

Town of Charlotte, Vermont
Financial Statements
For The Year Ended June 30, 2010

Town of Charlotte, Vermont
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For The Year Ended June 30, 2010

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Independent Auditors' Report

To The Selectboard
Town of Charlotte, Vermont

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Town of Charlotte, Vermont, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Town's nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of Town of Charlotte, Vermont's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Town of Charlotte, Vermont, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary fund of Town of Charlotte, Vermont, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2011 on our consideration of Town of Charlotte, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 and 30 through 37 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Town of Charlotte, Vermont'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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Angolano & Company

Angolano & Company
Shelburne, Vermont
Firm Registration Number 92-0000141

January 19, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Charlotte, we offer here an overview and analysis of the financial activities of the Town for the fiscal year ending June 30, 2010. We encourage readers to consider the information presented here in conjunction with the Town's financial statements, which are located after this analysis. The Town of Charlotte used the reporting standard, GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This discussion and analysis provides comparisons between fiscal years 2010 and 2009.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities on June 30, 2010 by \$7,740,507. (See Exhibit I) and by \$7,663,963 on June 30, 2009. Net assets of governmental activities increased by \$190,776 for fiscal 2010 and by \$210,784 for fiscal 2009.
- At the end of the fiscal year, the Town's governmental funds reported a combined ending fund balance of \$1,315,188 as of June 30, 2010, compared to \$1,398,937 as of June 30, 2009. Of this total fund balance, \$1,282,850 is reserved for specific purposes. The remainder is unreserved.
- The Town total debt at the end of the fiscal year was \$900,000, a decrease of \$125,000. During the fiscal year the Town incurred no new debt. More detailed information concerning long-term debt can be found in Note 6 of the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Town's financial statements consist of four sections: 1) Management's Discussion and Analysis, 2) Basic Financial Statements, 3) Required Supplementary Information and 4) Combining Financial Statements.

- **Management's Discussion and Analysis** – An introduction to the basic financial statements that is intended to be an easily read analysis of the Town's financial activities based on currently known facts, decisions and conditions.
- **Basic Financial Statements** – This is the section of the report that includes government-wide financial statements, fund financial statements, and notes to the financial statements. The government-wide statements present the financial position and activities of the Town as a whole using accounting methods similar to those used by private sector companies. The fund financial statements present financial information on specific activities of the Town.
- **Required Supplementary Information** – This section of the report includes financial information that is not part of the basic financial statements but is required by accounting principles generally accepted in the United States of America (GAAP). It is comprised of Management's Discussion and Analysis and the budgetary comparison schedule for the general fund.

- **Combining Financial Statements** – This section of the report is not required by GAAP but is presented as supplementary information. It contains the detail for individual non-major governmental funds.

Government-wide 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 statements provide both short-term and long-term information about the Town's financial position that helps readers determine whether the Town's financial position has improved or deteriorated during the financial year. These statements include all non-fiduciary financial activity on the full accrual basis of accounting. This means that all revenue and expenditures are reflected in the financial statements even if the related cash has not been received or paid as of June 30. There are two government-wide financial statements.

The *Statement of Net Assets* (Exhibit I) 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 indicate whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* (Exhibit II) presents information showing how the Town'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).

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 the finance-related legal requirements. All of the Town's funds can be divided into two categories, governmental and fiduciary. Each of these categories uses different accounting approaches. Fund financial statements provide detailed information about the major individual funds.

- **Government funds.** Most of the basic services provided by the Town are reported in the governmental funds. These statements provide a detailed, short-term view of the functions reported as governmental activities in the government-wide financial statements. The government-wide financial statements are reported using the full accrual basis of accounting, but the government fund financial statements are reported using the modified accrual basis of accounting. This allows the reader to focus on assets that can be readily converted to cash and determine whether there are adequate resources to meet the Town's current needs.

- ***Fiduciary funds.*** These funds are used to account for resources held for the benefit of parties outside the government and use the full accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statement because the resources of these funds are restricted and cannot be used to finance the Town's operations. The Town's fiduciary funds consist of the Thompson's Point Fund and two escrow funds.

Reconciliation of Government-Wide Statements to Fund Financial Statements

Because the focus of governmental funds is more limited 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. This comparison can help readers better understand the long-term impact of the Town'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 following indicates some of the reporting differences between the government-wide financial statements and the fund financial statements.

- Capital assets used in governmental activities are not reported on governmental fund statements
- Long-term liabilities, unless due and payable, are not included in the fund financial statements. These liabilities are only included in the government-wide statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements
- Capital outlay spending results in capital assets on the government-wide statements, but are reported as expenditures in fund financial statements.
- Bond proceeds provide current financial resources on the fund financial statement, but are recorded as long-term liabilities in the government-wide financial statements.

FINANCIAL ANALYSIS

Financial Analysis of Government-wide Financial Statements

The following condensed financial information was derived from the Statement of Net Assets (Exhibit I)

Net Assets as of June 30, 2010 and 2009

	2010 Governmental Activities	2009 Governmental Activities
Current and other Assets	\$1,323,614	\$1,389,301
Capital Assets	6,280,061	6,175,413
Total Assets	7,740,507	7,663,963
Long-term Liabilities	900,000	1,025,000
Other Liabilities	16,229	5,461
Total Liabilities	916,229	1,030,461
Net Assets:		
Invested in Capital Assets, net of Related Debt	5,380,061	5,150,413
Restricted	1,276,172	1,284,845
Unrestricted	168,045	198,244
	6,824,278	6,633,502
	\$6,824,278	\$6,633,502

The largest portion of the Town's net assets (81%) reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure), less any related outstanding debt used to acquire these assets. These assets are recorded net of depreciation in the financial statements. The Town uses these capital assets to provide services to citizens; therefore, 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.

An additional portion of the Town's net assets (19%) represents restricted net assets. These resources are subject to external restrictions or constitutional provisions specifying how they may be used.

Approximately 93% of the Town's total general revenue came from taxes. While the Town's expenses cover many services, the largest expenses are for education, followed by maintenance of the Town's road system ("Public Works"), then public safety. General revenues normally fund governmental activities. For FY 2010, governmental activity expenses exceeded program revenues, resulting in the use of \$12,790,451 in general revenue (primarily taxes). The following condensed financial information was derived from the Government-wide Statement of Activities (Exhibit II).

Changes in Net Assets for the Fiscal Years Ended June 30, 2010 and 2009

	2010 Governmental Activities	2009 Governmental Activities
Revenues		
<i>Program Revenues</i>	\$228,987	\$202,091
Charges for Service	0	0
Operating Grants and Contributions	228,987	202,091
<i>General Revenues</i>		
Property Taxes	12,043,494	11,863,348
Permits and Licenses	309,931	720,471
Unrestricted State Revenue	120,617	119,712
Unrestricted Grants and Contributions	4,352	14,020
Unrestricted Investment Earnings	9,793	33,682
Rentals	445,456	403,698
Transfers	685	0
Total Revenues	\$13,210,214	\$13,044,318
Expenses		
<i>General Government</i>	795,797	773,303
Public Safety	560,523	694,668
Highways and Streets	770,051	759,775
Culture and Recreation	78,121	70,808
Intergovernmental/Other Services	243,403	426,606
Special Articles and Other Items	16,820	16,905
Education	10,554,723	10,091,469
Interest Expense		
Total Expenses	\$13,019,438	\$12,833,534
Transfers In (Out)		
Transfer Capital Assets to Fire & Rescue	(25,204)	(137,109)
Transfer from Fiduciary Funds		
Transfer to Special Purpose Trust Fund		
Total Transfers	(25,204)	(137,109)
Increase in Net Assets	190,776	210,784
Net Assets, Beginning of Year	6,663,502	6,422,718
Prior Period Adjustment		
Net Assets, End of Year	6,824,278	6,633,502

Capital Assets

The Town had \$6,280,061 and \$6,175,413 in capital assets, net of depreciation, on June 30, 2010 and 2009, respectively. This investment in capital assets includes land, buildings, improvements, equipment and infrastructure. Infrastructure assets are items

that are normally immovable such as roads, bridges, drainage systems and other similar assets. Additional information on the Town's capital assets can be found in Note 4 to the financial statements.

Capital Assets as of June 30, 2010 and 2009

	2010	2009
Land	\$2,138,199	\$2,138,199
Library Collection	404,625	404,625
Buildings and improvements	1,855,167	1,855,167
Infrastructure Assets	2,764,071	2,511,898
Equipment	452,153	452,153
Total Assets	7,337,237	7,362,042
Accumulated Depreciation	(1,334,154)	(1,186,629)
Net Capital Assets	\$6,280,061	\$6,175,413

Long Term Debt

At the end of the current fiscal year, the Town had total debt outstanding of \$900,000. Additional information on the Town's long-term debt can be found in Note 6 to the financial statements.

Additional Comments

Town ended the year with a surplus of \$90,000, almost all of which was due to a large tax sale. This surplus was used to lower the tax rate.

Requests for Information

This financial report is designed to provide a general overview of the Town of Charlotte's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chair of the Selectboard, Town of Charlotte, P.O. Box 119, Charlotte, Vermont 05445.

Charlotte Volunteer Fire and Rescue Services, Inc. issues its own separate financial statements. These are available from the Town of Charlotte Town Office at the address above.

Town of Charlotte, Vermont
Statement of Net Assets
Government-Wide
June 30, 2010

EXHIBIT I

	Governmental Activities	Total
ASSETS:		
Cash and Cash Equivalents	\$ 1,323,614	\$ 1,323,614
Delinquent Taxes Receivable	113,875	113,875
Penalties and Interest Receivable	22,622	22,622
Accounts Receivable - Other	335	335
Capital Assets, net (Note 4)	6,280,061	6,280,061
Total Assets	7,740,507	7,740,507
LIABILITIES:		
Accounts Payable	16,229	16,229
Long-Term Liabilities (Note 6):		
Due Within One Year	120,000	120,000
Due in More Than One Year	780,000	780,000
Total Liabilities	916,229	916,229
NET ASSETS:		
Investment in Capital Assets, net of related debt	5,380,061	5,380,061
Restricted for Capital Projects	246,015	246,015
Restricted for Other Purposes	1,030,157	1,030,157
Unrestricted	168,045	168,045
Total Net Assets	\$ 6,824,278	\$ 6,824,278

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
Statement of Activities
Government-Wide
For The Year Ended June 30, 2010

EXHIBIT II

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants	Governmental Activities	Total
General Government	\$ 795,797		\$ 450	\$ (795,347)	\$ (795,347)
Public Safety	560,523			(560,523)	(560,523)
Public Works	770,051		228,537	(541,514)	(541,514)
Recreation	78,121			(78,121)	(78,121)
Other Services	243,403			(243,403)	(243,403)
Voter Appropriations	16,820			(16,820)	(16,820)
School Appropriations	<u>10,554,723</u>	-	-	<u>(10,554,723)</u>	<u>(10,554,723)</u>
Total	<u>\$ 13,019,438</u>	<u>\$ -</u>	<u>\$ 228,987</u>	<u>(12,790,451)</u>	<u>(12,790,451)</u>
General Revenues:					
Property Taxes				12,043,494	12,043,494
Penalties and Interest				38,971	38,971
Permits and Licenses				309,931	309,931
Fines and Charges				7,928	7,928
State Revenues not Restricted to Specific Programs				120,617	120,617
Grants and Contributions not Restricted to Specific Programs				4,352	4,352
Investment Earnings				9,793	9,793
Rentals				445,456	445,456
Transfers				<u>685</u>	<u>685</u>
Total General Revenues				<u>12,981,227</u>	<u>12,981,227</u>
Excess (Deficiency) of Revenues Over Expenses				190,776	190,776
Net Assets - Beginning				<u>6,633,502</u>	<u>6,633,502</u>
Net Assets - Ending				<u>\$ 6,824,278</u>	<u>\$ 6,824,278</u>

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
 Combined Balance Sheet
 All Fund Types - Fund Base
 June 30, 2010

EXHIBIT III

	Governmental Fund Types				Fiduciary Fund Types		Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Capital Project Fund	Other Governmental Fund	Agency Fund	Expendable Trust Fund	
ASSETS:							
Current Assets:							
Cash	\$ 190,379	\$ 223,635	\$ 246,015	\$ 663,585	\$ 156,346	\$ 6,678	\$ 1,486,638
Investment						\$ 284,654	284,654
Delinquent Taxes Receivable	113,875						113,875
Delinquent Interest Receivable	13,512						13,512
Delinquent Penalties Receivable	9,110						9,110
Accounts Receivable - Other	335	-	-	-	-	-	335
Total Current Assets	<u>327,211</u>	<u>223,635</u>	<u>246,015</u>	<u>663,585</u>	<u>156,346</u>	<u>6,678</u>	<u>1,908,124</u>
TOTAL ASSETS	<u>\$ 327,211</u>	<u>\$ 223,635</u>	<u>\$ 246,015</u>	<u>\$ 663,585</u>	<u>\$ 156,346</u>	<u>\$ 6,678</u>	<u>\$ 1,908,124</u>
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	\$ 16,229						\$ 16,229
Deferred Revenue	135,707						135,707
Amount Held for Agency Funds	-	-	-	-	\$ 156,346	-	156,346
Total Liabilities	<u>151,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>156,346</u>	<u>\$ -</u>	<u>\$ 308,282</u>
Fund Balances:							
Unreserved	32,338						32,338
Reserved	142,937	223,635	246,015	663,585		6,678	1,282,850
Restricted	-	-	-	-	-	284,654	284,654
Total Fund Balances	<u>175,275</u>	<u>223,635</u>	<u>246,015</u>	<u>663,585</u>	<u>-</u>	<u>6,678</u>	<u>1,599,842</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 327,211</u>	<u>\$ 223,635</u>	<u>\$ 246,015</u>	<u>\$ 663,585</u>	<u>\$ 156,346</u>	<u>\$ 6,678</u>	<u>\$ 1,908,124</u>

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2010

Fund Balances – total governmental funds	\$ 1,308,510
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Governmental capital assets	7,614,215
Less accumulated depreciation	(1,334,154)
Bonds payable and contractual obligations have not been included in the governmental fund financial statements.	
Bonds Payable	(900,000)
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.	
	<u>(135,707)</u>
Net Assets of Governmental Activities	<u>\$ 6,824,278</u>

Town of Charlotte, Vermont
 Combined Schedule of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Funds - Fund Base
 For The Year Ended June 30, 2010

EXHIBIT IV

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Capital Project Fund	Other Governmental Fund	Expendable Trust Fund	
REVENUES:						
Tax-Based Income	\$ 12,038,165					\$ 12,038,165
Rent Income	445,456					445,456
Grants and Special Projects	330,599	\$ 19,005				349,604
Permits, Fees, Miscellaneous	283,337	5,181	\$ 29,341			317,859
Investment Income	6,262	783	757	\$ 1,991	\$ 18	9,811
Donations	-	4,352	-	-	100	4,452
TOTAL REVENUES	13,103,819	29,321	30,098	1,991	118	13,165,347
EXPENDITURES:						
General Town Expenses	704,316	111,653				815,969
Public Safety	482,225		128,298			610,523
Highways	871,116	58,411				929,527
Library Services	122,530	2,309				124,839
Recreation	71,349	6,772				78,121
Miscellaneous	54,327	6,040		15,000		75,367
Intergovernmental Taxes and Dues	10,614,740	-	-	-	-	10,614,740
TOTAL EXPENDITURES	12,920,603	185,185	128,298	15,000	-	13,249,086
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	183,216	(155,864)	(98,200)	(13,009)	118	(83,739)
OTHER FINANCING SOURCES (USES):						
Transfers In		40,685	139,191	185,587		365,463
Transfers Out	(364,778)	-	-	-	(695)	(365,473)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(181,562)	(115,179)	40,991	172,578	(577)	(83,749)
FUND BALANCES, JULY 1, 2009	356,837	338,814	205,024	491,007	7,255	1,398,937
FUND BALANCES, JUNE 30, 2010	\$ 175,275	\$ 223,635	\$ 246,015	\$ 663,585	\$ 6,678	\$ 1,315,188

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For The Year Ended June 30, 2010

Net Changes in fund Balances – total governmental funds	\$ (83,172)
Amount reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:	
Expenditures for capital assets	252,173
Less current year depreciation	(147,525)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Repayment of bonds	125,000
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities	
	<u>44,300</u>
Change in Net Assets of Governmental Funds	<u>\$ 190,776</u>

Town of Charlotte, Vermont
Statement of Revenues, Expenses
and Changes in Fund Balance
Fiduciary Fund Type - Nonexpendable Trust Fund
Permanent Fund
For The Year Ended June 30, 2010

EXHIBIT V

Operating Revenues:		
None	\$ -	
Total Operating Revenues		\$ -
Operating Expenses:		
Distributions	3,756	
Total Operating Expenses		3,756
Operating Income (Loss)		(3,756)
Non-Operating Revenue:		
Investment Income	3,756	
Unrealized Gain/Loss	26,727	
Total Non-Operating Revenue		30,483
Net Income (Loss)		26,727
Fund Balances, July 1, 2009		257,927
Fund Balances, June 30, 2010		\$ 284,654

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
Combining Statement of Cash Flows
Fiduciary Fund Type - Nonexpendable Trust Fund
Permanent Fund
For The Year Ended June 30, 2010

EXHIBIT VI

Cash Flows From Operating Activities:		
Payments To Vendors and Suppliers	\$	(3,756)
Cash Flows From Noncapital Financing Activities:		
None		-
Cash Flows From Capital and Related Financing Activities:		
None		-
Cash Flows From Investing Activities:		
Investment Income		<u>3,756</u>
Net Increase (Decrease) in Cash		-
Cash, July 1, 2009		<u>-</u>
Cash, June 30, 2010	\$	<u>-</u>
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities:		
Cash Provided From Operating Activities:		
Operating Income (Loss)	\$	-
Adjustments to Reconcile Net Income to Cash Provided (Used) By Operating Activities:		
None		<u>-</u>
Net Cash Provided (Used) By Operating Activities	\$	<u>-</u>

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
Notes to Financial Statements
For The Year Ended June 30, 2010

NOTE 1 - 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 streets, 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 Town prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in the Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants.

Reporting Entity:

The Selectboard 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. 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 the Town School District, Cemetery and Library.

Government -Wide and Fund Financial Statements :

The statement of net assets and the statement of activities are government -wide financial statements. They report information on all of the Town of Charlotte, Vermont's non-fiduciary activities with most of the Interfund activities removed. *Governmental Activities* include programs supported primarily by Taxes, State funds, grants and other intergovernmental revenues.

The statement of activities demonstrates how other people or entities that participate in programs the Town operates have shared in the payment of the direct costs. The "charges for Services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the Town. The "grants and contributions" column includes amounts paid by organizations outside the Town to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the Town's functions. Taxes are always general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due from on the governmental fund balance sheet and proprietary fund statement of net assets and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance and on the proprietary fund statement of revenues, expenses and changes in fund net

Town of Charlotte, Vermont
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

assets. All Interfund transactions between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide statement of activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for Town operations, they are not included in the government-wide statements. The Town considers some governmental funds major and reports their financial condition and results of operations in a separate column. The major funds are:

Governmental Fund Types:

- General Fund – The general fund is the Town’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds – The Town accounts for resources restricted to, or designated for, specific purposes by the Town or a grantor in a special revenue fund. Most federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
- Capital Project Fund – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.
- Debt Service Fund – The Town accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Fiduciary Funds (Private Purpose Trust and Agency Funds):

Agency Funds and Trust Funds – The Agency and Trust Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other funds and/or governmental units.

- Agency funds are custodial in nature and do not involve measurements of results of operations.
- The Expendable Private Purpose Trust Funds account for assets where both principal and interest may be expended. These are accounted for in essentially the same manner as Governmental Fund Types, using the same measurement focus and basis of accounting. The Nonexpendable Private Purpose Trust Funds account for assets of which the principal may not be expended but must be retained.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements use the economic resources measurement focus and the

Town of Charlotte, Vermont
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases (revenues and other financing sources) and decreases (expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become available and measurable and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The Town considers all revenues available if they are collectible within 60 days after year end

Revenues received from the State are recognized under the susceptible -to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the Town to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is

Town of Charlotte, Vermont
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Other Accounting Policies:

Cash and Cash Equivalents:

For purposes of the statement of cash flows for proprietary and similar fund-types, the Town considers highly liquid investments to be cash equivalents if they have a maturity of six months or less when purchased.

Interfund Receivables and Payables:

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". All other outstanding balances between funds are also reported as "due to/from other funds".

Investments:

Investments are reported at fair value unless a legal contract exists which guarantees a higher value.

Accounts Receivable:

The accounts receivable balances at year end are from governmental entities, and no allowance for doubtful accounts is considered necessary.

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 an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Land Improvements, buildings, furniture and equipments of the Town are depreciated using the straight line method over the estimated useful lives with a full year of depreciation taken in the year acquired and none taken in the year of disposal.

Long-term Debt:

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The face amount of debt issued is reported as other financing sources.

Town of Charlotte, Vermont
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and not on the individual line items presented in these financial statements.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts 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.

Net Assets and Fund Balance:

Government -Wide Financial Statements:

When the Town incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used. Net assets on the Statement of Net Assets include the following:

Investment in Capital Assets, net of Related Debt – The component of net assets reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Other Purposes – The component of net assets that reports the amount of revenue from a federal, state, or other program in excess of expenditures. These funds are restricted for use of the related federal, state or other program.

Restricted for Capital Projects – The component of net assets that reports the amount of revenue from bond proceeds, grants, and special assessments in excess of expenditures. These funds are restricted for the construction or acquisition of capital assets.

Town of Charlotte, Vermont
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted – The difference between the assets and liabilities that is not reported in net Assets Invested in Capital Assets, net of Related Debt, Net Assets Restricted for Other Purposes, or Net Assets Restricted for Capital Projects.

Fund Based Financial Statements:

In the fund financial statements, governmental funds report fund balances as either a reserved fund balance or an unreserved fund balance.

Reserved Fund Balance – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Unreserved Fund Balance – Composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods.

Function and Object Codes:

Function and object codes refer to the account code structure prescribed by the Vermont Department of Education. The Vermont Department of Education requires Town to use these codes in order to insure accuracy in building and maintaining a statewide database for policy development and funding plans.

Memorandum Only Columns:

The total columns are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to make financial analysis easier. Data in these columns do not present financial position, results of operations, or cash flows in accordance with GAAP. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND REPURCHASE AGREEMENTS

Cash deposits with financial institutions at June 30th amounted to \$1,486,638. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

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

These four levels of risk are as follows:

- 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)

Town of Charlotte, Vermont
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 2 - CASH AND REPURCHASE AGREEMENTS (CONTINUED)

- 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)

The Town uses collateralization agreements to protect deposits not otherwise insured by the FDIC and/or SIPC.

Balances held in each area are as follows:

	Carrying Amount	Bank Balance
- Insured (FDIC) and/or (SIPC)	\$ 250,000	\$ 250,000
- Category 1	0	0
- Category 2	1,234,678	1,333,202
- Category 3	0	0
- Category 4	160	0
Total deposits	<u>\$1,486,638</u>	<u>\$1,583,202</u>

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 than at year end.

Collateralization agreements of \$1,333,202 are securities held by the bank's trust department or agent in the Town's name. Securities consist of municipal bonds, U.S. Government obligations and U.S. Government Agency Bonds.

NOTE 3 – INVESTMENTS

Town invests its assets in various entities and/or debt instruments as described below. As noted some are insured by the SIPC (Securities Investor Protections Corporation). If the broker-dealer fails, the SIPC provides protection for customer accounts by returning securities registered in the name of the investor, distributing all remaining customer assets on a pro rata basis, and providing SIPC funds for all remaining claims of each customer up to a maximum of \$500,000, including up to \$100,000 on claims for cash.

Town of Charlotte, Vermont
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 3 – INVESTMENTS (CONTINUED)

Investments of the balance sheets of the Town are stated at cost plus applicable accrued interest. Market values include applicable accrued interest.

	Cost	Market Value
Securities held by Town registered to Town uninsured by SIPC	\$ 0	\$ 0
Insured (SIPC) and registered held by dealer/broker in Town's name		
Money Market	6,279	6,279
Mutual Funds	Unknown	278,375
Uninsured, registered held by dealer/broker in Town's name	0	0
Insured (SIPC) unregistered held by dealer/broker	0	0
Uninsured, unregistered held by dealer/broke	<u>0</u>	<u>0</u>
TOTAL	<u>Unknown</u>	<u>\$284,654</u>

NOTE 4 – CAPITAL ASSETS

Capital activity for the Town for the year ended June 30, 2010 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets not being depr.				
Land	\$2,138,199	\$ 0	\$ 0	\$2,138,199
Library Collection	<u>404,625</u>	<u>0</u>	<u>0</u>	<u>404,625</u>
Total capital assets not being depreciated	<u>2,542,824</u>	<u>0</u>	<u>0</u>	<u>2,542,824</u>
Other Capital Assets:				
Buildings	1,855,167	0	0	1,855,167

Town of Charlotte, Vermont
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Primary Government</u>			Ending Balance
	Beginning Balance	Increases	Decreases	
Infrastructure	\$2,511,898	\$252,173	\$ 0	\$2,764,071
Furniture and Equipment	<u>452,153</u>	<u>0</u>	<u>0</u>	<u>452,153</u>
Total other capital assets				
At historical costs	<u>4,819,218</u>	<u>252,173</u>	<u>0</u>	<u>5,071,391</u>
Less accumulated depreciation:				
Buildings	434,572	37,679	0	472,251
Infrastructure	661,473	92,697	0	754,170
Furniture and Equipment	<u>90,584</u>	<u>17,149</u>	<u>0</u>	<u>107,733</u>
Total accum. depr.	<u>1,186,629</u>	<u>147,525</u>	<u>0</u>	<u>1,334,154</u>
Other Capital Assets, Net	<u>3,632,589</u>	<u>104,648</u>	<u>0</u>	<u>7,337,237</u>
Governmental activities				
Capital Assets, Net	<u>\$6,175,413</u>	<u>\$ 104,648</u>	<u>0</u>	<u>\$6,280,061</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General Government	\$ 54,828
Public Safety	0
Public Works	92,697
Cemetery	0
Health & Welfare	0
Solid Waste Management	0
Recreation	0
Other Services	<u>0</u>
Total governmental activities depreciation expense	<u>\$147,525</u>

NOTE 5 - DEFERRED REVENUE

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

Property Taxes	<u>\$135,707</u>
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Town of Charlotte, Vermont
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 6 - 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.

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

	Balance July 1, 2009	Borrowings	Retirements	Balance June 30, 2010
Vermont Municipal Bank, Fire and Rescue Building bond payable, interest at 4.40% paid semi-annually principal of \$25,000 due on December 1 st of each year until 2010, then \$20,000 of each year until 2019, originally borrowed \$450,000 on July 14, 1999.	\$ 225,000	\$ 0	\$ 25,000	\$200,000
Vermont Municipal Bank, Fire and Rescue Pump Truck bond payable, interest at 4.96% paid semi-annually principal of \$25,000 due on December 1 st of each year until 2014, then \$20,000 of each year until 2024, originally borrowed \$450,000 on June 30, 2004.	350,000	0	25,000	325,000
Vermont Municipal Bank, VT Environmental Protection Agency Pollution Control bond payable, interest at 0%, principal of \$75,000 due on December 1 st of each year until 2014, originally borrowed \$1,500,000 on November 3, 1992.	<u>450,000</u>	<u>0</u>	<u>75,000</u>	<u>375,000</u>
Total Long-Term Debt	<u>\$1,025,000</u>	<u>\$ 0</u>	<u>\$125,000</u>	<u>\$900,000</u>

Town of Charlotte, Vermont
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The annual debt service requirement to maturity for general obligation bonds and notes including interest are as follows:

	Principal	Interest	Total
During the year ended June 30, 2011	\$120,000	\$ 24,036	\$ 144,036
2012	120,000	22,093	142,093
2013	120,000	20,086	140,086
2014	120,000	18,026	138,026
2015	120,000	15,925	135,925
Thereafter	<u>300,000</u>	<u>62,265</u>	<u>362,265</u>
Totals	<u>\$900,000</u>	<u>\$162,431</u>	<u>\$1,062,431</u>

NOTE 7 - RESERVED FUND BALANCES (Fund Financial Statements)

Reserved fund balances represent amounts that must be used for specific purposes within that fund and cannot be spent otherwise without prior approval of funding source. Reservations at year end are for the following:

General Fund:

Highway	\$ 52,937
Fiscal 10-11 Budget	<u>90,000</u>
Total	<u>\$142,937</u>

Special Revenue Fund:

Community Library	\$ 357
Recreation Fund	240
Restoration of Records	11,020
Reappraisal Fund	56,952
Conservation Commission	976
Thorpe Barn	8,286
Repairs & Improvements	13
Tree Fund	4,254
Scenic Preservation	950
Mack Scholarship	1,579
Affordable Housing	116,205
Highway Project	<u>22,803</u>
Total	<u>\$223,635</u>

Town of Charlotte, Vermont
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 7 - RESERVED FUND BALANCES (Fund Financial Statements) (CONTINUED)

Capital Projects & Other Governmental Funds:	
Fire & Rescue Capital Fund	\$246,015
Land conservation Fund	<u>663,585</u>
Total	<u>\$909,600</u>
Trust Funds:	
Free Sports & Instruction	<u>\$ 6,678</u>

NOTE 8 – NET ASSETS RESTRICTED (Government -Wide Financial Statements)

Restricted net asset balances represent amounts that must be used for specific purposes and cannot be spent otherwise without prior approval of the funding source. Restrictions at year end are for the following:

Net Assets Restricted For Capital Projects:	
Fire & Rescue Capital Fund	\$246,015
Land conservation Fund	<u>663,585</u>
Total	<u>\$909,600</u>
Net Assets Restricted For Other Purposes:	
Highway	\$ 52,937
Fiscal 10-11 Budget	90,000
Community Library	357
Recreation Fund	240
Restoration of Records	11,020
Reappraisal Fund	56,952
Conservation Commission	976
Thorpe Barn	8,286
Repairs & Improvements	13
Tree Fund	4,254
Scenic Preservation	950
Mack Scholarship	1,579
Affordable Housing	116,205
Highway Project	<u>22,803</u>
Total	<u>\$366,572</u>

Town of Charlotte, Vermont
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 9 – TRANSFERS IN THE FUND BASED FINANCIAL STATEMENTS

The Town occasionally transfers funds to cover expenditures made in one fund for which the revenues are in another fund. The following transfers were made during the year.

Funds were transferred from the General Fund to the following funds to increase reserves:

Land Conservation	\$185,587
Fire/rescue Capital Fund	139,191
Affordable Housing Fund	40,000

NOTE 10 - PENSIONS

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Employees are eligible to participate in the Vermont Municipal Employees' Retirement System ("MERS"). All full-time employees of participating employers are eligible to participate in the plan on the first day of the month following the 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 \$11,293 during the year. The Town contributed \$13,381 during the year. The Town's total payroll for all employees during the year was \$386,736, with \$281,235 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System.

NOTE 11 - 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; injuries to employees; and natural disasters for which the

Town of Charlotte, Vermont
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 11 - RISK MANAGEMENT (CONTINUED)

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, Town of Charlotte, Vermont is a member of Vermont League of Cities and Towns (VLCT). The VLCT has set up three insurance Trust; the Property and Casualty Inter-municipal Fund, Inc. (PACIF) for multi-line insurance; the Vermont League of Cities and Towns Health Trust (VLCTHT) for health, life and disability coverage; 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 members 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

Town of Charlotte, Vermont
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 11 - RISK MANAGEMENT (CONTINUED)

the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 12 - OPERATING LEASES

On 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.

During the year ended June 30, 2011	\$1,362
2012	1,362
2013	1,362
2014	1,362
Thereafter	<u>1,362</u>
Total	<u>\$6,810</u>

Total lease payments made this year on the previous lease were \$2,446.

NOTE 13 – LESSOR/LESSEE LEASE

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

NOTE 14 - SUBSEQUENT EVENTS

On August 26, 2010, Town of Charlotte, Vermont took out a tax anticipation note at Peoples United Bank for \$300,000 at 2.35% interest. The principal and interest are due at maturity on December 3, 2010.

NOTE 15 - 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

Town of Charlotte, Vermont
Notes to Financial Statements (continued)
For The Year Ended June 30, 2010

NOTE 15 – COMMITMENTS (CONTINUED)

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 collectibility of any related receivable at June 30, 2010 may be impaired. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Town of Charlotte, Vermont
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For The Year Ended June 30, 2010

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES:			
Tax-Based Income:			
Property Taxes	\$ 12,024,595	\$ 11,986,501	\$ (38,094)
Delinquent Property Taxes	-	12,693	12,693
Delinquent Tax Interest	20,000	20,912	912
Delinquent Tax Penalty	20,000	18,059	(1,941)
Subtotal	<u>12,064,595</u>	<u>12,038,165</u>	<u>(26,430)</u>
Rent Income:			
Thompson's Point	475,000	442,956	(32,044)
Rental Property	2,500	2,500	-
Subtotal	<u>477,500</u>	<u>445,456</u>	<u>(32,044)</u>
Grants and Special Projects:			
Current Use	84,231	84,231	-
Pilot Payment	17,831	17,831	-
State Highway Aid	190,890	189,337	(1,553)
Highway Grants	-	39,200	39,200
Subtotal	<u>292,952</u>	<u>330,599</u>	<u>37,647</u>
Town Clerk's Revenue:			
Vault Time Fees	10,000	10,895	895
Recording Fees	35,000	46,726	11,726
Dog Licenses	2,500	2,826	326
Hunting & Fishing Licenses	200	49	(151)
Registration Renewal Fees	500	317	(183)
Subtotal	<u>48,200</u>	<u>60,813</u>	<u>12,613</u>
Planning & Zoning:			
Board Adjustment	4,000	1,500	(2,500)
Building Permits	12,000	21,065	9,065
Subdivision Income	8,000	22,600	14,600
Miscellaneous	400	145	(255)
Septic Applications	20,000	13,250	(6,750)
Certificate of Occupancy	3,000	1,950	(1,050)
Certificate of Compliance	2,000	2,625	625
Highway Access Permit	300	1,100	800
Subtotal	<u>49,700</u>	<u>64,235</u>	<u>14,535</u>
Miscellaneous:			
Railroad Tax	125	167	42
Barber Cemetary Fund	125	29	(96)

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For The Year Ended June 30, 2010

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Senior Center	\$ 20,000	\$ 18,246	\$ (1,754)
Fire & Rescue	90,000	78,331	(11,669)
Beach Fees	8,000	9,213	1,213
Intramural Sports	42,905	42,360	(545)
Court Highway Fines	5,000	7,928	2,928
Agricultural Lease	2,300	-	(2,300)
Investment Income	18,000	6,262	(11,738)
Miscellaneous	<u>2,000</u>	<u>2,015</u>	<u>15</u>
Subtotal	<u>188,455</u>	<u>164,551</u>	<u>(23,904)</u>
 TOTAL REVENUES	 <u>13,121,402</u>	 <u>13,103,819</u>	 <u>(17,583)</u>
 EXPENDITURES:			
Selectmen:			
Salaries	9,000	8,872	128
Minute-Taker Salaries	2,500	1,818	682
Administrative Assistant	24,655	24,655	-
Legal Expenses	30,000	46,437	(16,437)
Unanticipated Expenses	20,000	10,503	9,497
Advertising	500	592	(92)
Seminars	<u>150</u>	<u>135</u>	<u>15</u>
Total Selectmen	<u>86,805</u>	<u>93,012</u>	<u>(6,207)</u>
Town Clerk:			
Clerk's Salaries	57,172	57,173	(1)
Assistant Clerk Salaries	44,548	33,627	10,921
Mileage	100	-	100
Telephone	625	702	(77)
Seminars/Training	200	-	200
Supplies	2,200	2,433	(233)
Memberships/Manuals	40	-	40
Service Contracts	<u>4,500</u>	<u>4,442</u>	<u>58</u>
Total Town Clerk	<u>109,385</u>	<u>98,377</u>	<u>11,008</u>
Treasurer:			
Supplies	400	736	(336)
Audit Expense	<u>6,000</u>	<u>6,500</u>	<u>(500)</u>
Total Treasurer	<u>6,400</u>	<u>7,236</u>	<u>(836)</u>

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For The Year Ended June 30, 2010

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Elections and Town Meetings:			
Elections	\$ 200	\$ 1,111	\$ (911)
Town Meetings	2,000	2,413	(413)
Town Report Expenses	<u>3,700</u>	<u>4,645</u>	<u>(945)</u>
Total Elections and Town Meetings	<u>5,900</u>	<u>8,169</u>	<u>(2,269)</u>
Planning and Zoning:			
Zoning Administrator Salaries	32,954	32,954	-
Planner Salaries	24,655	24,655	-
Administrative Assistant Salaries	33,706	33,785	(79)
Minute-Taker Salaries	3,500	2,387	1,113
Legal Expenses	4,000	908	3,092
Miscellaneous	100	30	70
Mileage	600	646	(46)
Telephone	1,000	760	240
Advertising	1,500	2,273	(773)
Equipment	500	500	-
Seminars	500	505	(5)
Computer Upgrade	500	500	-
Supplies	2,500	1,832	668
Memberships/Manuals	300	312	(12)
Engineering	12,000	8,175	3,825
Copier	2,500	2,446	54
Planning Consultants	3,000	111	2,889
Mapping	500	109	391
Village Planning	-	197	(197)
Town Planning/Land Use	<u>2,000</u>	<u>656</u>	<u>1,344</u>
Total Planning and Zoning	<u>126,315</u>	<u>113,741</u>	<u>12,574</u>
Constable:			
Salaries	<u>2,600</u>	<u>2,600</u>	<u>-</u>
Total Constable	<u>2,600</u>	<u>2,600</u>	<u>-</u>
Listers:			
Lister Salaries	27,386	16,584	10,802
Contracted Appraiser	27,500	36,400	(8,900)
Miscellaneous	-	105	(105)
Mileage	150	44	106
Telephone	1,600	1,584	16
Seminars	-	110	(110)
Computer Software	-	390	(390)

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For The Year Ended June 30, 2010

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Supplies	\$ 1,650	\$ 806	\$ 844
Memberships/Manuals	45	-	45
MS Service Contract	192	202	(10)
Mapping Contract	2,000	2,000	-
Furniture and Equipment	200	-	200
Total Listers	<u>60,723</u>	<u>58,225</u>	<u>2,498</u>
Delinquent Tax Collector:			
Salaries	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total Delinquent Tax Collector	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Employee Benefits:			
Social Security	24,100	23,977	123
Health Insurance	92,703	85,306	7,397
Retirement	13,500	13,406	94
Unemployment Compensation	1,050	694	356
Medicare Expense	<u>5,650</u>	<u>5,624</u>	<u>26</u>
Total Employee Benefits	<u>137,003</u>	<u>129,007</u>	<u>7,996</u>
Fire and Rescue:			
2 Cross-Trained EMTs	222,000	175,854	46,146
Membership Incentive	22,500	22,500	-
Operating Expense	218,850	261,546	(42,696)
Fire Warden	100	100	-
Administrative Assistant	<u>16,550</u>	<u>19,625</u>	<u>(3,075)</u>
Total Fire and Rescue	<u>480,000</u>	<u>479,625</u>	<u>375</u>
Highways:			
Miscellaneous	4,000	1,599	2,401
Retreatment	235,000	198,700	36,300
Winter Plow/Sand/Ice	200,000	138,298	61,702
Gravel Roads Maintenance	166,000	128,028	37,972
Ditching	70,000	49,258	20,742
Brush/Tree Removal	45,000	71,997	(26,997)
Culvert Replace/Repair	40,000	17,703	22,297
Mowing Roadside	30,000	16,648	13,352
Sweeping Int./Shoulders	4,000	4,586	(586)
Cold Patch	4,000	3,465	535
Bridge/Guardrail Repair	3,000	5,630	(2,630)
Road Signs	11,000	8,212	2,788
Town Garage	-	845	(845)

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For The Year Ended June 30, 2010

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Covered Bridges	\$ 10,000	\$ 3,002	\$ 6,998
Bike Path Maintenance	2,000	1,755	245
Gravel Road Upgrades	<u>77,250</u>	<u>221,390</u>	<u>(144,140)</u>
Total Highways	<u>901,250</u>	<u>871,116</u>	<u>30,134</u>
Town Lands:			
Landfill Monitor	5,000	5,421	(421)
Land Maintenance Contract	11,000	7,838	3,162
Cemetary Maintenance	6,000	7,500	(1,500)
Park Security	5,284	5,284	-
Ballpark Maintenance	-	3,888	(3,888)
Park Maintenance	10,400	10,421	(21)
Berry Farm Field	8,000	4,257	3,743
Town Beach Mowing	-	4,500	(4,500)
School Fields Maintenance	10,000	5,774	4,226
Trail Maintenance	<u>2,000</u>	<u>(61)</u>	<u>2,061</u>
Total Town Lands	<u>57,684</u>	<u>54,822</u>	<u>2,862</u>
Library:			
Salaries	36,132	36,132	-
Assistant Salaries	49,017	49,617	(600)
Custodial Services	3,500	3,720	(220)
Postage/Miscellaneous	1,000	1,000	-
Telecommunications	1,700	1,423	277
Supplies	2,500	2,500	-
Seminars	600	600	-
Association Dues	175	175	-
Acquisitions	9,500	9,500	-
Special Programs	1,500	1,500	-
Energy	6,500	6,500	-
Maintenance	5,500	6,239	(739)
Computer Support	<u>4,000</u>	<u>3,624</u>	<u>376</u>
Total Library	<u>121,624</u>	<u>122,530</u>	<u>(906)</u>
Annual Requests:			
Lewis Creek Association	600	600	-
Visiting Nurses Association	8,320	8,320	-
CV Agency on Aging	1,600	1,600	-
Women Helping Battered Women	450	450	-
Womens' Rape Crisis Center	1,000	1,000	-
Howard Mental Health	900	900	-

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For The Year Ended June 30, 2010

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Chittenden County Food Shelf	\$ 200	\$ 200	\$ -
COTS	500	500	-
Special Investigations	3,000	3,000	-
American Red Cross	250	250	-
Total Annual Requests	<u>16,820</u>	<u>16,820</u>	<u>-</u>
Recreation:			
Beach Attendant Salaries	8,500	7,510	990
Miscellaneous	500	1,154	(654)
Beach Maintenance	3,500	5,106	(1,606)
Telephone	300	166	134
Garbage Removal	680	285	395
Skating Rink	2,000	515	1,485
Beach Electricity	225	221	4
Skating Rink Electricity	450	386	64
Beach Coordinator	1,500	1,627	(127)
Docks In and Out	4,000	3,039	961
Intramural Sports Director	16,592	16,592	-
Intramural Expenses	32,220	34,748	(2,528)
Total Recreation	<u>70,467</u>	<u>71,349</u>	<u>(882)</u>
Conservation:			
GIS Mapping	500	500	-
Education Tech Support	2,750	2,501	249
Green Up Day	100	112	(12)
UVM Interns	1,000	1,000	-
CV Conservation Alliance	50	50	-
Natural Resource Info CCS	100	100	-
Total Conservation	<u>4,500</u>	<u>4,263</u>	<u>237</u>
Town Hall:			
Maintenance	10,000	11,095	(1,095)
Postage	7,000	6,908	92
Alarm/Phone	500	492	8
Supplies	3,500	4,495	(995)
Fax Line	1,100	1,216	(116)
Trash Removal	850	1,086	(236)
Utilities	4,500	4,033	467
Fuel Oil	7,000	4,851	2,149

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For The Year Ended June 30, 2010

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Computer Service	\$ 8,000	\$ 6,632	\$ 1,368
Total Town Hall	<u>42,450</u>	<u>40,808</u>	<u>1,642</u>
Senior Center:			
Maintenance	11,500	16,785	(5,285)
Custodial Services	3,700	5,775	(2,075)
Miscellaneous	750	500	250
Postage	400	528	(128)
Telecommunications	2,100	1,785	315
Supplies	750	1,686	(936)
Energy	10,000	6,198	3,802
Director	23,047	21,125	1,922
Program Expenses	<u>20,000</u>	<u>20,454</u>	<u>(454)</u>
Total Senior Center	<u>72,247</u>	<u>74,836</u>	<u>(2,589)</u>
Miscellaneous:			
Insurance	28,000	24,909	3,091
Flea Market Electricity	225	224	1
Street Lights Electricity	1,900	1,687	213
Museum Electricity	350	741	(391)
Health Officer	1,275	1,275	-
Animal Control Officer	3,000	3,000	-
Dogs/Miscellaneous	1,500	617	883
Miscellaneous	1,000	4,508	(3,508)
Trails Committee	5,000	6,559	(1,559)
Traffic Enforcement	15,000	4,707	10,293
Charlotte Land Trust	7,500	6,100	1,400
Tax Anticipation Interest	<u>1,800</u>	<u>-</u>	<u>1,800</u>
Total Miscellaneous	<u>66,550</u>	<u>54,327</u>	<u>12,223</u>
Intergovernmental Taxes and Dues:			
VLCT Dues	3,754	3,778	(24)
CCRPC Dues	5,734	5,734	-
County Tax	43,876	45,075	(1,199)
CCMPO	5,430	5,430	-
School Tax	<u>10,554,723</u>	<u>10,554,723</u>	<u>-</u>
Total Intergovernmental Taxes and Dues	<u>10,613,517</u>	<u>10,614,740</u>	<u>(1,223)</u>
TOTAL EXPENDITURES	<u>12,987,240</u>	<u>12,920,603</u>	<u>66,637</u>

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For The Year Ended June 30, 2010

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 134,162	\$ 183,216	\$ 49,054
OTHER FINANCING SOURCES (USES):			
Transfer to Special Revenue Fund	(40,000)	(40,000)	-
Transfer to Capital Project Fund	(139,191)	(139,191)	-
Transfer to Other Governmental Funds	<u>(185,587)</u>	<u>(185,587)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(230,616)	(181,562)	49,054
FUND BALANCE, JULY 1, 2009	<u>250,000</u>	<u>356,837</u>	<u>106,837</u>
FUND BALANCE, JUNE 30, 2010	<u>\$ 19,384</u>	<u>\$ 175,275</u>	<u>\$ 155,891</u>

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
 Combining Balance Sheet
 Special Revenue Funds
 June 30, 2010

Schedule 2
 (page 1 of 2)

	Community Library	Recreation Fund	Restoration of Records	Reappraisal Fund	Conservation Commissions	Thorpe Barn	Repairs & Improvement Fund	Subtotals
ASSETS:								
Current Assets:								
Cash	\$ 357	\$ 240	\$ 11,020	\$ 56,952	\$ 976	\$ 8,286	\$ 13	\$ 77,844
Total Current Assets	<u>357</u>	<u>240</u>	<u>11,020</u>	<u>56,952</u>	<u>976</u>	<u>8,286</u>	<u>13</u>	<u>77,844</u>
TOTAL ASSETS	<u>\$ 357</u>	<u>\$ 240</u>	<u>\$ 11,020</u>	<u>\$ 56,952</u>	<u>\$ 976</u>	<u>\$ 8,286</u>	<u>\$ 13</u>	<u>\$ 77,844</u>
LIABILITIES & FUND BALANCES:								
Liabilities:								
None	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:								
Reserved	357	240	11,020	56,952	976	8,286	13	77,844
Total Fund Balances	<u>357</u>	<u>240</u>	<u>11,020</u>	<u>56,952</u>	<u>976</u>	<u>8,286</u>	<u>13</u>	<u>77,844</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 357</u>	<u>\$ 240</u>	<u>\$ 11,020</u>	<u>\$ 56,952</u>	<u>\$ 976</u>	<u>\$ 8,286</u>	<u>\$ 13</u>	<u>\$ 77,844</u>

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
 Combining Balance Sheet
 Special Revenue Funds
 June 30, 2010

Schedule 2
 (page 2 of 2)

	Tree Fund	Scenic Preservation	Mack Scholarship	Affordable Housing	Highway Project	Subtotals	Totals
ASSETS:							
Current Assets:							
Cash	\$ 4,254	\$ 950	\$ 1,579	\$ 116,205	\$ 22,803	\$ 145,791	\$ 223,635
Total Current Assets	<u>4,254</u>	<u>950</u>	<u>1,579</u>	<u>116,205</u>	<u>22,803</u>	<u>145,791</u>	<u>223,635</u>
TOTAL ASSETS	<u>\$ 4,254</u>	<u>\$ 950</u>	<u>\$ 1,579</u>	<u>\$ 116,205</u>	<u>\$ 22,803</u>	<u>\$ 145,791</u>	<u>\$ 223,635</u>
LIABILITIES & FUND BALANCES:							
Liabilities:							
None	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:							
Reserved	4,254	950	1,579	116,205	22,803	145,791	223,635
Total Fund Balances	<u>4,254</u>	<u>950</u>	<u>1,579</u>	<u>116,205</u>	<u>22,803</u>	<u>145,791</u>	<u>223,635</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 4,254</u>	<u>\$ 950</u>	<u>\$ 1,579</u>	<u>\$ 116,205</u>	<u>\$ 22,803</u>	<u>\$ 145,791</u>	<u>\$ 223,635</u>

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Special Revenue Funds
For The Year Ended June 30, 2010

Schedule 3
(page 1 of 2)

	Community Library	Recreation Fund	Restoration of Records	Reappraisal Fund	Conservation Commissions	Thorpe Barn	Repair & Improvement Fund	Subtotals
REVENUES:								
Grants and Special Projects	\$ 2,100			\$ 16,455				\$ 18,555
Fees, Permits, Miscellaneous			\$ 5,181					5,181
Investment Income	2	\$ 18	19	118	\$ 2	\$ 20		179
Donations	-	-	-	-	-	5	-	5
TOTAL REVENUES	<u>2,102</u>	<u>18</u>	<u>5,200</u>	<u>16,573</u>	<u>2</u>	<u>25</u>	<u>\$ -</u>	<u>23,920</u>
EXPENDITURES:								
General Town Expenses			3,179	245				3,424
Highway								-
Library	2,309							2,309
Recreation		6,772						6,772
Miscellaneous	-	-	-	-	1,040	-	-	1,040
TOTAL EXPENDITURES	<u>2,309</u>	<u>6,772</u>	<u>3,179</u>	<u>245</u>	<u>1,040</u>	<u>-</u>	<u>-</u>	<u>13,545</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(207)	(6,754)	2,021	16,328	(1,038)	25	-	10,375
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	-	-	685	-	685
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(207)	(6,754)	2,021	16,328	(1,038)	710	-	11,060
FUND BALANCES, JULY 1, 2009	<u>564</u>	<u>6,994</u>	<u>8,999</u>	<u>40,624</u>	<u>2,014</u>	<u>7,576</u>	<u>13</u>	<u>66,784</u>
FUND BALANCES, JUNE 30, 2010	<u>\$ 357</u>	<u>\$ 240</u>	<u>\$ 11,020</u>	<u>\$ 56,952</u>	<u>\$ 976</u>	<u>\$ 8,286</u>	<u>\$ 13</u>	<u>\$ 77,844</u>

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Special Revenue Funds
For The Year Ended June 30, 2010

Schedule 3
(page 2 of 2)

	Tree Fund	Scenic Preservation	Mack Scholarship	Affordable Housing	Tax Escrow Fund	Highway Project	Subtotals	Totals
REVENUES:								
Grants and Special Projects	\$ 450						\$ 450	\$ 19,005
Fees, Permits, Miscellaneous							-	5,181
Investment Income	33	\$ 8	\$ 2	\$ 275	\$ 164	\$ 122	604	783
Donations	3,262	-	1,085	-	-	-	4,347	4,352
TOTAL REVENUES	3,745	8	1,087	275	164	122	5,401	29,321
EXPENDITURES:								
General Town Expenses	18,900	8,775	605		79,949		108,229	111,653
Highway						58,411	58,411	58,411
Library							-	2,309
Recreation							-	6,772
Miscellaneous	-	-	-	5,000	-	-	5,000	6,040
TOTAL EXPENDITURES	18,900	8,775	605	5,000	79,949	58,411	171,640	185,185
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,155)	(8,767)	482	(4,725)	(79,785)	(58,289)	(166,239)	(155,864)
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	40,000	-	-	40,000	40,685
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(15,155)	(8,767)	482	35,275	(79,785)	(58,289)	(126,239)	(115,179)
FUND BALANCES, JULY 1, 2009	19,409	9,717	1,097	80,930	79,785	81,092	272,030	338,814
FUND BALANCES, JUNE 30, 2010	\$ 4,254	\$ 950	\$ 1,579	\$ 116,205	\$ -	\$ 22,803	\$ 145,791	\$ 223,635

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
Statement of Changes in Assets and Liabilities
Fiduciary Fund Type - Agency Funds
For The Year Ended June 30, 2010

Schedule 4

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Assets:				
Cash:				
Thompson's Point Operating	\$ 104,767	\$ 174,739	\$ 184,718	\$ 94,788
Thompson's Point Sinking	55,609	134	6,465	49,278
Subdivision Escrow	4,842	13	-	4,855
After School Ski Program	<u>6,998</u>	<u>9,566</u>	<u>9,139</u>	<u>7,425</u>
 Total Assets	 <u>\$ 172,216</u>	 <u>\$ 184,452</u>	 <u>\$ 200,322</u>	 <u>\$ 156,346</u>
 Liabilities:				
Amount Held for Agency Funds	<u>\$ 172,216</u>	<u>\$ 184,452</u>	<u>\$ 200,322</u>	<u>\$ 156,346</u>
 Total Liabilities	 <u>\$ 172,216</u>	 <u>\$ 184,452</u>	 <u>\$ 200,322</u>	 <u>\$ 156,346</u>

The accompanying notes are an integral part of these financial statements



P.O. Box 639
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**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 Selectboard
Town of Charlotte, Vermont

We have audited the financial statements of the governmental activities and the aggregate remaining fund information of Town of Charlotte, Vermont as of and for the year ended June 30, 2010, which collectively comprise the entity's basic financial statements and have issued our report thereon dated January 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the following deficiencies in Town of Charlotte, Vermont's internal control to be material weaknesses:

Banking

When testing bank reconciliations we came across old outstanding checks totaling \$6,205, some of which trace back to 1994. For vendor checks over 2 years old (1 year for payroll), the following procedures should be followed and documented:

- a) Search back into the records to identify who the check was written to.
- b) Contact the payee to see why the check was not cashed. If the payee feels they are not owed the money, void the check. If they are due the money, void the old check and issue a new one.
- c) If the payee cannot be located, complete the "abandoned" property forms for the State Treasurer, void the old check, and send the payment to the State Treasurer.

Also, when testing bank reconciliations it was noted that formalized banking reconciliations were not being performed for the cash balances recorded at year end. The software reconciliation was being performed, but this does not reconcile to the month-end balance in the general ledger. It is recommended that the software reconciliation be taken one step further and proved to the general ledger.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Selectboard, management, others within the entity, and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Angolano & Company

Angolano & Company
Shelburne, Vermont
Firm Registration Number 92-0000141

January 19, 2011



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To the Selectboard
Town of Charlotte, Vermont

In planning and performing our audit of the financial statements of Town of Charlotte, Vermont as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Town of Charlotte, Vermont's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Charlotte, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Charlotte, Vermont's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in Town of Charlotte, Vermont's internal control to be material weaknesses:

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- d) Search back into the records to identify who the check was written to.
- e) Contact the payee to see why the check was not cashed. If the payee feels they are not owed the money, void the check. If they are due the money, void the old check and issue a new one.
- f) If the payee cannot be located, complete the "abandoned" property forms for the State Treasurer, void the old check, and send the payment to the State Treasurer.

Also, when testing bank reconciliations it was noted that formalized banking reconciliation were not being performed for the cash balances recorded at year end. The software reconciliation was being performed, but this does not reconcile to the month-end balance in the general ledger. It is recommended that the software reconciliation be taken one step further and proved to the general ledger.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various personnel within Town of Charlotte, Vermont, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Selectboard, management, others within the entity, and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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