TOWN OF CHARLOTTE, VERMONT

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2013

TOWN OF CHARLOTTE, VERMONT
FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Exhibit A	10
Statement of Activities - Exhibit B	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds - Exhibit C	12
Statement of Revenues, Expenditures, and Changes in Fund Balances -Governmental Funds - Exhibit D	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Exhibit E	14
Statement of Net Assets - Proprietary Fund – Enterprise Fund - Exhibit F	15
Statement of Revenues, Expenses, and Changes in Fund Net Assets -Proprietary Fund – Enterprise Fund - Exhibit G	16
Statement of Cash Flows - Proprietary Fund – Enterprise Fund - Exhibit H	17
Statement of Fiduciary Net Assets - Exhibit I	18
Statement of Changes in Fiduciary Net Assets - Exhibit J	19
Notes to Financial Statements	20-35
Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual – Budgetary Basis – Unassigned General Fund	36-43
Combining Balance Sheet-Special Revenue Funds	44-45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Funds	46-47
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*	48

Batchelder Associates, PC

INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Charlotte
Charlotte, Vermont

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Charlotte, Vermont ("Town"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 36, respectively, 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

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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's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Batchelder Associates PC

Batchelder Associates, PC
Barre, Vermont
August 8, 2013

As management of the Town of Charlotte, Vermont ("Town") we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report.

Financial Highlights

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by $7,131,062 (*net assets*). Of this amount, $1,480,682 (*unrestricted net assets*) may be used by the various funds of the Town to meet the Town's ongoing obligations to its citizens and creditors.

The Town's total net assets decreased by $275,961. Of this amount, net assets attributable to governmental activities decreased by $342,470, and net assets attributable to business-type activities increased by $66,509.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $1,157,889, a decrease of $600,104 from the prior year. Of the total ending fund balances, $1,157,889 is *available for spending* at the government's discretion. None of this amount is unassigned, however, including the General Fund balance.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

1. Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, health and social services, recreation and parks, conservation and development. The business-type activities of the Town include the wastewater operations.

The government-wide financial statements are designed to include not only the Town itself *(known as the primary government)*, but also any legally separate entities for which the Town is financially accountable *(known as component units)*. The Town has no such entities that qualify as component units.

The government-wide financial statements can be found in Exhibits A and B of this report.

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

a. Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains sixteen (16) individual governmental funds, including the General Fund, fourteen (16) Special Revenue Funds, and one (1) Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds (Subdivision Escrow) is provided on page 12 and 13 of this report.

The basic governmental fund financial statements can be found in Exhibits C through E of this report.

b. Proprietary Funds

The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its Wastewater Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Wastewater Fund, which is considered to be major fund of the Town.

The basic proprietary fund financial statements can be found in Exhibits F through H of this report.

c. Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town has two fiduciary funds, the Serrell Fund and the Public Trustee Fund.

3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

4. Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information to provide additional financial information not included in the basic financial statements. This supplementary information includes combining statements for various funds, and budgetary comparison statements. The supplementary information can be found immediately following the notes to the financial statements in this report.

Government-wide Financial Analysis

TOWN OF CHARLOTTE, VERMONT'S NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	$1,365,769	$2,000,698	$ 159,128	$ 135,392	$1,524,897	$2,136,090
Capital assets	5,142,039	4,887,298	1,048,341	1,078,341	6,190,380	5,965,639
Total Assets	6,507,808	6,887,996	1,207,469	1,213,733	7,715,277	8,101,729
Long-term liabilities outstanding	390,000	435,000	150,000	225,000	540,000	660,000
Other liabilities	41,988	34,706	2,227		44,215	35,064
Total Liabilities	431,988	469,706	152,227	225,000	584,215	695,064
Net Assets						
Invested in capital assets, net of related debt	4,752,039	4,452,298	898,341	853,341	5,650,380	5,305,639
Unrestricted	1,323,781	1,965,992	156,901	135,392	1,480,682	2,101,384
Total Net Assets	$6,075,820	$6,418,290	$1,055,242	$ 988,733	$7,131,062	$7,407,023

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by $7,131,062 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets 79% reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets of $1,480,682 may be used to meet the government's ongoing obligations to citizens and creditors. Included in unrestricted net assets are amounts that management has assigned for particular purposes, such as capital reserve funds and reserves for expenditures in subsequent years.

At the end of the current fiscal year, the Town is able to report positive balances in both categories of net assets for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities

Governmental activities decreased the Town's net assets by $342,470 during the current fiscal year. Investment in capital assets, net of related debt, increased $344,741.

TOWN OF CHARLOTTE, VERMONT'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	$ 322,053	$ 391,747	$ 207,931	$ 188,746	$ 529,984	$ 580,493
Operating grants and contributions	316,177	261,965	-	-	316,177	261,965
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	12,715,526	12,832,465	-	-	12,715,526	12,832,465
Unrestricted investment earnings	1,041	1,903	-	-	1,041	1,903
Other revenues	773,272	908,525	46	63	773,318	908,588
Total Revenues	14,128,069	14,396,605	207,977	188,809	14,336,046	14,585,414
Expenses						
Governmental activities						
General government	656,736	939,288	-	-	656,736	939,288
Public safety	527,188	671,494	-	-	527,188	671,494
Public works	1,040,610	1,026,197	-	-	1,040,610	1,026,197
Health and social services	237,725	126,381	-	-	237,725	126,381
Recreation and parks	153,376	116,571	-	-	153,376	116,571
Conservation and development	393,028	19,209	-	-	393,028	19,209
Education appropriations	11,443,074	11,209,508	-	-	11,443,074	11,209,508
Interest on long-term debt	18,802	-	-	-	18,802	-
Business-type activities						
Water and wastewater	-	-	141,468	218,712	141468	218,712
Total Expenses	14,470,539	14,108,648	141,468	218,712	14,612,007	14,327,360
Change in net assets before transfers	(342,470)	287,957	66,509	(29,903)	(275,962)	258,054
Transfers	-	-	-	-	-	-
Change in net assets	(342,470)	287,957	66,509	(29,903)	(275,962)	258,054
Net assets-beginning of year	6,418,290	6,130,333	988,733	1,018,636	7,407,023	7,148,969
Net assets - end of year	$ 6,075,820	$ 6,418,290	$ 1,055,242	$ 988,733	$ 7,131,062	$ 7,407,023

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

1. Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $1,157,889, a decrease of $600,104 in comparison to the prior year. Of the total ending fund balances, $1,157,889 is *available for spending* at the government's discretion. None of this amount is unassigned, however, including the General Fund balance.

a. General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year the General Fund unrestricted balance was $319,779, although, as noted above, none of this balance is unassigned. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total general fund expenditures and operating transfers. Total fund balance represents 2.3 % of General Fund expenditures and operating transfers. Of the $319,779 assigned to General Government, $133,000 has been assigned to reduce the tax rate.

The General Fund balance decreased by $268,350 during the current fiscal year. Key factors in this change are as follows:

- A surplus of $111,650 was generated, due to revenues being high by $28,132 and the expenditures were low by $83,518.
- The Selectboard had planned for a $380,000 reduction of the general fund balance (which was $588,128 at the end of FY 12) by returning $380,000 to taxpayers when the FY 13 tax rate was set in August, 2012.
- However, the surplus of $111,650 resulted in a fund balance decrease of only $268,350 ($380,000 - $111,650).

Differences between budgeted amounts and actual amounts can be briefly summarized in key accounts as follows:

Revenues		
Property taxes	$ 19,000	
Thompson's Point	5,700	
Grants	4,500	
Fire and Rescue	19,700	
Expenditures		
Legal	(33,000)	
Audit	37,000	
Planning/Zoning	(9,600)	
Listers	(26,000)	
Employee Benefits	(36,600)	
Fire and Rescue	(7,900)	
Highway	(15,600)	
Town Lands	6,700	
Recreation	(14,400)	
Senior Center	7,200	
Misc. (Insurance)	11,300	
Misc. (Traffic Enforcement)	4,000	
Overall Increase		$ 125,800

b. Special Revenue Funds

Special revenue funds include the following funds:

Library	Recreation	Restoration of Records	Reappraisal
Thorpe Barn	Tree	Repairs and Improvements	Cemetery
Mack Scholarship	Scenic Preservation	Affordable Housing	Highway
Trails Reserve	Conservation Fund	Conservation Commission	Ski Fund

Total Special Fund balances are $751,484.

c. Proprietary Funds

The Town has one (1) proprietary-type fund, the Wastewater Fund. Town's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Wastewater Fund amounted to $156,901. Unrestricted net assets of the Wastewater Fund increased by $21,509. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

1. Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounted to $5,650,380 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, infrastructure, furniture, vehicles and equipment, and the wastewater distribution and collection systems. The investment in net assets increased by 5.2 percent for governmental activities, and decreased 2.8% for business-type activities.

CAPITAL ASSETS AS OF JUNE 30, 2013 AND 2012

	Government Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 2,138,199	$ 2,138,199	$ -	$ -	$ 2,138,199	$ 2,138,199
Library Collection	404,625	404,625	-	-	404,625	404,625
Buildings and improvements	222,114	229,217	-	-	222,114	229,217
Distribution and collection systems	-	-	1,048,341	1,078,341	1,048,341	1,078,341
Infrastructure assets	1,702,753	1,805,135	-	-	1,702,753	1,805,135
Vehicles and equipment	674,348	310,122	-	-	674,348	310,122
Total assets	$ 5,142,039	$ 4,887,298	$ 1,048,341	$ 1,078,341	$ 6,190,380	$ 5,965,639

Additional information on the Town's capital assets can be found in Note V of the notes to financial statements.

2. Long-term Debt

At the end of the current year, the Town had total long-term debt outstanding of $540,000. This amount represents bonded debt backed by the full faith and credit of the Town.

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Bonds payable	$ 390,000	$ 435,000	$ 150,000	$ 225,000	$ 540,000	$ 660,000

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 $94,130,130 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 VIII in the notes to financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the Town as of June, 2013 was 2.7%, down from the 2012 rate of 2.9%. The comparable State unemployment rates for the same periods are 4.8% and 5%, respectively.

Recent data on Vermont economic conditions indicate that the performance of the Vermont economy has generally outperformed the developments in the U.S. economy overall during the past 12 to 18 months.

All of these factors were considered in preparing the Town's budget for the 2014 fiscal year.

The Town approved a general fund budget for fiscal year 2014 in the amount of $3,013,766. This represents an increase of $191,554 (6.8%) from the the approved budget for the prior fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Treasurer, Mary Mead, PO Box 119, Charlotte, Vermont, 05445, (802) 425-3071.

Exhibit A

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,152,330	$ 154,548	$ 1,306,878
Receivables (net of allowance for uncollectible accounts)			
Taxes receivable	193,581	-	193,581
Accounts receivable	19,317	4,489	23,806
Internal balances	541	91	632
Total Current Assets	1,365,769	159,128	1,524,897
Capital Assets (net of accumulated depreciation)			
Land, non depreciable	2,542,824	-	2,542,824
Building and building improvements	222,114	-	222,114
Vehicles and equipment	674,348	-	674,348
Roads, bridges and sidewalks	1,702,753		1,702,753
Distribution and collection systems		1,048,341	1,048,341
Total Non-current Assets	5,142,039	1,048,341	6,190,380
Total Assets	6,507,808	1,207,469	7,715,277
LIABILITIES			
Accounts payable	36,473	2,227	38,700
Accrued payroll and benefits payable	1,402	-	1,402
Accrued expenses	3,213	-	3,213
Internal balances	900	-	900
Non-current liabilities			
Due within one year	45,000	75,000	120,000
Due in more than one year	345,000	75,000	420,000
Total Liabilities	431,988	152,227	584,215
NET POSITION			
Invested in capital assets, net of related debt	4,752,039	898,341	5,650,380
Unrestricted	1,323,781	156,901	1,480,682
Total Net Position	$ 6,075,820	$ 1,055,242	$ 7,131,062

The notes to the financial statements are an integral part of this statement

Exhibit B

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

		Progam Revenues			Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities							
General government	$ 656,736	$ 118,039	$ 16,788	$ -	$ (521,909)	$ -	$ (521,909)
Public safety	527,188	120,283	-	-	(406,905)	-	(406,905)
Public works	1,040,610	-	299,389	-	(741,221)	-	(741,221)
Health and social services	237,725	22,301	-	-	(215,424)	-	(215,424)
Recreation and parks	153,376	61,430	-	-	(91,946)	-	(91,946)
Conservation and development	393,028	-	-	-	(393,028)	-	(393,028)
School appropriation	11,443,074	-	-	-	(11,443,074)	-	(11,443,074)
Interest on long-term debt	18,802	-	-	-	(18,802)	-	(18,802)
Total governmental activities	14,470,539	322,053	316,177	-	(13,832,309)	-	(13,832,309)
Business-type activities							
Wastewater	141,468	207,931	-	-	-	66,463	66,463
	141,468	207,931	-	-	-	66,463	66,463
Total Government & Business-type Activities	$ 14,612,007	$ 529,984	$ 316,177	$ -	(13,832,309)	66,463	(13,765,846)
General revenues:							
Property taxes					12,715,526	-	12,715,526
Unrestricted investment earnings					1,041	46	1,087
Rental income					749,805	-	749,805
Other revenues					23,467	-	23,467
Total general revenues and transfers					13,489,839	46	13,489,885
Change in net assets					(342,470)	66,509	(275,961)
Net position, July 1, 2012, restated					6,418,290	988,733	7,407,023
Net position, June 30, 2013					$ 6,075,820	$ 1,055,242	$ 7,131,062

The notes to the financial statements are an integral part of this statement

Exhibit C

TOWN OF CHARLOTTE, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Special Revenue Funds	Capital Project Fund	Non-Major Funds Subdivision Escrow	Total Governmental Funds
ASSETS					
Cash and equivalents	$ 313,320	$ 752,384	$ 81,762	$ 4,864	$ 1,152,330
Receivable (net of allowance for uncollectible accounts)					
Taxes receivable	193,581	-	-	-	193,581
Accounts receivable	19,317	-	-	-	19,317
Due from other governments	-	-	-	-	-
Due from other funds	541	-	-	-	541
Prepaid expenses	-	-	-	-	-
Restricted assets:	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-
Total Assets	$ 526,759	$ 752,384	$ 81,762	4,864	$ 1,365,769
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 36,473	$ -	$ -	-	$ 36,473
Accrued payroll and benefits payable	1,402	-	-	-	1,402
Other accrued expenses	3,213	-	-	-	3,213
Due to other funds	-	900	-	-	900
Deferred revenue	165,892	-	-	-	165,892
Total Liabilities	206,980	900	-	-	207,880
Fund Balances					
Non-spendable					
Permanent fund principal	-	-	-	-	-
Prepaid expense	-	-	-	-	-
Restricted for					
Community development	-	-	-	-	-
Assigned for					
General government	319,779	36,753	-	-	356,532
Public safety	-	-	-	-	-
Public works	-	2,932	-	-	2,932
Park and recreation	-	33,984		-	33,984
Capital project funds	-	509,324	81,762	-	591,086
Community development	-	168,491	-	4,864	173,355
Unassigned					
General government	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total Fund Balances	319,779	751,484	81,762	4,864	1,157,889
Total Liabilities and Fund Balances	$ 526,759	$ 752,384	$ 81,762	$ 4,864	

Amounts reported for governmental activities in the statement of net assetsare different because:	
Capital assets used in governmental activities are not financial resources and,therefore, are not reported in the funds	$ 5,142,039
Other long-term assets are not available to pay for current-period expendituresand, therefore, are deferred in the funds.	165,892
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, ar not reported in the funds.	(390,000)
Net assets of governmental activities	$ 6,075,820

The notes to the financial statements are an intergral part of this statement

Exhibit D

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Funds	Capital Project Fund	Non-Major Funds Subdivision Escrow	Total Governmental Funds
REVENUES					
Taxes	$ 12,517,641	$ -	$ -	$ -	$ 12,517,641
Tax penalties and interest	31,993	-	-	-	31,993
Permits and Licenses	46,102	9,163	-	-	55,265
Intergovernmental revenues	299,388	16,788	-	-	316,176
Charges for current services	256,233	-	-	-	256,233
Fines and forfeits	10,555	-	-	-	10,555
Interest	619	379	43	-	1,041
Rents	749,805	-	-	-	749,805
Other revenues	1,082	22,385	-	-	23,467
Total Revenues	13,913,418	48,715	43	-	13,962,176
EXPENDITURES					
Current expenditures					
General government					
Administration	406,163	8,367	-	-	414,530
Elections and vital statistics	11,039	-	-	-	11,039
Finance	50,709	-	-	-	50,709
Valuation	156,206	-	-	-	156,206
Public safety					
Police	31,628	-	-	-	31,628
Fire	471,935	-	-	-	471,935
Public works	922,901	15,327	-	-	938,228
Health and social services	229,900	7,825	-	-	237,725
Recreation and parks	130,339	23,037	-	-	153,376
Conservation and development	52,874	340,154	-	-	393,028
School taxes	11,443,074	-	-	-	11,443,074
Debt service expenditures					
Principal	-	-	45,000	-	45,000
Interest	-	-	18,802	-	18,802
Capital expenditures					-
General government					
Administration	-	-	-	-	-
Public safety					-
Fire	-	-	197,000	-	197,000
Total expenditures	13,906,768	394,710	260,802	-	14,562,280
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,650	(345,995)	(260,759)	-	(600,104)
OTHER FINANCING SOURCES (USES)					
Transfers in	15,000	95,000	180,000	-	290,000
Transfers out	(290,000)	-	-	-	(290,000)
Total Other Financing Sources (Uses)	(275,000)	95,000	180,000	-	-
Net Change in Fund Balances	(268,350)	(250,995)	(80,759)	-	(600,104)
Fund Balances, July 1, 2012	588,129	1,002,479	162,521	4,864	1,757,993
Fund Balances, June 30, 2013	$ 319,779	$ 751,484	$ 81,762	$ 4,864	$ 1,157,889

The notes to the financial statements are an integral part of this statement

Exhibit E

TOWN OF CHARLOTTE, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balance - total government funds (Exhibit D)	$ (600,104)
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	46,742
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	165,892
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	45,000
Change in net assets of governmental activities (Exhibit B)	$ (342,470)

The notes to the financial statements are an integral part of this statement

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUND - ENTERPRISE FUND
JUNE 30, 2013

Exhibit F

	Major Funds Wastewater Fund	Total Proprietary Funds
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 154,548	$ 154,548
Accounts receivable (net of allowance for uncollectible accounts)	4,489	4,489
Due from other goverments	-	-
Due from other funds	91	91
Total Current Assets	159,128	159,128
Non-current Assets:		
Capital assets		
Land and land improvements	-	-
Buildings and building improvements	1,048,341	1,048,341
Machinery and equipment	-	-
Construction in progress	-	-
Less accumulated depreciation	-	-
Total Non-current Assets	1,048,341	1,048,341
Total Assets	$ 1,207,469	$ 1,207,469
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 2,227	$ 2,227
Accrued payroll and benefits payable	-	-
Accrued interest payable	-	-
Bonds and notes payable - current portion	75,000	75,000
Total Current Liabilities	77,227	77,227
Non-current Liabilities		
Bonds and notes payable	75,000	75,000
Total Non-current Liabilities	75,000	75,000
Total Liabilities	152,227	152,227
NET ASSETS		
Invested in capital assets, net of related debt	898,341	898,341
Unrestricted	156,901	156,901
Total Net Assets	1,055,242	1,055,242
Total Liabilities and Net Assets	$ 1,207,469	$ 1,207,469

The notes to the financial statements are an intergral part of this statement

Exhibit G

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Major Funds	Total
	Wastewater Fund	Proprietary Funds
OPERATING REVENUES		
Charges for services	$ 207,931	$ 207,931
Interest and penalties	46	46
Miscellaneous income	-	-
Total Operating Revenues	207,977	207,977
OPERATING EXPENSES		
Contract services	41,531	41,531
Utilities	2,485	2,485
Repairs and maintenance	55,294	55,294
Materials and supplies	4,075	4,075
Fees and permits	1,136	1,136
Testing fees	6,947	6,947
Depreciation	30,000	30,000
Total Operating Expenses	141,468	141,468
Operating Income (Loss)	66,509	66,509
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental revenues	-	-
Interest Expense	-	-
Total Nonoperating Revenues (Expenses)	-	-
Income (Loss) Before Transfers	66,509	66,509
TRANSFERS		
Transfers in	-	-
Transfers out	-	-
Total Transfers	-	-
Change in Net Assets	66,509	66,509
Total Net Assets - July 1, 2012, restated	988,733	988,733
Total Net Assets - June 30, 2013	$ 1,055,242	$ 1,055,242

The notes to the financial statements are an integral part of this statement

TOWN OF CHARLOTTE, VERMONT

Exhibit H

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2013

	Major Funds	
	Wastewater Fund	Total Proprietary Funds
Cash Flows from Operating Activities		
Cash received for services	$ 207,931	$ 207,931
Other operating revenues	-	-
Cash payments to employees	-	-
Cash payments for operating services	(113,553)	(113,553)
Net Cash Provided (Used) by Operating Activities	94,378	94,378
Cash Flows from Noncapital Financing Activities		
Transfers to other funds	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	-
Cash Flows from Capital and Related Financing Activities		
Cash received from capital grants		-
Cash paid for interest		-
Cash paid for construction in progress		-
Cash paid to debt principal	(75,000)	(75,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	(75,000)	(75,000)
Cash Flows from Investing Activities		
Cash received as interest income	46	46
Net Cash Provided (Used) by Investing Activities	46	46
Net Increase in Cash and Cash Equivalents	19,424	19,424
Cash and Cash equivalents, July 1, 2012	135,124	135,124
Cash and Cash equivalents, June 30, 2013	$ 154,548	$ 154,548
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating income	$ 66,509	$ 66,509
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	30,000	30,000
Changes in assets and liabilities:		
(Increase) in accounts receivable	(4,489)	(4,489)
Increase in accounts payable	2,137	2,137
Decrease in unearned income	-	-
Increase in accrued expenses	-	-
Decrease in interfund receivables	221	221
Net Cash Provided (Used) by Operating Activtities	$ 94,378	$ 94,378

The notes to the financial statements are an integral part of this statement

Exhibit I

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF
FIDUCIARY NET ASSETS
JUNE 30, 2013

	Trust Funds	
	Serrell Fund	Public Trustee
ASSETS		
Cash and cash equivalents	$ 5,174	$ 7,361
Prior year plan receivable		
Investments		409,641
Total Assets	5,174	417,002
LIABILITIES		
Due to beneficiaries		6,938
NET ASSETS		
Held in trust	5,174	410,064
Total Net Assets	$ 5,174	$ 417,002

The notes to the financial statements are an integral part of this statement

Exhibit J

TOWN OF CHARLOTTE, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

	Trust Funds	
	Serrell Fund	Public Trustee
REVENUE		
Donations	$ 395	$ -
Investment earnings	-	
Interest and dividends	2	63,754
Total Investments Earnings	2	63,754
Total Additions	397	63,754
DEDUCTIONS		
Retirement benefits	-	-
Administrative expenses	-	6,938
Total Deductions	-	6,938
Changes in net assets	397	56,816
Net Assets - July 1, 2012	4,777	353,248
Nets Assets - June 30, 2013	$ 5,174	$ 410,064

The notes to the financial statements are an integral part of this statement

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Charlotte, Vermont ("Town") is organized as a Town under the applicable laws and regulations of the State of Vermont. It is governed by a Select Board elected by registered voters of the Town to provide public health and safety, highways and street, public improvements, water, sanitation, planning and zoning, recreation, and general administration. Except where noted, the accounting policies conform to generally accepted accounting principles, as applicable to governmental units.

The accounting policies adopted by 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

The Select Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. accountability for fiscal matters. Therefore, the Town is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14. There are no component units included within the reporting entity. A component unit is another operation in the Town that has a separately elected Board such as a town school district, cemetery, or library.

This report includes all of the funds of the Town. 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 organizations 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. There are no agencies or 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, liabilities, 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.

1. Government-wide Statements

The statement of net assets and the statement of activities display information about the Town. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds; however, interfund services provided and used are not eliminated. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange 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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

1. Government-wide Statements (continued)

specifically associated with a program or function and, therefore, are clearly identifiable to a particular 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.

2. Fund Financial Statements

The fund financial statements provide information about the Town's funds, including fiduciary 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 and enterprise funds are aggregated and reported as non-major funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's various enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

a. Major Governmental Funds

The Town reports on the following major governmental funds:

i. **General Fund** - This is the general operating fund of the Town. It accounts for all financial resources of the general government, except those not accounted for in another fund.

ii. **Capital Projects Fund** - This fund is a capital project fund used to track all revenue and expenditures related to capital expenditures and associated grants. Expenditures consist of various projects to restore, improve and create Town improvements.

iii. Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. The Town has sixteen (16) special revenue funds:

Library	Restoration of records	Reappraisal
Thorpe Barn	Repairs and improvements	Cemetery
Tree	Scenic preservation	Trails Reserve
Mack scholarship	Affordable housing	Highway projects
Recreation	Conservation commission	Conservation Fund
Ski Fund		

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

a. Major Governmental Funds (continued)

iv. Enterprise Fund – The Town reports on the following major enterprise fund:

a. Wastewater Fund - This fund accounts for the activities of the Town's wastewater treatment plants and collection systems.

b. Non-major Governmental Funds

The Town reports on the following non-major governmental fund types:

i. Non-Major Funds

Subdivision Escrow

ii. Fiduciary Funds

The Town reports on the following fiduciary funds:

Serrell fund
Public Trustee fund

C. 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. Non-exchange 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 an 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 days after year-end.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, other postemployment benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, intergovernmental revenues and charges for current services associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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

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.

All governmental business-type activities and enterprise funds of the Town follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the Town has elected not to apply FASB Standards issued after November 30, 1989.

D. 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 assets). Fund equity (i.e., net total assets) is segregated into investment in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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 assets) are considered a measure of available spendable resources. 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 assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

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 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. The most significant estimates used by the Town are the estimated useful lives used to calculate depreciation of property, plant and equipment and the estimated costs of other post-employment benefits.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity

1. Cash

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six (6) months or less from the date of acquisition.

2. Investments

State statute does not restrict the types of investments the Town can make. All investments require the authorization of the Board of Selectmen. The investments are registered securities held by the Town or by its agent in the Town's name.

In accordance with GASB 31, "Accounting and Financial Reporting for Certain Investments," 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

Accounts receivable 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.

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (for the current portion of the interfund loans) or "advances to/from other funds" (for the non-current portion of interfund loans. All other outstanding balances between funds are reported as "due to/from other funds."

Accounts receivable from other governments represent amounts due from the State of Vermont for grants reimbursements. Based on experience and because the receivables are in accordance with formal agreements, the Town has not established an allowance for uncollectible receivables.

The Town is responsible for assessing and collecting its own property taxes, as well as taxes for the State for school purposes. Property taxes are assessed based on property valuations as of April 1 annually. Taxes are levied during September and are due and payable during November each year.

During the tax year ended June 30, 2013, taxes became due and payable during November, 2012. Taxes paid after due date are subject to a 8% penalty and 1% interest per month. Because unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale by the delinquent tax collector, the Town has not established an allowance for uncollectible taxes receivable.

As of June 30, 2013, delinquent taxes receivable were $193,581, with no allowance for uncollectible taxes.

The tax rates for FY2013 are as follows:

	Residential	Non-residential
General appropriation	$ 0.1113	$ 0.1113
Local agreement	0.0008	0.0008
Total municipal tax rate	0.1121	0.1121
Education (CLA adjusted)	1.3691	1.3613
Total tax rate	$ 1.4812	$ 1.4734

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

4. Inventories

The Town does not record inventories of supplies as these amounts are not material in relation to the Town's results of operations. Accordingly, expenditures related to inventories are reported in governmental funds when purchased.

5. Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities column in the governmental-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of $5,000 or more and estimated useful life in excess of one year. Such 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 of 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.

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, 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	Service Life
Land improvements	$ 10,000	10-50 years
Buildings and building improvements	$ 20,000	10-75 years
Vehicles and equipment	$ 5,000	3-25 years
Roads, bridges, and sidewalks	$ 20,000	20-75 years
Distribution and collection systems	$ 20,000	20-75 years

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

6. Compensated Balances

It is the Town's policy to permit employees to carry over a maximum of one week of accrued vacation to the following year, but must be taken in that year or forfeited. The accrual for unused vacation time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements, with the general fund being used to liquidate amounts recorded in the government-wide statements. Liability for unused vacation time is not reported in the governmental fund type financial statements unless they have matured. Payments for unused vacation time are recorded as expenditures in the year they are paid. No liability is reported for earned but unused sick time because it is not a vested benefit.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

7. Long-term Liabilities

Long-term liabilities include bonds and notes payable, and capital leases payable. Long-term liabilities also include other obligations such as compensated absences and postemployment benefits. 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 funds use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

8. Fund Equity

Fund balances and net assets are 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 assets in government-wide and proprietary fund type financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Net assets of governmental fund type financial statements are classified as non-spendable (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 at town meeting); assigned (reflecting the select board's intended use of the resources); and unassigned.

9. Budgets

The Town is required by state law to adopt a budget for the General and Highway Funds. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles ("GAAP"). The operating budget is prepared by the Select Board and approved by the Select Board at a properly warned meeting for presentation to the voters. The operating budget includes proposed expenditures by line item and the means of financing them. The budget is approved by Town voters at a properly warned annual Town meeting. The voters vote on the total expense amount, but voters have discretion to change individual line items within the budget, thereby changing the total voted expense amount.

10. Encumbrances

Encumbrance accounting, under which purchase orders, contract and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Fund. Encumbrances are not liabilities and, therefore, should not be recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town has elected to treat its encumbrances as liabilities for budgetary control purposes.

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

Governmental Fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while 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 operating expenses (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 expense as an expense. Further, governmental funds report the

NOTE II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (continued)

proceeds for the sale of capital assets as revenue, whereas government-wide statements repot the gain or loss from the sale of capital assets as revenue or expense.

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

A detailed explanation of the differences between governmental funds balance sheet and government-wide statement of net assets is as follows:

	Total Governmental Funds	Long-term Revenues/ Expenses	Capital-Related Items	Statement of Net Position Total
ASSETS				
Cash	$ 1,152,330	$ -	$ -	$ 1,152,330
Receivable (net of allowance for uncollectible accounts):				
Taxes receivable	193,581	-	-	193,581
Accounts receivable	19,317	-	-	19,317
Due from other governments	-	-	-	-
Due from other Town funds	541	-	-	541
Prepaid expenses	-	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	-
Notes and mortgages receivable	-	-	-	-
Capital assets	-	-	5,142,039	5,142,039
Total Assets	$ 1,365,769	$ -	$ 5,142,039	$ 6,507,808
LIABILITIES				
Current liabilities				
Accounts payable	$ 36,473	$ -	$ -	$ 36,473
Accrued payroll	1,402	-	-	1,402
Accrued expenses	3,213	-	-	3,213
Due to other funds	900	-	-	900
Deferred revenue	165,892	(165,892)	-	-
Noncurrent liabilities	-	-	390,000	390,000
Total Liabilities	207,880	(165,892)	390,000	431,988
NET ASSETS				
Invested in capital assets	-	-	4,752,039	4,752,039
Other	1,157,889	165,892	-	1,323,781
Total Net Assets	$ 1,157,889	$ 165,892	$ 4,752,039	$ 6,075,820

NOTE II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (continued)

A detailed explanation of the differences between governmental funds statement of revenues, expenditures and changes in fund balances and government-wide statement of activities is as follows:

	Total Governmental Funds	Long-term Revenues/Expenses	Capital-related Items	Long-term Debt Transactions	Statement of Net Assets Total
REVENUES					
Taxes	$ 12,549,634	$ 165,892	$ -	$ -	$12,715,526
Permits and licenses	46,569	-	-	-	46,569
Intergovernmental	316,177	-	-	-	316,177
Charges for current services	264,929	-	-	-	264,929
Fines and forfeits	10,555	-	-	-	10,555
Investment earnings	1,041	-	-	-	1,041
Rents	749,805	-	-	-	749,805
Other revenues	23,467	-	-	-	23,467
Total revenues	13,962,176	165,892	-	-	14,128,068
EXPENDITURES					
Current expenditures					
General government	632,484	-	24,252	-	656,736
Public safety	503,563	-	23,625	-	527,188
Public works	938,228	-	102,383	-	1,040,610
Health and welfare	237,725	-	-	-	237,725
Park and recreation	153,376	-	-	-	153,376
Conservation and development	393,028	-	-	-	393,028
Education appropriation	11,443,074	-	-	-	11,443,074
Debt service expenditures					
Principal	45,000	-	-	(45,000)	-
Interest expense	18,802	-	-	-	18,802
Capital expenditures					-
Public safety	197,000	-	(197,000)	-	-
Total expenditures	14,562,280	-	(46,742)	(45,000)	14,470,538
Excess (Deficiency) of Revenues Over (Under)Expenditures	$ (600,104)	$ 165,892	$ 46,742	$ 45,000	$ (342,470)

General revenues in the government funds decreased by $253,054. primarily due to a decrease in property tax revenues of $75,034, a decrease in rent revenue of $45,330, and a decrease in grant revenue of $112,390.

NOTE III. CASH AND CASH EQUIVALENTS

At June 30, 2013, the carrying amount of the Town's deposits with financial institutions was $1,306,878. These deposits are held in checking accounts, saving accounts, certificates of deposits, and money market accounts. Of the funds on deposit, $250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and $1,056,878 was collateralized or uninsured. The Town has a collateralization agreement with Citizens Bank to collateralize its deposits with Citizens Bank which exceed FDIC insurance limits.

NOTE III. CASH AND CASH EQUIVALENTS (continued)

The cash deposits held at financial institutions and cash on hand can be categorized according to four levels of risk:

Category 1 - Deposits which are insured or collateralized with securities held by the Town or by its agent in the Town's name (repurchase agreements).

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name

Category 3 - Private commercial insurance protection or letters of credit for funds in excess of FDIC limits.

Category 4 - Deposits which are not collateralized or insured (includes cash on hand).

Balances held in each area are as follows:

	Book Balance	Bank Balance
FDIC insured	$ 250,000	$ 250,000
Category 1	1,052,363	1,153,307
Category 2	-	-
Category 3	-	-
Category 4	160	160
Total Deposits	$ 1,302,523	$ 1,403,467

The difference between the book balance and bank balance is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flows at certain times during the year, the amount of uninsured, and not collateralized cash could have been much higher that at year end.

Balances in excess of FDIC insurance limits are collateralized by Citizens Bank using a pool of securities, separate from the Bank's other assets. At June 30, 2013 the security used is FNMA 15 year bond #AD0792 due 4/1/23 (CUSIP #31418M3A8) in the face amount of $122,743,613.

None of the Town's cash deposits at year end is subject to credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. The Town does not have policies regarding custodial credit risk, credit risk, concentration of credit risk, interest risk, or foreign currency risk.

GASB Statement No. 40 requires the Town's investments be categorized indicating the level of risk assumed by the Town at year end. Category 1 includes investments that are insured or registered or securities that are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments which are held by a trust department or agent in the Town's name. At June 30, 2013, all the Town's investments were in Category 1.

NOTE IV. INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at June 30, 2013 were as follows:

	Receivables	Payables
General Fund	$ 900	$ -
Conservation Commission	-	900
	$ 900	$ 900

B. Operating Interfund Transfers

The Town occasionally transfers funds to cover expenditures made in one fund for which the revenues are in another fund. The detail of interfund operating transfers recorded during the year ended June 30, 2013 is as follows:

	Transfers in					
Transfers out:	General Fund	Capital Projects fund	Repairs and improvements fund	Affordable housing	Highway project fund	Trails reserve fund
General fund	$(275,000)	$180,000	$ 60,000	$ 30,000	$ 15,000	$ 5,000
Reappraisal fund	(15,000)	-	-	-	-	-
	$(290,000)	$180,000	$ 60,000	$ 30,000	$ 15,000	$ 5,000

NOTE V. CAPITAL ASSET ACTIVITY

Capital asset activity of the Town for the year ended June 30, 2013 is as follows:

Governmental Activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	$ 2,138,199	$ -	$ -	$ 2,138,199
Library collections	404,625	-	-	404,625
	2,542,824	-	-	2,542,824
Capital assets being depreciated:				
Buildings/improvements	355,167	-	-	355,167
Infrastructure	2,764,071	-	-	2,764,071
Furniture	452,153	-	-	452,153
Vehicles	-	405,000	-	405,000
Total capital assets, being depreciated	$ 3,571,391	$ 405,000	$ -	$ 3,976,391
	Beginning Balances	Increases	Decreases	Ending Balances
Less Accumulated Depreciation:				
Buildings/Improvements	$ 125,950	$ 7,103	$ -	$ 133,053
Infrastructure	958,936	102,382	-	1,061,318
Furniture	142,031	17,149	-	159,180
Vehicles	-	23,625	-	23,625
Total depreciation	1,226,917	150,259	-	1,377,176
Assets being depreciated, net	2,344,474	254,741	-	2,599,215
Net assets	$ 4,887,298	$ 254,741	$ -	$ 5,142,039

Depreciation expense was charged to governmental functions as follows:

General	$ 24,252
Highway	102,382
Public safety	23,625
Total FY13 governmental depreciation expense	$ 150,259

NOTE V. CAPITAL ASSETS ACTIVITY (continued)

Business-type Activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Distribution and collection systems	$ 1,500,000	$ -	$ -	$ 1,500,000
Total assets, being depreciated	1,500,000	-	-	1,500,000
Total accumulated depreciation	421,659	30,000	-	451,659
Total assets being depreciated, net	$ 1,078,341	$ 30,000	$ -	$ 1,048,341

Total business-type activities depreciation expense for FY2013 was $30,000.

NOTE VI. DEFERRED REVENUE

The deferred revenues reported at year end are summarized as follows:

Property taxes:	$ 165,892

NOTE VII. LEASE AGREEMENTS

A. Operating Leases

Only July 28, 2010, the Town of Charlotte, Vermont entered into a lease agreement with Kelley Office Systems for the lease of a copier. The total amount due is $6,810, to be paid in monthly installments of $113.50 over 5 years. The following is a schedule of future minimum lease payments under this lease.

2013	$ 1,362
2014	1,362
Thereafter	1,362
Total	$ 4,086

B. Other Leases

The Town leases about 110 parcels of land at Thompson's Point. The leases have been renewed at different points in time, and run up to 20 years.

NOTE VIII. LONG-TERM DEBT

The Town issues general obligation bonds and notes to finance the acquisition and construction of major capital facilities, renovations, and equipment purchases. General obligation bonds are direct obligations and pledge the full faith and credit of the issuing entity. These bonds are generally issued as 5 to 20 year serial bonds with equal amounts of principal maturing each year.

NOTE VIII. LONG-TERM DEBT (continued)

The following is a summary of general obligation bonds and notes:

	Balance July 1, 2012	Borrowings	Principal payments	Balance June 30, 2013
Governmental Activities				
Vermont Municipal Bank, Fire and Rescue building bond payable dated 7/14/99 in the original amount of $450,000 with interest at 5.065% paid semi-annually; principal of $25,000 due on December 1st of each year until 2010, then $20,000 each year until 2019.	$ 160,000	$ -	$ 20,000	$ 140,000
Vermont Municipal Bank, Fire and Rescue pump truck bond payable dated 6/30/04 and refinanced 8/12 with interest at 4.928% (net) paid semi-annually; principal of $25,000 due on December 1st of each year until 2014, then $20,000 each year until 2024.	275,000	-	25,000	250,000
Total	435,000	-	45,000	390,000
Business-type activities				
Vermont Municipal Bank, VT Environmental Protection Agency Pollution Control bond payable dated 11/3/92 in the original amount of $1,500,000 with interest at 0% and principal of $75,000 due on December 1st of each year until 2014.	225,000	-	75,000	150,000
Total	225,000	-	75,000	150,000
Total Long-Term Debt	$ 660,000	$ -	$ 120,000	$ 540,000

The following is a summary of annual principal and interest debt service requirements to maturity:

	Principal	Interest	Total
Current Portion	$ 120,000	$ 20,086	$ 140,086
2015	120,000	18,026	138,026
2016	45,000	15,925	60,925
2017	45,000	13,100	58,100
Thereafter	210,000	54,936	264,936
Total	$ 540,000	$ 122,073	$ 662,073

For the year ended June 30, 2013, long-term debt interest expense for all funds was $18,802.

NOTE IX. ASSIGNED FUND BALANCES

At June 30, 2013 the Town had assigned fund balances for the following purposes:

	General Fund	Special Revenue Funds	Capital Projects Fund	Non-Major Funds
General government	$ 319,779	$ -	$ -	$ -
Capital projects	-	358,193	81,762	393,291
Total	$ 319,779	$ 358,193	$ 81,762	$ 393,291

At June 30, 2013 the Town had no restricted fund balances. The $319,779 assigned for General government includes $133,000 which will be returned to the voters in the tax rate.

NOTE X. PENSION PLAN

Employees are eligible to participate in the Vermont Municipal Employees' Retirement System("VMERS"). All full-time employees of the participating employers are eligible to participate in the plan on the first day of the month following completion of one year of service. There are four levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. The Town participates in Group A and B. Normal retirement for Group A members is age 65 or the completion of 5 years of service, whichever is later. Normal retirement for Group B members is age 62 and the completion of 5 years of creditable service. Normal retirement for Group C and D members is age 55 and the completion of 5 years of creditable service. A member may receive reduced benefits at age 55 if they have 5 years of service and have made contributions for at least 2.5 years. The System is an actuarial reserve, joint-contributory program. Both the members and the Town make contributions to the fund according to the following schedule:

	Group A	Group B	Group C	Group D
Employees' Contributions (% of gross wages)	2.5%	4.5%	9.0%	11.0%
The Town's Contributions (% of gross wages)	4.0%	5.0%	6.0%	9.0%

Employee contributions are withheld pre income tax by the Town and are remitted to the State of Vermont. Such withholdings totaled $12,123 during the year. The Town contributed $13,470 during the year. The Town's total payroll for all employees during the year was $410,901, with $269,405 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System.

NOTE XI. LONG-TERM CONTRACTS AND COMMITMENTS

The Town participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money recovered may be required and the collectability of any related receivable at June 30, 2013 may be impaired. In the opinion of the Town, there are no significant contingent liabilities related to compliance with the rules and regulations governing

NOTE XI. LONG-TERM CONTRACTS AND COMMITMENTS (continued)

the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE XII. RISK MANAGEMENT

The Town is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; injured to employees; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

In addition, the Town is a member of Vermont League of Cities and Towns (VLCT). The VLCT has set up three insurance Trusts:

1. The Property and Casualty Inter-municipal Fund, Inc. (PACIF) for multi-line insurance;
2. The Vermont League of Cities and Towns Health Trust (VLCTHT) for health, life and disability coverage; and
3. The Vermont League of Cities and Towns Unemployment Trust, Inc. (VLCTUT) for unemployment compensation.

PACIF, VLCTHT, and VLCTUT are nonprofit corporations formed to provide insurance and risk management programs for Vermont cities and towns and is owned by the participating members. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association. To provide insurance coverage, PACIF has established a self-funded insurance trust. It provides extensive coverage for losses to member municipalities for property damage, auto accidents, injured employees, public official liability and employment practices liability, members gain additional benefits from PACIF's unique public safety and risk management programs as well as dedicated in-house claims adjusters. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and PACIF is unable to meet its required obligations, the Program will be terminated with each member assessed their proportionate share of the deficit.

To provide insurance coverage, VLCTHT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Benefits available include dental insurance, flexible spending accounts, life insurance, disability insurance, and long-term care insurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

To provide unemployment coverage, VLCTUT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and provide excess reinsurance protection. Contributions are based on payroll expense and the previous two year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VLCTUT is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset 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 amounts.

NOTE. XIII. SUBSEQUENT EVENTS

There were no tax anticipation notes taken in subsequent periods during the 2013 fiscal year at the release date of this report.

TOWN OF CHARLOTTE, VERMONT
GENERAL FUNDS - UNASSIGNED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Tax-based income:			
Property taxes	$ 1,047,556	$ 1,074,567	$ 27,011
Delinquent tax interest and penalties	40,000	31,993	(8,007)
Subtotal	1,087,556	1,106,560	19,004
Rent income:			
Thompson's Point	740,000	745,695	5,695
Rental property	-	-	-
Subtotal	740,000	745,695	5,695
Grants and special projects:			
Current Use	85,000	82,974	(2,026)
Pilot payment	21,000	20,046	(954)
State highway aid	188,469	195,983	7,514
Subtotal	294,469	299,003	4,534
Town clerk revenue:			
Vault time fees	8,500	8,079	(421)
Recording fees	60,000	61,156	1,156
Dog licenses	2,200	2,418	218
Hunting and fishing licenses	300	132	(168)
Registration renewal fees	100	152	52
Subtotal	71,100	71,937	837
Planning and zoning revenue:			
Zoning Board adjustment	2,000	2,750	750
Building permits	14,000	19,590	5,590
Subdivision revenue	16,000	11,700	(4,300)
Miscellaneous revenue	150	57	(93)
Septic applications	10,000	6,580	(3,420)
Certificates of occupancy	1,200	1,950	750
Certificates of compliance	2,500	2,475	(25)
Highway access permits	700	1,000	300
Subtotal	46,550	46,102	(448)
Miscellaneous revenue:			
Railroad tax	167	218	51
Barber Cemetery fund	125	167	42
Senior Center	20,000	22,301	2,301
Fire and rescue	90,000	109,727	19,727
Beach fees	9,500	8,472	(1,028)
Recreation programs	50,745	43,796	(6,949)

TOWN OF CHARLOTTE, VERMONT
GENERAL FUNDS - UNASSIGNED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Court fines - highway	12,000	10,555	(1,445)
Agricultural lease	3,000	4,110	1,110
Investment income	1,500	619	(881)
Reappraisal fund transfer	15,000	-	(15,000)
Miscellaneous	500	1,082	582
Subtotal	202,537	201,047	(1,490)
Total Revenues	$ 2,442,212	$ 2,470,344	$ 28,132
EXPENDITURES			
Selectmen:			
Salaries	9,000	8,832	168
Minute-taker salaries	2,550	3,542	(992)
Administrative assistant	25,952	25,952	-
Legal expenses	45,000	11,531	33,469
Unanticipated expenses	2,000	8,510	(6,510)
Town party	3,000	2,598	402
Volunteer recognition	5,000	4,750	250
Advertising	500	627	(127)
Seminars	150	685	(535)
Subtotal	93,152	67,027	26,125
Town Clerk:			
Clerk's salary	60,181	59,677	504
Assistant clerk's salary	35,312	35,120	192
Telephone	1,900	1,762	138
Equipment	700	-	700
Seminars/training	300	310	(10)
Supplies	2,500	5,100	(2,600)
Service contracts	4,400	4,418	(18)
Subtotal	105,293	106,387	(1,094)
Treasurer:			
Supplies	1,000	679	321
Audit	12,860	50,030	(37,170)
Subtotal	13,860	50,709	(36,849)
Elections and Town Meetings:			
Elections	3,500	2,999	501
Town meetings	2,100	2,154	(54)
Town report expenses	3,600	5,886	(2,286)
Subtotal	9,200	11,039	(1,839)

TOWN OF CHARLOTTE, VERMONT
GENERAL FUNDS - UNASSIGNED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Planning and Zoning:			
Zoning Administrator salary	34,688	34,688	-
Planner salary	25,952	25,952	-
Administrative Assistant salary	35,480	34,478	1,002
Minute-taker salaries	3,000	1,854	1,146
Legal expenses	2,500	815	1,685
Miscellaneous	100	-	100
Mileage	550	630	(80)
Telephone	900	759	141
Advertising	2,000	1,373	627
Equipment	100	-	100
Seminars	500	510	(10)
Computer upgrade	500	1,605	(1,105)
Supplies	1,500	1,239	261
Memberships/manuals	320	316	4
Engineering	8,000	4,620	3,380
Copier	2,750	2,477	273
Planning consultants	2,000	2,475	(475)
Mapping	1,500	52	1,448
Village planning	1,000	-	1,000
Town planning/land use	2,000	1,874	126
Subtotal	125,340	115,717	9,623
Constable:			
Salary	2,600	2,600	-
Subtotal	2,600	2,600	-
Listers:			
Lister salaries	25,775	16,553	9,222
Contract appraiser	33,600	17,983	15,617
Mileage	100	122	(22)
Telephone	1,680	1,465	215
Advertising	1,500	-	1,500
Computer software	200	195	5
Supplies	1,500	669	831
Memberships/manuals	75	50	25
MS service contract	232	232	-
Mapping contract	2,000	2,000	-
Furniture/equipment	200	1,220	(1,020)
Subtotal	66,862	40,489	26,373

TOWN OF CHARLOTTE, VERMONT
GENERAL FUNDS - UNASSIGNED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Delinquent Tax Collector:			
Delinquent Tax Collector salary	5,314	5,314	-
Subtotal	5,314	5,314	-
Employee benefits			
Social security	25,500	24,252	1,248
Health insurance	138,971	98,645	40,326
Retirement	14,500	13,420	1,080
Unemployment compensation	900	866	34
MEDI expense	5,964	5,703	261
Eyemed Vision plan	1,390	1,195	195
Delta Dental	13,372	9,566	3,806
HRA expenses	-	10,336	(10,336)
Subtotal	200,597	163,983	36,614
Fire and Rescue			
Professional services	5,000	-	5,000
Administrative assistant	17,421	-	17,421
Subtotal	22,421	-	22,421
Highways			
Miscellaneous	4,000	215	3,785
Retreatment	235,000	230,833	4,167
Materials - highway	-	1,362	(1,362)
Winter plowing/sand/ice	200,000	203,538	(3,538)
Gravel roads maintenance	166,000	177,123	(11,123)
Ditching	70,000	52,634	17,366
Brush/tree removal	45,000	75,867	(30,867)
Culvert replacement/repair	40,000	42,945	(2,945)
Roadside mowing	30,000	16,350	13,650
Sweeping int/shoulders	4,000	3,425	575
Cold patch	4,000	2,220	1,780
Bridge/guardrail repair	3,000	1,960	1,040
Road signs	11,000	26,449	(15,449)
Covered bridges	10,000	2,859	7,141
Bike path maintenance	2,000	1,695	305
Gravel road upgrades	77,250	46,220	31,030
Subtotal	901,250	885,695	15,555

TOWN OF CHARLOTTE, VERMONT
GENERAL FUNDS - UNASSIGNED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Town Lands:			
Landfill monitor	5,000	3,282	1,718
Land maintenance contract	13,000	15,642	(2,642)
Cemetery maintenance	8,000	9,075	(1,075)
Park security	5,284	5,284	-
Ballpark maintenance	-	2,740	(2,740)
Park maintenance	12,450	12,736	(286)
Berry farm field	6,800	8,460	(1,660)
Town beach mowing	-	1,720	(1,720)
School fields maintenance	9,300	6,883	2,417
Trail maintenance	-	720	(720)
Subtotal	59,834	66,542	(6,708)
Library:			
Director's salary	38,033	38,033	-
Library assistants salaries	18,906	20,423	(1,517)
Youth librarian salary	16,744	17,745	(1,001)
Technical librarian salary	14,347	14,728	(381)
Custodial services	3,500	3,000	500
Postage/miscellaneous	1,200	830	370
Telecommunications	1,700	1,965	(265)
Supplies	3,000	3,712	(712)
Seminars	1,000	1,933	(933)
Association dues	225	225	-
Acquisitions	10,500	10,584	(84)
Special programs	1,750	1,273	477
Energy	8,000	7,666	334
Maintenance	6,000	5,699	301
Computer Support	3,300	1,970	1,330
Computer equipment	3,000	2,456	544
Subtotal	131,205	132,242	(1,037)
Annual requests:			
Lewis Creek Assoc.	600	600	-
Visiting Nurses Assoc.	8,570	8,570	-
CV Agency on Agency	1,600	1,600	-
Women Helping Battered Women	450	450	-
Women's Rape Crisis Center	1,000	1,000	-
Howard Mental Health	900	900	-
Chittenden County Food Shelf	200	200	-
COTS	500	500	-
NVRCDC	75	75	-
Special Investigations	2,700	2,700	-
American Red Cross	250	250	-
Subtotal	16,845	16,845	-

TOWN OF CHARLOTTE, VERMONT
GENERAL FUNDS - UNASSIGNED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Recreation:			
Beach attendant wages	9,500	7,991	1,509
Miscellaneous	500	140	360
Beach maintenance	3,500	1,037	2,463
Telephone	250	-	250
Garbage removal	400	257	143
Skating rink	600	1,561	(961)
Beach electricity	225	281	(56)
Skating rink electricity	400	410	(10)
Beach coordinator	1,530	1,185	345
Docks in and out	4,000	5,454	(1,454)
Rec Program Director	19,404	19,891	(487)
Recreation programs expenses	37,745	25,444	12,301
Subtotal	78,054	63,651	14,403
Conservation:			
Education tech support	4,500	3,288	1,212
Green-Up Day	100	-	100
CV Conservation Alliance	100	-	100
Subtotal	4,700	3,288	1,412
Town Hall:			
Maintenance	12,000	10,172	1,828
Postage	7,000	5,880	1,120
Equipment	2,500	1,723	777
Supplies	3,000	3,042	(42)
Trash removal	1,200	1,234	(34)
Northshore Road pick-up	-	262	(262)
Deer Point Road pick-up	-	262	(262)
Utilities	4,300	3,963	337
Fuel oil	5,000	5,183	(183)
Computer service	2,000	3,422	(1,422)
Subtotal	37,000	35,143	1,857
Senior Center:			
Maintenance	6,000	10,382	(4,382)
Snow plowing	1,500	400	1,100
Custodial services	6,000	6,855	(855)
Miscellaneous	500	780	(280)
Postage	500	500	-
Telecommunications	1,800	1,793	7
Supplies	1,000	989	11
Energy	8,000	7,644	356

TOWN OF CHARLOTTE, VERMONT
GENERAL FUNDS - UNASSIGNED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Director salary	24,259	24,202	57
Program expenses	20,000	23,235	(3,235)
Subtotal	69,559	76,780	(7,221)
Miscellaneous			
Insurance	32,100	43,415	(11,315)
Flea market electric	260	291	(31)
Street lights	1,700	1,475	225
Museum electricity	300	297	3
Health Officer	1,275	1,275	-
Animal control officer	3,000	2,000	1,000
Dogs/miscellaneous	2,000	758	1,242
Miscellaneous	500	1,156	(656)
Trails committee	1,000	146	854
Traffic enforcement	25,000	29,028	(4,028)
Charlotte Land Trust	5,000	5,000	-
Tax anticipation note interest	2,800	-	2,800
Energy committee	5,000	147	4,853
Affordable housing	500	-	500
250th celebration	5,000	4,446	554
Subtotal	85,435	89,434	(3,999)
Intergovernmental Taxes and Dues			
VLCT dues	4,553	4,553	-
CCRPC dues	6,037	8,037	(2,000)
County tax	45,000	39,993	5,007
CCMPO	5,651	5,651	-
LCRCC dues	-	640	(640)
Subtotal	61,241	58,874	2,367
Public safety			
Fire and rescue	457,450	471,935	(14,485)
Subtotal	457,450	471,935	(14,485)
Total Expenditures	$ 2,547,212	$ 2,463,694	$ 83,518
Excess (deficiency) of revenues over expenditures	(105,000)	6,650	111,650

TOWN OF CHARLOTTE, VERMONT
GENERAL FUNDS - UNASSIGNED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	15,000	15,000
Transfers out	(275,000)	(290,000)	(15,000)
Total Other Financing Sources (Uses)	(275,000)	(275,000)	-
Net Change in Fund Balances	$ (380,000)	$ (268,350)	$ 111,650

TOWN OF CHARLOTTE, VERMONT
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Community Library	Recreation Fund	Restoration of Records	Reappraisal Fund	Conservation Commissions	Thorpe Barn	Repairs & Improvement Fund	Cemetary Fund	Subtotals
ASSETS									
Current Assets:									
Cash	$ 2,177	$ 2,712	$ 11,767	$ 24,986	$ 1,464	$ 7,660	$ 56,086	$ 2,932	$ 109,784
Total Current Assets	2,177	2,712	11,767	24,986	1,464	7,660	56,086	2,932	109,784
TOTAL ASSETS	$ 2,177	$ 2,712	$ 11,767	$ 24,986	$ 1,464	$ 7,660	$ 56,086	$ 2,932	$ 109,784
LIABILITIES AND FUND BALANCES:									
Current Liabilites:									
Due to other funds	$ -	$ -	$ -	$ -	$ 900	$ -	$ -	$ -	$ 900
Total Current Liabilities	-	-	-	-	900	-	-	-	900
Fund Balances:									
Assigned	2,177	2,712	11,767	24,986	564	7,660	56,086	2,932	108,884
Total Fund Balances	2,177	2,712	11,767	24,986	564	7,660	56,086	2,932	108,884
TOTAL LIABILITIES AND FUND BALANCES	$ 2,177	$ 2,712	$ 11,767	$ 24,986	$ 1,464	$ 7,660	$ 56,086	$ 2,932	$ 109,784

TOWN OF CHARLOTTE, VERMONT
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Tree Fund	Scenic Preservation	Mack Scholarship	Affordable Housing	Highway Project	Trails Reserve	Conservation Fund	Ski Fund	Subtotals	Totals
ASSETS										
Current Assets:										
Cash	$ 895	$ 1,951	$ 1,759	$ 164,555	$ 67,887	$ 12,262	$ 385,351	$ 7,940	$ 642,600	$ 752,384
Total Current Assets	895	1,951	1,759	164,555	67,887	12,262	385,351	7,940	642,600	752,384
TOTAL ASSETS	$ 895	$ 1,951	$ 1,759	$ 164,555	$ 67,887	$ 12,262	$ 385,351	$ 7,940	$ 642,600	$ 752,384
LIABILITIES AND FUND BALANCES:										
Current Liabilities:										
Due to other funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 900
Total Current Liabilities	-	-	-	-	-	-	-	-	-	900
Fund Balances:										
Assigned	895	1,951	1,759	164,555	67,887	12,262	385,351	7,940	642,600	751,484
Total Fund Balances	895	1,951	1,759	164,555	67,887	12,262	385,351	7,940	642,600	751,484
TOTAL LIABILITIES AND FUND BALANCES	$ 895	$ 1,951	$ 1,759	$ 164,555	$ 67,887	$ 12,262	$ 385,351	$ 7,940	$ 642,600	$ 752,384

TOWN OF CHARLOTTE, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Community Library	Recreation Fund	Restoration of Records	Reappraisal Fund	Conservation Commissions	Thorpe Barn	Repairs & Improvement Fund	Cemetary Fund	Subtotals
REVENUES									
Grants and Special Projects	$ -	$ -	$ -	$ 16,788	$ -	$ -	$ -	$ -	$ 16,788
Fees, Permits, Miscellaneous	-	467	-	-	-	-	-	-	467
Investment Income	1	1	6	9	-	3	11	1	32
Donations	9,186	-	-	-	106	233	-	2,500	12,025
TOTAL REVENUES	9,187	468	6	16,797	106	236	11	2,501	29,312
EXPENDITURES									
General government									-
Administration	-	-	7,822	545	-	-	-	-	8,367
Public works	-	-	-	-	-	-	13,940	1,387	15,327
Health and social services	7,500	-	-	-	-	-	-	-	7,500
Recreation and parks	-	-	-	-	519		-	-	519
Conservation and development	-	-	-	-	-	154	-	-	154
TOTAL EXPENDITURES	7,500	-	7,822	545	519	154	13,940	1,387	31,867
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,687	468	(7,816)	16,252	(413)	82	(13,929)	1,114	(2,555)
OTHER FINANCING SOURCES (USES):									
Transfers In	-	-	-	(15,000)	-	-	60,000	-	45,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,687	468	(7,816)	1,252	(413)	82	46,071	1,114	42,445
FUND BALANCES, JULY 1, 2012	490	2,244	19,583	23,734	977	7,578	10,015	1,818	66,439
FUND BALANCES, JUNE 30, 2013	$ 2,177	$ 2,712	$ 11,767	$ 24,986	$ 564	$ 7,660	$ 56,086	$ 2,932	$ 108,884

TOWN OF CHARLOTTE, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Tree Fund	Scenic Preservation	Mack Scholarship	Affordable Housing	Highway Projects	Trails Reserve	Conservation Fund	Ski Fund	Subtotals	Totals
REVENUES										
Grants and Special Projects	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,788
Fees, Permits, Miscellaneous	-	-	-	-	-	-		8,696	8,696	9,163
Investment Income	1	-	1	60	22	4	256	3	347	379
Donations	605	1,000	310	-	-	8,445			10,360	22,385
TOTAL REVENUES	606	1,000	311	60	22	8,449	256	8,699	19,403	48,715
EXPENDITURES										
General government									-	
Administration	-	-	-	-	-	-			-	8,367
Public works	-	-	-	-	-	-			-	15,327
Health and social services	-	-	325	-	-	-			325	7,825
Recreation and parks	2,014	-	-	-	-	11,682		8,822	22,518	23,037
Conservation and development	-	-	-	-	-	-	340,000		340,000	340,154
TOTAL EXPENDITURES	2,014	-	325	-	-	11,682	340,000	8,822	362,843	394,710
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,408)	1,000	(14)	60	22	(3,233)	(339,744)	(123)	(343,440)	(345,995)
OTHER FINANCING SOURCES (USES):										
Transfers In	-	-	-	30,000	15,000	5,000	-	-	50,000	95,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,408)	1,000	(14)	30,060	15,022	1,767	(339,744)	(123)	(293,440)	(250,995)
FUND BALANCES, JULY 1, 2012	2,303	951	1,773	134,495	52,865	10,495	725,095	8,063	936,040	1,002,479
FUND BALANCES, JUNE 30, 2013	$ 895	$ 1,951	$ 1,759	$ 164,555	$ 67,887	$ 12,262	$ 385,351	7,940	$ 642,600	$ 751,484

Batchelder Associates, PC

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

To the Board of Selectmen
Town of Charlotte
Charlotte, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlotte, Vermont ("Town"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 8, 2013.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

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

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

Batchelder Associates PC

Batchelder Associates, PC
Barre, Vermont
August 8, 2013 VT
License #945

Bonnie K. Batchelder ❧ Certified Public Accountant

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