exposure to credit risk. The Town's mutual funds are exempt from the credit risk disclosure.

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer, other than mutual funds, that represent more than 5% of total investments.

B. Receivables

Receivables as of June 30, 2014, as reported in the statement of net position, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes Receivable	$ 162,276	$ 0	$ 162,276
Penalties and Interest Receivable	62,046	0	62,046
Accounts Receivable	1,704	0	1,704
Due from CVFRS	6,924	0	6,924
Billed Services	0	2,304	2,304
Unbilled Services	0	41,000	41,000
	$ 232,950	$ 43,304	$ 276,254

C. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 1,827,100	$ 0	$ 0	$ 1,827,100
Total Capital Assets, Not Being Depreciated	1,827,100	0	0	1,827,100
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,152,001	47,387	0	1,199,388
Vehicles and Equipment	857,153	0	847,203	9,950
Infrastructure	4,963,124	386,498	0	5,349,622
Distribution and Collection Systems	132,000	14,693	0	146,693
Totals	7,104,278	448,578	847,203	6,705,653
Less Accumulated Depreciation for:				
Buildings and Building Improvements	321,817	25,311	0	347,128
Vehicles and Equipment	182,805	498	179,817	3,486
Infrastructure	1,164,405	296,695	0	1,461,100
Distribution and Collection Systems	30,360	3,007	0	33,367
Totals	1,699,387	325,511	179,817	1,845,081
Total Capital Assets, Being Depreciated	5,404,891	123,067	667,386	4,860,572
Governmental Activities Capital Assets, Net	$ 7,231,991	$ 123,067	$ 667,386	$ 6,687,672

On July 1, 2013, the Town transferred $847,203 of capital assets with accumulated depreciation of $179,817 to Charlotte Fire and Rescue Services, Inc.

During the year, the Town purchased $213,906 of capital equipment on behalf of Charlotte Fire and Rescue Services, Inc. which is included in Public Safety expenditures/expenses.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Being Depreciated:				
Distribution and Collection Systems	$ 1,500,000	$ 0	$ 0	$ 1,500,000
Totals	1,500,000	0	0	1,500,000
Less Accumulated Depreciation for:				
Distribution and Collection Systems	451,659	30,000	0	481,659
Totals	451,659	30,000	0	481,659
Total Capital Assets, Being Depreciated	1,048,341	(30,000)	0	1,018,341
Business-type Activities Capital Assets, Net	$ 1,048,341	$ (30,000)	$ 0	$ 1,018,341

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	$ 12,876	Wastewater	$ 30,000
Highways and Streets	296,695		
Culture and Recreation	15,940		
Total Depreciation Expense - Governmental Activities	$ 325,511	Total Depreciation Expense - Business-type Activities	$ 30,000

D. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2014 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	$ 810	$ 0
Non-Major Governmental Funds	0	900
Wastewater Fund	90	0
Total	$ 900	$ 900

Interfund transfers during the year ended June 30, 2014 were as follows:

Transfer From	Transfer To	Amount		Purpose
General Fund	HRA Fund	$ 30,000	*	Appropriation
General Fund	Highway Reserve Fund	150,000		Appropriation
General Fund	Conservation Fund	47,588		Appropriation
General Fund	Fire & Rescue Capital Fund	180,000		Appropriation
General Fund	Repairs and Improvements Fund	10,000		Appropriation
General Fund	Trails Reserve Fund	5,000		Appropriation
Reappraisal Fund	General Fund	15,000		Reappraisal Reimbursement
Total		$ 437,588		

* The transfer from the General Fund to the HRA Fund is netted within the General Fund as this fund is consolidated within the General Fund to comply with GASB Statement No. 54.

E. Deferred Inflows of Resources

Deferred inflows of resources in the General Fund consists of $215,000 of delinquent property taxes, penalties and interest on those taxes and $1,704 of Thompson's Point rent not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes $11,594 of prepaid property taxes. Total deferred inflows of resources in the General Fund is $228,298.

F. Long-term Liabilities

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for both general governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds.

The State of Vermont offers a number of no-interest revolving loan programs to utilize for predetermined purposes. The Town has borrowed money from the Vermont Special Environmental Revolving Fund for wastewater projects.

Long-term debt outstanding as of June 30, 2014 was as follows:

Governmental Activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Bond Payable, Vermont Municipal Bond Bank, Fire and Rescue Pump, Truck, Principal Payments Ranging from $20,000 to $25,000 Payable on December 1 Annually, Average Interest Rate of 4.928% Payable on June 1 and December 1, Due December, 2024	$250,000	$ 0	$ 25,000	$225,000
Bond Payable, Vermont Municipal Bond Bank, Fire and Rescue Building, Principal Payments of $20,000 Payable on December 1 Annually, Interest Ranging from 5.175% to 5.415% Payable June 1 and December 1, Due December, 2019	140,000	0	20,000	120,000
Total Governmental Activities	$390,000	$ 0	$ 45,000	$345,000

Business-type Activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Bond Payable, State of Vermont Special Environmental Revolving Fund, Wastewater Improvements, Principal Payments of $75,000 Payable December 1 Annually, 0% Interest, Due December, 2014	$150,000	$ 0	$75,000	$75,000
Total Business-type Activities	$150,000	$ 0	$75,000	$75,000

Changes in long-term liabilities during the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	$ 390,000	$ 0	$ 45,000	$ 345,000	$ 45,000
Compensated Absences	0	6,668	0	6,668	0
Total Governmental Activities Long-Term Liabilities	$ 390,000	$ 6,668	$ 45,000	$ 351,668	$ 45,000
Business-type Activities					
General Obligation Bonds Payable	$ 150,000	$ 0	$ 75,000	$ 75,000	$ 75,000
Total Business-type Activities Long-Term Liabilities	$ 150,000	$ 0	$ 75,000	$ 75,000	$ 75,000

Compensated absences are paid by the applicable fund where the employee is charged.

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	$ 45,000	$ 10,049	$ 75,000	$ 0
2016	40,000	9,624	0	0
2017	40,000	6,693	0	0
2018	40,000	4,912	0	0
2019	40,000	4,925	0	0
2020-2024	120,000	5,350	0	0
2025-2029	20,000	(4,434)	0	0
Total	$ 345,000	$ 37,119	$ 75,000	$ 0

The Town refinanced the fire and rescue building bond. The savings is being applied to interest payments and will result in a refund of interest when the bond is paid off.

G. Fund Balances

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance polices.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

The fund balances in the following funds are restricted as follows:

Major Funds

Highway Reserve Fund:	
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes and State Highway Aid)	$217,902
Affordable Housing Fund:	
Restricted for Affordable Housing Expenses by Grant Agreements (Source of Revenue is Grant Revenue)	154,571

Non-Major Funds

Special Revenue Funds:	
Restricted for Scenic Preservation Expenses by Donations (Source of Revenue is Donations)	15,405
Restricted for Community Library Expenses by Donations (Source of Revenue is Donations)	1,637
Restricted for Restoration of Records Expenses by Statute (Source of Revenue is Restoration Fees)	7,859
Restricted for Cemetery Expenses by Donations (Source of Revenue is Donations)	23
Restricted for Ski Program Expenses by Agreement (Source of Revenue is Recreation Fees)	7,846

Special Revenue Funds/(Cont'd):	
Restricted for Conservation Commission by Donations (Source of Revenue is Donations)	$ 78
Restricted for Tree Planting Expenses by Donations (Source of Revenue is Donations)	10
Restricted for Mack Scholarship Expenses by Donations (Source of Revenue is Donations)	2,749
Total Special Revenue Funds	35,607
Capital Projects Funds:	
Restricted for Trails Expenditures by Donations (Source of Revenue is Donations)	24,823
Restricted for Thorp Barn Expenditures by Donations (Source of Revenue is Donations)	7,663
Total Capital Projects Funds	32,486
Total Non-Major Funds	68,093
Total Restricted Fund Balances	$440,566

The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:	
Assigned for HRA Expenses	$ 5,591
Assigned to Reduce Property Taxes in Fiscal Year 2015	125,000
Total General Fund	130,591
Conservation Fund:	
Assigned for Land Preservation Expenditures	432,980

Non-Major Funds

Special Revenue Funds:	
Assigned for Reappraisal Expenses	26,602
Capital Projects Funds:	
Assigned for Fire & Rescue Capital Expenditures	11,488
Assigned for Repairs and Improvements Expenditures	6,168
Assigned for Recreation Capital Expenditures	2,712
Total Capital Projects Funds	20,368
Total Non-Major Funds	46,970
Total Assigned Fund Balances	$610,541

H. Net Position

The restricted net position of the Town as of June 30, 2014 consisted of the following:

Governmental Activities:	
Restricted for Highway Expenditures by Statute	$217,902
Restricted for Affordable Housing Expenses by Grant Agreements	154,571
Restricted for Scenic Preservation Expenses by Donations	15,405
Restricted for Community Library Expenses by Donations	1,637
Restricted for Restoration of Records Expenses by Statute	7,859
Restricted for Cemetery Expenses by Donations	23
Restricted for Ski Program Expenses by Agreement	7,846
Restricted for Conservation Commission by Donations	78
Restricted for Tree Planting Expenses by Donations	10
Restricted for Mack Scholarship Expenses by Donations	2,749
Restricted for Trails Expenditures by Donations	24,823
Restricted for Thorp Barn Expenditures by Donations	7,663
Total Governmental Activities	$440,566

The designated net position of the Town's Proprietary Fund as of June 30, 2014 consisted of the following:

Wastewater Fund:	
Designated for Wastewater Capital Projects	$ 32,528
Designated for Wastewater Operations	113,435
Total Wastewater Fund/Business-type Activities	$145,963

The Governmental Activities Net Investment in Capital Assets does not include the long-term debt for the fire and rescue vehicle and building as the Town does not own these assets and debt payments are made on behalf of Charlotte Fire and Rescue Services, Inc.

V. OTHER INFORMATION

A. BENEFIT PLANS

All eligible employees of the Town are covered under the State of Vermont Municipal Employees' Retirement Plan. This plan requires that both the Town and employee contribute to the Plan which provides retirement, disability and death benefits. The Town has elected to participate in Plan B, which requires all eligible employees to contribute 5% of gross salary while the Town contributes 5.125%.

The Town pays all costs accrued each year for the plan. The premise of this plan is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in this plan is done in the aggregate, not by municipality. Due to the nature of this pension plan, net position available for benefits as well as the present value of vested and nonvested plan benefits by municipality are not available.

Total payroll for the year was $452,690, while covered payroll by the Plan was $295,741. Pension expense for the years ended June 30, 2014, 2013 and 2012 were $15,157, $13,470 and $14,231, respectively.

Additional information regarding the State of Vermont Municipal Employees' Retirement Plan is available upon request from the State of Vermont.

B. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting 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.

The Town 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. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

C. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes, as well as education taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are due and payable on November 15 and become delinquent on November 16. The Town assesses an 8% penalty after the November 15 payment. Interest is assessed at one percent (1%) per month for the first three months and one and a half percent (1-1/2%) per month for each month thereafter. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rates for 2014 were as follows:

	Residential	Non-Residential
Education	1.4600	1.4050
Local Agreement	0.0008	0.0008
Town	0.1662	0.1662
Total	1.6270	1.5720

D. CONTINGENT LIABILITIES

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	$ 1,566,315	$ 1,549,459	$ (16,856)
Interest on Delinquent Taxes	20,000	14,763	(5,237)
Penalty on Delinquent Taxes	20,000	13,801	(6,199)
Current Use	85,000	56,397	(28,603)
PILOT Payment	21,000	19,732	(1,268)
Thompson's Point Rent	725,000	805,044	80,044
Railroad Tax	200	171	(29)
Barber Cemetery Fund	125	0	(125)
Vault Time Fees	9,500	9,268	(232)
Recording Fees	60,000	40,000	(20,000)
Dog Licenses	2,700	2,534	(166)
Hunting and Fishing Licenses	200	113	(87)
Registration Renewal Fees	150	86	(64)
Planning and Zoning - Board Adjustments	2,000	4,000	2,000
Planning and Zoning - Building Permits	14,000	28,080	14,080
Planning and Zoning - Subdivision Income	16,000	16,750	750
Planning and Zoning - Miscellaneous Income	150	48	(102)
Septic Applications	10,000	12,350	2,350
Certificate of Occupancy	1,200	2,080	880
Certificate of Compliance	2,500	2,620	120
Highway Access Permit	700	1,000	300
Senior Center Programs	22,000	21,228	(772)
Fire/Rescue Patient Billing	110,000	0	(110,000)
Beach Fees	9,500	10,517	1,017
Recreation Programs	48,145	52,121	3,976
Highway State Aid	188,469	195,571	7,102
Court Fines	12,000	8,356	(3,644)
Bridge Grant	62,748	104,941	42,193
Transfer from Reappraisal Fund	15,000	15,000	0
Agricultural Lease	4,164	3,660	(504)
Interest Income	1,500	201	(1,299)
Miscellaneous	500	1,452	952
Total Revenues	3,030,766	2,991,343	(39,423)
Expenditures:			
Selectmen:			
Selectmen Salaries	9,000	9,000	0
Minute-Taker Salary	3,000	3,222	(222)
Administrative Assistant	26,730	12,300	14,430
Town Administrator	0	31,769	(31,769)
Legal Expense	45,000	36,118	8,882
Unanticipated Expenses	2,000	15,100	(13,100)
Town Party	3,000	2,598	402
Volunteer Recognition	5,000	6,340	(1,340)
Advertising	750	1,486	(736)
Seminars	250	120	130
Total Selectmen	94,730	118,053	(23,323)
Town Clerk:			
Clerk Salary	61,986	60,530	1,456
Assistant Clerk Salary	36,371	37,708	(1,337)
Mileage	200	24	176

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Clerk/(Cont'd):			
Telephone	$ 1,980	$ 1,822	$ 158
Equipment	1,200	1,375	(175)
Seminars/Training	300	490	(190)
Supplies	2,700	2,490	210
Memberships	0	50	(50)
Service Contracts	4,300	4,568	(268)
Total Town Clerk	109,037	109,057	(20)
Treasurer:			
Supplies	1,000	779	221
Audit Expense	10,000	19,738	(9,738)
Total Treasurer	11,000	20,517	(9,517)
Elections and Town Meeting:			
Elections	0	406	(406)
Town Meetings	2,500	2,498	2
Town Report Expenses	4,140	4,540	(400)
Total Elections and Town Meeting	6,640	7,444	(804)
Planning and Zoning:			
Town Planner/Zoning Administrator	0	26,956	(26,956)
Zoning Administrator Salary	35,728	17,864	17,864
Planner Salary	26,730	12,337	14,393
Administrative Assistant Salary	36,544	30,993	5,551
Minute-Taker Salary	3,000	2,253	747
Legal	2,000	5,931	(3,931)
Mileage	600	380	220
Telephone	900	839	61
Advertising	2,000	1,229	771
Equipment	100	0	100
Seminars	500	180	320
Computer Upgrade	500	230	270
Supplies	1,500	699	801
Memberships	320	297	23
Engineering	8,000	6,576	1,424
Copier	2,750	2,473	277
Planning Consultants	1,500	0	1,500
Mapping	500	60	440
Town Plan/Land Use	5,000	4,560	440
Miscellaneous	100	45	55
Total Planning and Zoning	128,272	113,902	14,370
Constable Salary:	2,600	210	2,390
Listers:			
Wages	19,800	23,341	(3,541)
Contract Appraiser	25,000	25,062	(62)
Mileage	100	224	(124)
Telephone	1,700	1,699	1
Seminars	500	455	45
Computer Software	200	0	200

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Listers/(Cont'd):			
Supplies	$ 1,500	$ 314	$ 1,186
Memberships	100	50	50
MS Service Contract	232	239	(7)
Mapping Contract	2,000	2,195	(195)
Furniture/Equipment	1,250	0	1,250
Total Listers	52,382	53,579	(1,197)
Delinquent Tax Collector Salary:	5,527	5,527	0
Employee Benefits:			
Social Security	24,800	26,711	(1,911)
Health Insurance	130,000	90,489	39,511
Retirement	15,380	15,156	224
Unemployment Compensation	948	856	92
MEDI Expense	5,800	6,264	(464)
Eyemed Vision Plan	1,740	1,019	721
Delta Dental	11,767	11,663	104
Total Employee Benefits	190,435	152,158	38,277
Highway:			
Retreatment	235,000	239,414	(4,414)
Winter Plow/Sand/Ice	200,000	255,588	(55,588)
Gravel Roads Maintenance	243,250	180,061	63,189
Ditching	70,000	38,096	31,904
Brush/Tree Removal	45,000	48,035	(3,035)
Culvert Replacement/Repair	40,000	36,946	3,054
Roadside Mowing	30,000	23,000	7,000
Sweeping/Shoulders	4,000	6,223	(2,223)
Cold Patch	4,000	3,497	503
Bridge/Guardrail Repair	3,000	5,230	(2,230)
Road Signs	11,000	8,971	2,029
Covered Bridges	10,000	570	9,430
Bike Path Maintenance	2,000	3,872	(1,872)
Bridge Reconstruction	78,436	125,369	(46,933)
Miscellaneous	4,000	560	3,440
Total Highway	979,686	975,432	4,254
Town Lands:			
Landfill Monitor	5,000	5,015	(15)
Land Maintenance Contract	17,000	15,615	1,385
Cemetery Maintenance	8,000	8,000	0
Park Security	5,284	5,284	0
Park Maintenance	13,450	13,260	190
Berry Farm Field	10,000	9,733	267
School Fields and Gym	8,300	5,138	3,162
Thompsons Point Trash	600	804	(204)
Total Town Lands	67,634	62,849	4,785

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Library:			
Library Director	$ 39,173	$ 39,174	$ (1)
Library Assistants	26,231	24,144	2,087
Youth Librarian	18,575	19,215	(640)
Technical Librarian	18,720	19,190	(470)
Custodial Service	3,500	3,295	205
Postage/Miscellaneous	1,200	899	301
Telecommunications	1,700	1,854	(154)
Supplies	3,200	4,105	(905)
Seminars	1,200	1,230	(30)
Association Dues	225	225	0
Acquisitions	10,500	11,513	(1,013)
Special Programs	2,000	2,833	(833)
Energy	8,000	8,669	(669)
Maintenance	6,000	4,715	1,285
Computer Support	3,000	2,620	380
Computer Equipment	3,000	3,982	(982)
Total Library	146,224	147,663	(1,439)
Annual Requests:			
Lewis Creek Association	600	600	0
Visiting Nurses Association	8,827	8,827	0
C.V. Agency on Aging	1,600	1,600	0
Women Help Battered Women	450	450	0
Center/Independent Living	200	200	0
Women's Rape Crisis Center	1,000	1,000	0
Howard Mental Health	900	900	0
Chittenden County Food Shelf	200	200	0
COTS	500	500	0
NVRCDC	75	75	0
Special Investigations	3,000	5,072	(2,072)
American Red Cross	250	250	0
Total Annual Requests	17,602	19,674	(2,072)
Recreation:			
Beach Attendant Wages	9,500	7,577	1,923
Beach Maintenance	4,500	4,292	208
Beach Telephone	200	0	200
Beach Garbage Removal	450	279	171
Beach Electricity	300	373	(73)
Docks In and Out	4,000	3,125	875
Skating Rink	600	506	94
Skating Rink Electricity	400	556	(156)
Recreation Program Director	22,486	23,619	(1,133)
Recreation Program Expense	35,340	36,206	(866)
Miscellaneous	500	432	68
Total Recreation	78,276	76,965	1,311
Conservation:			
Education Tech Support	4,500	3,434	1,066
Green-Up Day	200	263	(63)
CV Conservation Alliance	100	12	88
Total Conservation	4,800	3,709	1,091

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Hall:			
Maintenance	$ 13,000	$ 8,945	$ 4,055
Town Postage	6,500	5,697	803
Equipment	0	1,900	(1,900)
Supplies	3,300	3,483	(183)
Trash Removal	1,200	1,112	88
Utilities	4,300	3,954	346
Fuel Oil	4,500	5,225	(725)
Computer Service	2,500	4,811	(2,311)
Total Town Hall	35,300	35,127	173
Senior Center:			
Maintenance	6,000	4,590	1,410
Snow Plowing	1,500	2,325	(825)
Custodial Service	6,500	7,080	(580)
Miscellaneous	300	125	175
Postage	500	515	(15)
Telecommunications	1,700	1,754	(54)
Supplies	750	693	57
Energy	8,500	7,591	909
Director	24,500	27,167	(2,667)
Part-Time Coordinator	0	899	(899)
Program Expenses	22,000	20,599	1,401
Total Senior Center	72,250	73,338	(1,088)
Miscellaneous:			
Insurance	41,140	46,642	(5,502)
Flea Market Electricity	320	364	(44)
Street Lights Electricity	1,700	1,517	183
Museum Electricity	240	922	(682)
Health Officer	1,275	0	1,275
Animal Control Officer	3,000	275	2,725
Dogs/Miscellaneous	2,500	908	1,592
Miscellaneous Expenses	500	2,473	(1,973)
Trails Committee	1,000	1,000	0
Traffic Enforcement	25,000	12,453	12,547
Charlotte Land Trust	7,500	4,662	2,838
Tax Anticipation Interest	2,800	0	2,800
Energy Committee	5,000	3,501	1,499
Affordable Housing	500	0	500
Tree Warden	900	900	0
Total Miscellaneous	93,375	75,617	17,758
Intergovernmental Taxes and Dues:			
VLCT Dues	4,604	4,604	0
CCRPC Dues	5,937	5,937	0
County Tax	40,000	40,623	(623)
CCMPO	5,557	5,556	1
LCRCC Dues	660	660	0
Total Intergovernmental Taxes and Dues	56,758	57,380	(622)

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Transfers:			
Transfer to Highway Reserve Fund	$ 150,000	$ 150,000	$ 0
Transfer to Conservation Fund	47,588	47,588	0
Transfer to Fire and Rescue Capital Fund	180,000	180,000	0
Transfer to Repairs and Improvements Fund	10,000	10,000	0
Transfer to Trails Reserve Fund	5,000	5,000	0
Total Transfers	392,588	392,588	0
Fire and Rescue Appropriation:	618,650	501,726	116,924
Total Expenditures	3,163,766	3,002,515	161,251
Excess/(Deficiency) of Revenues Over Expenditures	$ (133,000)	(11,172)	$ 121,828
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
HRA Fund Income		64	
HRA Fund Transfer In		30,000	
HRA Fund Expenses		(37,712)	
Change in Modified Accrual Basis Fund Balance - Exhibit D		$ (18,820)	

The reconciling items are due to combining one (1) fund, the HRA Fund, with the General Fund in order to comply with GASB Statement No. 54.

See Disclaimer in Accompanying Independent Auditor's Report.

Schedule 2

TOWN OF CHARLOTTE, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds	Capital Projects Funds	Total
ASSETS			
Cash	$ 63,109	$ 52,854	$ 115,963
Total Assets	$ 63,109	$ 52,854	$ 115,963
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to Other Funds	$ 900	$ 0	$ 900
Total Liabilities	900	0	900
Fund Balances:			
Restricted	35,607	32,486	68,093
Assigned	26,602	20,368	46,970
Total Fund Balances	62,209	52,854	115,063
Total Liabilities and Fund Balances	$ 63,109	$ 52,854	$ 115,963

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF CHARLOTTE, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds	Capital Projects Funds	Total
Revenues:			
Intergovernmental	$ 162,423	$ 0	$ 162,423
Permits, Licenses and Fees	12,895	0	12,895
Investment Income	4	10	14
Donations	22,004	14,062	36,066
Other	0	15,000	15,000
Total Revenues	197,326	29,072	226,398
Expenditures:			
General Government	12,749	0	12,749
Public Safety	0	213,906	213,906
Culture and Recreation	15,895	0	15,895
Community Development	146,444	0	146,444
Capital Outlay:			
General Government	0	47,065	47,065
Culture and Recreation	0	12,855	12,855
Debt Service:			
Principal	0	45,000	45,000
Interest	0	12,874	12,874
Total Expenditures	175,088	331,700	506,788
Excess/(Deficiency) of Revenues Over Expenditures	22,238	(302,628)	(280,390)
Other Financing Sources/(Uses):			
Transfers In	0	195,000	195,000
Transfers Out	(15,000)	0	(15,000)
Total Other Financing Sources/(Uses)	(15,000)	195,000	180,000
Net Change in Fund Balances	7,238	(107,628)	(100,390)
Fund Balances - July 1, 2013	54,971	160,482	215,453
Fund Balances - June 30, 2014	$ 62,209	$ 52,854	$ 115,063

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF CHARLOTTE, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2014

	Scenic Preservation Fund	Community Library Fund	Habitat Grant Fund	Reappraisal Fund	Restoration of Records Fund	Cemetery Fund	Ski Program Fund	Conservation Commission Fund	Tree Fund	Mack Scholarship Fund	Total
ASSETS											
Cash	$ 15,405	$ 1,637	$ 0	$ 26,602	$ 7,859	$ 23	$ 7,846	$ 978	$ 10	$ 2,749	$ 63,109
Total Assets	$ 15,405	$ 1,637	$ 0	$ 26,602	$ 7,859	$ 23	$ 7,846	$ 978	$ 10	$ 2,749	$ 63,109
LIABILITIES AND FUND BALANCES											
Liabilities:											
Due to Other Funds	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 900	$ 0	$ 0	$ 900
Total Liabilities	0	0	0	0	0	0	0	900	0	0	900
Fund Balances:											
Restricted	15,405	1,637	0	0	7,859	23	7,846	78	10	2,749	35,607
Assigned	0	0	0	26,602	0	0	0	0	0	0	26,602
Total Fund Balances	15,405	1,637	0	26,602	7,859	23	7,846	78	10	2,749	62,209
Total Liabilities and Fund Balances	$ 15,405	$ 1,637	$ 0	$ 26,602	$ 7,859	$ 23	$ 7,846	$ 978	$ 10	$ 2,749	$ 63,109

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF CHARLOTTE, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Scenic Preservation Fund	Community Library Fund	Habitat Grant Fund	Reappraisal Fund	Restoration of Records Fund	Cemetery Fund	Ski Program Fund	Conservation Commission Fund	Tree Fund	Mack Scholarship Fund	Total
Revenues:											
Intergovernmental	$ 0	$ 0	$ 145,559	$ 16,864	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 162,423
Permits, Licenses and Fees	0	0	0	0	3,430	0	9,465	0	0	0	12,895
Investment Income	1	0	0	2	1	0	0	0	0	0	4
Donations	14,477	3,346	0	0	0	2,251	0	520	0	1,410	22,004
Total Revenues	14,478	3,346	145,559	16,866	3,431	2,251	9,465	520	0	1,410	197,326
Expenditures:											
General Government	0	0	0	250	7,339	5,160	0	0	0	0	12,749
Culture and Recreation	1,024	3,886	0	0	0	0	9,559	1,006	0	420	15,895
Community Development	0	0	145,559	0	0	0	0	0	885	0	146,444
Total Expenditures	1,024	3,886	145,559	250	7,339	5,160	9,559	1,006	885	420	175,088
Excess/(Deficiency) of Revenues Over Expenditures	13,454	(540)	0	16,616	(3,908)	(2,909)	(94)	(486)	(885)	990	22,238
Other Financing Sources/(Uses):											
Transfers Out	0	0	0	(15,000)	0	0	0	0	0	0	(15,000)
Total Other Financing Sources/(Uses)	0	0	0	(15,000)	0	0	0	0	0	0	(15,000)
Net Change in Fund Balances	13,454	(540)	0	1,616	(3,908)	(2,909)	(94)	(486)	(885)	990	7,238
Fund Balances - July 1, 2013	1,951	2,177	0	24,986	11,767	2,932	7,940	564	895	1,759	54,971
Fund Balances - June 30, 2014	$ 15,405	$ 1,637	$ 0	$ 26,602	$ 7,859	$ 23	$ 7,846	$ 78	$ 10	$ 2,749	$ 62,209

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF CHARLOTTE, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2014

	Fire & Rescue Capital Fund	Repairs and Improvements Fund	Trails Reserve Fund	Recreation Capital Fund	Thorp Barn Fund	Total
ASSETS						
Cash	$ 11,488	$ 6,168	$ 24,823	$ 2,712	$ 7,663	$ 52,854
Total Assets	$ 11,488	$ 6,168	$ 24,823	$ 2,712	$ 7,663	$ 52,854
LIABILITIES AND FUND BALANCES						
Liabilities:	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Fund Balances:						
Restricted	0	0	24,823	0	7,663	32,486
Assigned	11,488	6,168	0	2,712	0	20,368
Total Fund Balances	11,488	6,168	24,823	2,712	7,663	52,854
Total Liabilities and Fund Balances	$ 11,488	$ 6,168	$ 24,823	$ 2,712	$ 7,663	$ 52,854

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF CHARLOTTE, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Fire & Rescue Capital Fund	Repairs and Improvements Fund	Trails Reserve Fund	Recreation Capital Fund	Thorp Barn Fund	Total
Revenues:						
Investment Income	$ 6	$ 2	$ 2	$ 0	$ 0	$ 10
Donations	6,500	0	7,559	0	3	14,062
Other	15,000	0	0	0	0	15,000
Total Revenues	21,506	2	7,561	0	3	29,072
Expenditures:						
Public Safety	213,906	0	0	0	0	213,906
Capital Outlay:						
General Government	0	47,065	0	0	0	47,065
Culture and Recreation	0	12,855	0	0	0	12,855
Debt Service:						
Principal	45,000	0	0	0	0	45,000
Interest	12,874	0	0	0	0	12,874
Total Expenditures	271,780	59,920	0	0	0	331,700
Excess/(Deficiency) of Revenues Over Expenditures	(250,274)	(59,918)	7,561	0	3	(302,628)
Other Financing Sources:						
Transfers In	180,000	10,000	5,000	0	0	195,000
Total Other Financing Sources	180,000	10,000	5,000	0	0	195,000
Net Change in Fund Balances	(70,274)	(49,918)	12,561	0	3	(107,628)
Fund Balances - July 1, 2013	81,762	56,086	12,262	2,712	7,660	160,482
Fund Balances - June 30, 2014	$ 11,488	$ 6,168	$ 24,823	$ 2,712	$ 7,663	$ 52,854

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF CHARLOTTE, VERMONT
SCHEDULE OF TAXES RAISED
FOR THE YEAR ENDED JUNE 30, 2014

April 2013 Grandlist Used for Fiscal Year 2014 Taxes:		
Homestead Education Grandlist	$	6,612,192.98
Non-Residential Grandlist	$	2,824,985.33
Municipal Grandlist	$	9,421,609.66
Tax Rates:		
Homestead Education Tax Rate		1.4600
Non-Residential Education Tax Rate		1.4050
Municipal Tax Rate		0.1662
Local Agreement Tax Rate		0.0008
Charlotte's Fiscal Year 2014 Education Property Tax Liability:		
Residential Taxes	$	9,653,802.00
Nonresidential Taxes		3,969,104.00
Total Property Tax Liability for State Education Fund		13,622,906.00
Municipal Taxes		1,568,609.35
Local Agreement Taxes to Cover Education Liability for Exempt Properties		(7,537.30)
Total Education and Municipal Taxes Expected to be Raised	$	15,183,978.05
Allocation of State Education Taxes:		
Transfer to Charlotte Central School for School Budget	$	6,464,942.00
Transfer to Charlotte Central School for State Transportation Aid		97,298.00
Transfer to Champlain Valley Union High School		2,821,605.00
Total to District Schools		9,383,845.00
.225 of 1% of Residential and Non-Residential Liability Retained by Town		27,543.00
Income Sensitivity Credits to Charlotte Residents, Education Tax		1,380,958.84
Income Sensitivity Credits to Charlotte Residents, Municipal Tax		6,673.55
Balance to State Education Fund		2,830,243.26
Total Allocation of State Education Taxes		13,629,263.65
Municipal Taxes Received		1,493,217.27
Delinquent Taxes		61,497.13
Total Fiscal Year 2014 Property Taxes	$	15,183,978.05

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan,Powers & Co.,P.C.
CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
www.sullivanpowers.com

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"

Selectboard
Town of Charlotte
P.O. Box 119
Charlotte, VT 05445

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlotte, Vermont, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Charlotte, Vermont's basic financial statements and have issued our report thereon dated December 16, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified a certain deficiency that we consider to be a material weakness and others that we consider to be significant deficiencies.

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 Town of Charlotte, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 14-1 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 14-2 and 14-3 to be significant deficiencies.

Compliance and Other Matters

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

We also noted certain other matters that we reported to the management of the Town of Charlotte, Vermont in a separate letter dated December 16, 2014.

Town of Charlotte, Vermont's Response to Findings

The Town of Charlotte, Vermont's response to the findings identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of Charlotte, Vermont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Town of Charlotte, Vermont'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 Town of Charlotte, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sullivan, Powers & Company

December 16, 2014
Montpelier, Vermont
VT Lic. #92-000180

Deficiencies in Internal Control:

Material Weaknesses:

14-1 Segregation of Duties - Cash

Criteria:

An important factor in developing good internal control procedures is to divide responsibilities so that no individual can both perpetrate and conceal errors or irregularities. One of the most common division of duties is the division between the check signing and bank reconciliation functions.

Condition:

The same person that reconciles the bank statements for the Town is also a check signer for the Town. Each of those duties are considered incompatible functions for accounting control purposes.

Cause:

The limited staff available provides little opportunity to achieve an optimum separation of duties and responsibilities.

Effect:

The Town has inadvertently made its assets susceptible to misappropriation.

Recommendation:

We recommend that the Town revise their procedures to ensure that the bank reconciliation function is delegated to an individual who does not have check signing authority. Otherwise, we recommend that, at a minimum, someone other than a check signer review all bank reconciliations, cancelled checks and any debit memos.

Significant Deficiencies:

14-2 Authorization of General Journal Entries

Criteria:

Internal controls should be in place that requires appropriate officials to authorize and review all adjustments to the books of original entry.

Condition:

The Town does not have a policy in place to require authorization or review of adjustments to the books of original entry.

Cause:

Unknown.

Effect:

This deficiency in the internal control structure could allow other working control policies to be circumvented.

Recommendation:

We recommend that the Town enact a policy that requires appropriate officials to authorize and review all general journal entries so as not to circumvent the original approval process.

14-3 Accounting and Procedures Manual

Criteria:

An accounting and procedures manual should be in place. This manual should define duties and responsibilities for current personnel so as to prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. It will also help to ensure that all similar transactions or treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees.

Condition:

The Town does not have an accounting and procedures manual in place.

Cause:

This has not been considered a priority as the small staff is busy recording the activity of the Town.

Effect:

The Town staff does not have a manual to turn to when questions arise about the scope of their duties and responsibilities.

Recommendation:

We recommend that the Town develop this document for all accounting procedures as soon as possible. Each individual should document their duties and how to perform them. The manual should include examples of forms with descriptions of their use. Once developed, only changes in procedures or forms will require changes in the manual.

We believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

We also recommend that the Town make sure that there are no jobs related to accounting and finance that only one person knows how to perform. The procedures manual would also be useful in determining whether this situation exists.

Town of Charlotte

ESTABLISHED 1762

December 30, 2014

Rick Brigham
Sullivan, Powers & Company
77 Barre Street
Montpelier, VT 05601

Dear Rick,

This letter includes the town's responses to the finding of material weakness and the two findings of significant deficiencies.

14-1 Segregation of Duties-Cash—the Town Treasurer has indicated that she (alone) handles accounts payable, and the Assistant Town Treasurer only handles payroll, which is primarily direct deposit. The Assistant Town Treasurer does the bank reconciliations. (I am attaching the Town Treasurer's response.) If this arrangement does not sufficiently segregate cash duties, the Town will explore other options, including:

A. Assigning bank reconciliations to another staff person
B. Hiring a book-keeper or NEMRC to perform bank reconciliations
C. Requesting the Board of Auditors perform "re-reconciliations"

14-2 Authorization of General Journal Entries the Town will explore options for reviewing and authorizing all journal entries and adjustments. Possibilities include:

A. Having the Town Treasurer provide a report with journal entries for Selectboard members' review along with their review and signing of warrants for the paying of bills.
B. Assigning review and authorization of proposed journal entries to one Selectboard member or the Town Administrator
C. Hiring a book-keeper to review proposed journal entries and make a recommendation to the Selectboard Chair or Town Administrator to authorize journal entries

14-3 Accounting and Procedures Manual—the Town Treasurer has started to develop this manual, and has completed the following sections: Bank Reconciliations-Special Funds/General Fund; Cash Policies; Payroll- Employee Maintenance-Set-up/Deductions, Direct Deposit Payroll Procedure; Accounts Payable--bill paying procedure; General Journal-Post Transactions; Tax Receipt Procedures/Refunding Tax Receipts. The manual was used to train the new Assistant Town Treasurer when she started in September.

Best regards,

Dean Bloch, Town Administrator

159 FERRY ROAD P.O. BOX 119 CHARLOTTE, VERMONT 05445-0119
TOWN CLERK: (802) 425-3071 ♦ PLANNING & ZONING: (802) 425-3533 ♦
LISTER: (802) 425-3855 RECREATION: (802) 425-6129 ♦ FAX: (802) 425-4713