

Town of Charlotte, Vermont

Financial Statements

For The Year Ended June 30, 2012

Town of Charlotte, Vermont
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For The Year Ended June 30, 2012

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Batchelder Associates, PC

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 the Town of Charlotte, Vermont, as of and for the year ended June 30, 2012, 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 non-major 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, 2012, 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 of 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, 2012, 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 non-major governmental and fiduciary fund to Town of Charlotte, Vermont, as of June 30, 2012, 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.

Bonnie K. Batchelder • Certified Public Accountant

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2012 on our consideration of Town of Charlotte, Vermont's internal control over financial reporting and on our tests of its compliance with certain provision 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 Managements' Discussion and Analysis and budgetary comparison information on pages 5.1 through 5.6 and 30 through 37, respectively, 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 non-major 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 non-major 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.

Batchelder Associates, P.C.

Batchelder Associates, P.C.
Barre, Vermont
License #945
August 16, 2012

Town of Charlotte, Vermont
Management's Discussion and Analysis
June 30, 2012

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, 2012. 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 2012 and 2011.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities on June 30, 2012, by \$7,205,027. (See Exhibit I) and by \$6,917,070 on June 30, 2011. Net assets of governmental activities increased by \$287,957 for fiscal 2012 and by \$92,792 for fiscal 2011.
- At the end of the fiscal year, the Town's governmental funds reported a combined ending fund balance of \$1,745,065 as of June 30, 2012, compared to \$1,293,574 as of June 30, 2011. Of this total fund balance, \$1,156,937 is reserved for specific purposes. The remainder is unreserved.
- The Town total debt at the end of the fiscal year was \$660,000, a decrease of \$120,000. 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, decision 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.
- **Require 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.

Town of Charlotte, Vermont
Management's Discussion and Analysis
June 30, 2012

- **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.

Town of Charlotte, Vermont
Management's Discussion and Analysis
June 30, 2012

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 operation. 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 of 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)

Town of Charlotte, Vermont
Management's Discussion and Analysis
June 30, 2012

Net Assets as of June 30, 2012 and 2011

	2012 Governmental Activities	2011 Governmental Activities
Current and other Assets	\$ 1,934,094	\$ 1,607,168
Capital Assets	5,965,639	6,122,850
Total Assets	7,899,733	7,730,018
Long-term Liabilities	660,000	780,000
Other Liabilities	34,706	32,948
Total Liabilities	694,706	812,948
Net Assets:		
Invested in Capital Assets, net of Related Debt	5,305,639	5,342,850
Restricted	1,536,937	1,321,694
Unrestricted	362,451	252,526
	\$ 7,205,027	\$ 6,917,070

The largest portion of the Town's net assets (72%) 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 (15%) represents restricted net assets. These resources are subject to external restrictions or constitutional provisions specifying how they may be used.

Approximately 90% 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 2012, governmental activity expenses exceeded program revenues, resulting in the use of \$13,454,936 in general revenue (primarily taxes). The following condensed financial information was derived from the Government-wide Statement of Activities (Exhibit II).

Town of Charlotte, Vermont
Management's Discussion and Analysis
June 30, 2012

Changes in Net Assets for the Fiscal Years Ended June 30, 2012 and 2011

	2012 Governmental Activities	2011 Governmental Activities
Revenues		
<i>Program Revenues</i>		
Charges for Service	391,747	295,336
Operating Grants and Contributions	261,965	246,030
<i>General Revenues</i>		
Property Taxes	12,832,465	12,597,358
Permits and Licenses	-	9,882
Fines and Charges		
Unrestricted State Revenue	112,390	97,244
Unrestricted Grants and Contributions	-	8,326
Unrestricted Investment Earnings	1,903	4,734
Rentals	796,135	474,263
Transfers		
Total Revenues	<u>\$ 14,396,605</u>	<u>\$ 13,733,173</u>
 Expenses		
<i>General Government</i>		
Public Safety	939,288	801,079
Highways and Streets	671,494	610,842
Culture and Recreation	1,026,197	996,842
Intergovernmental/Other Services	116,571	244,124
Special Articles and Other Items	126,381	127,305
Education	19,209	16,845
Interest Expense	11,209,508	10,843,344
Total Expenses	<u>\$ 14,108,648</u>	<u>\$ 13,640,381</u>
 Increase in Net Assets		
	287,957	92,792
Net Assets, Beginning of Year	6,917,070	6,824,278
Net Assets, End of Year	<u>\$ 7,205,027</u>	<u>\$ 6,917,070</u>

Capital Assets

The Town had \$5,965,639 and \$6,122,850 in capital assets, net of depreciation, on June 30, 2012 and 2011, respectively. This investment in capital assets includes land, building, improvements, equipment and infrastructure. Infrastructure assets are items

Town of Charlotte, Vermont
Management's Discussion and Analysis
June 30, 2012

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, 2012 and 2011

	2012	2011
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	2,764,071
Equipment	452,153	452,153
Total Assets	7,614,215	7,614,215
Accumulated Depreciation	(1,648,576)	(1,491,365)
Net Capital Assets	<u>\$ 5,965,639</u>	<u>\$ 6,122,850</u>

Long Term Debt

At the end of the current fiscal year, the Town had total debt outstanding of \$660,000. Additional information on the Town's long-term debt can be found in Note 6 to the financial statements.

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.

Town of Charlotte, Vermont
Statement of Net Assets
Government-Wide
June 30, 2012

EXHIBIT I

	Governmental Activities	Total
ASSETS:		
Cash and Cash Equivalents	\$ 1,764,318	\$ 1,764,318
Delinquent Taxes Receivable	128,548	128,548
Penalties and Interest Receivable	40,893	40,893
Accounts Receivable - Other	335	335
Capital Assets, net (Note 4)	5,965,639	5,965,639
Total Assets	7,899,733	7,899,733
LIABILITIES:		
Accounts Payable	34,706	34,706
Long-Term Liabilities (Note 6):		
Due Within One Year	120,000	120,000
Due In More Than One Year	540,000	540,000
Total Liabilities	694,706	694,706
NET ASSETS:		
Investment in Capital Assets, net of related debt	5,305,639	5,305,639
Restricted for Capital Projects	162,521	162,521
Restricted for Other Purposes	1,374,416	1,374,416
Unrestricted	362,451	362,451
Total Net Assets	\$ 7,205,027	\$ 7,205,027

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, 2012

EXHIBIT II

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants	Governmental Activities	Total
General Government	\$ 939,288	\$ 221,809	\$ 9,360	\$ (708,119)	\$ (708,119)
Public Safety	671,494	147,456	156	\$ (523,882)	\$ (523,882)
Public Works	1,026,197	7,293	191,917	\$ (826,987)	\$ (826,987)
Recreation	116,571	15,189	60,532	\$ (40,850)	\$ (40,850)
Other Services	126,381			\$ (126,381)	\$ (126,381)
Voter Appropriations	19,209			\$ (19,209)	\$ (19,209)
School Appropriations	11,209,508			\$ (11,209,508)	\$ (11,209,508)
Total	<u>\$ 14,108,648</u>	<u>\$ 391,747</u>	<u>\$ 261,965</u>	<u>\$ (13,454,936)</u>	<u>\$ (13,454,936)</u>
General Revenues:					
Property Taxes				12,790,560	12,790,560
Penalties and Interest				41,905	41,905
Grants and Contributions not Restricted to Specific Programs				112,390	112,390
Investment Earnings				1,903	1,903
Rentals				796,135	796,135
Total Generated Revenues				<u>13,742,893</u>	<u>13,742,893</u>
Excess (Deficiency) of Revenues Over Expenses				287,957	287,957
Net Assets - Beginning				6,917,070	6,917,070
Net Assets - Ending				<u>\$ 7,205,027</u>	<u>\$ 7,205,027</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, 2012

	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	Nonexpendable Trust Fund		
ASSETS:									
Current Assets:									
Cash	\$ 607,381	\$ 269,321	\$ 162,521	\$ 725,095	\$ 148,319	\$ 5,677	\$ 353,248	\$ 1,918,314	
Investment								353,248	
Delinquent Taxes Receivable	128,548							128,548	
Delinquent Interest Receivable	30,609							30,609	
Delinquent Penalties Receivable	10,284							10,284	
Accounts Receivable - Other	335							335	
Total Current Assets	<u>777,157</u>	<u>269,321</u>	<u>162,521</u>	<u>725,095</u>	<u>148,319</u>	<u>5,677</u>	<u>353,248</u>	<u>2,441,338</u>	
TOTAL ASSETS	\$ 777,157	\$ 269,321	\$ 162,521	\$ 725,095	\$ 148,319	\$ 5,677	\$ 353,248	\$ 2,441,338	
LIABILITIES AND FUND BALANCES:									
Liabilities:									
Accounts Payable	\$ 18,812				268			19,080	
Accrued Expenses	2,465				90	900		3,455	
Prepaid Taxes	13,429							13,429	
Deferred Revenue	154,323							154,323	
Amount Held for Agency Funds					147,961			147,961	
Total Liabilities	\$ 189,029	\$ -	\$ -	\$ -	\$ 148,319	\$ 900	\$ -	\$ 338,248	
Fund Balances:									
Unreserved	208,128							208,128	
Reserved	380,000	269,321	162,521	725,095		4,777		1,541,714	
Restricted							353,248	353,248	
Total Fund Balances	<u>588,128</u>	<u>269,321</u>	<u>162,521</u>	<u>725,095</u>	<u>-</u>	<u>4,777</u>	<u>353,248</u>	<u>2,103,090</u>	
TOTAL LIABILITIES & FUND BALANCES	\$ 777,157	\$ 269,321	\$ 162,521	\$ 725,095	\$ 148,319	\$ 5,677	\$ 353,248	\$ 2,441,338	

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, 2012

Fund Balances - total governmental funds	\$	1,745,065
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p style="padding-left: 40px;">Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:</p>		
Governmental capital assets		7,614,215
Less accumulated depreciation		(1,648,576)
<p style="padding-left: 40px;">Bonds payable and contractual obligations have not been included in the governmental fund financial statements.</p>		
Bonds Payable		(660,000)
<p style="padding-left: 40px;">Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.</p>		
		154,323
Net Assets of Governmental Activities	\$	7,205,027

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, 2012

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Capital Project Fund	Other Governmental Fund		
REVENUES:						
Tax-Based Income	\$ 12,958,791					\$ 12,958,791
Intergovernmental revenues	337,270	16,635				353,905
Rent Income	796,135					796,135
Grants and Special Projects	156	15,361			615	16,132
Permits, Fees and Miscellaneous	384,214	8,047	38,064			430,325
Investment Income	1,039	284	178	399	3	1,903
Donations						-
TOTAL REVENUES	<u>14,477,605</u>	<u>40,327</u>	<u>38,242</u>	<u>399</u>	<u>618</u>	<u>14,557,191</u>
EXPENDITURES:						
General Town Expenses	792,411	88,889			1,776	883,076
Public Safety	459,597		331,897			791,494
Highways	923,814					923,814
Library Services	126,381					126,381
Recreation	112,687	3,884				116,571
Miscellaneous						-
Intergovernmental Taxes and Dues	11,262,522	3,000				11,265,522
TOTAL EXPENDITURES	<u>13,677,412</u>	<u>95,773</u>	<u>331,897</u>	<u>-</u>	<u>1,776</u>	<u>14,106,858</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	800,193	(55,446)	(293,655)	399	(1,158)	450,333
OTHER FINANCING SOURCES (USES)						
Transfers In		45,000	138,945			183,945
Transfers Out	(183,945)					(183,945)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	616,248	(10,446)	(154,710)	399	(1,158)	450,333
FUND BALANCES, JULY 1, 2011	(28,120)	279,767	317,231	724,696	5,935	1,299,509
FUND BALANCES, JUNE 30, 2012	<u>\$ 588,128</u>	<u>\$ 269,321</u>	<u>\$ 162,521</u>	<u>\$ 725,095</u>	<u>\$ 4,777</u>	<u>\$ 1,749,842</u>

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, 2012

Net Changes in Fund Balances -- total governmental funds	\$	451,491
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p style="padding-left: 40px;">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:</p>		
Expenditures for capital assets		-
Less current year depreciation		(157,211)
<p style="padding-left: 40px;">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.</p>		
Repayment of bonds		120,000
<p style="padding-left: 40px;">Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.</p>		
		(126,323)
Change in Net Assets of Governmental Funds	\$	287,957

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, 2012

EXHIBIT V

Operating Revenues		
None	\$	-
Total Operating Revenues	\$	-
Operating Expenses		
Distributions	4,465	
Total Operating Expenses		4,465
Operating Income (Loss)		(4,465)
Non-Operating Revenue		
Investment Income	4,465	
Unrealized Gain/Loss	335	
Total Non-Operating Revenue		4,800
Net Income (Loss)		335
Fund Balances, July 1, 2011		352,913
Fund Balances, June 30, 2012	\$	353,248

The accompanying notes are an integral part of these financial statements

Town of Charlotte, Vermont
 Combined Statement of Cash Flows
 Fiduciary Fund Type - Nonexpendable Trust Fund
 Permanent Fund
 For The Year Ended June 30, 2012

EXHIBIT V

Cash Flows From Operating Activities:		
Payments to Vendors and Suppliers	\$	(4,465)
Cash Flows From Noncapital Financing Activities		
None		-
Cash Flows From Capital and Related Financing Activities:		
None		-
Cash Flows From Investing Activities:		
Investment Income		<u>4,465</u>
Net Increase (Decrease) in Cash		-
Cash, July 1, 2011		<u>-</u>
Cash, June 30 2012	\$	<u><u>-</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>-</u></u>

The accompanying notes are an integral part of these financial statements

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 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 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 general revenue used to support all of the Town's function. 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
For The Year Ended June 30, 2012

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 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
For The Year Ended June 30, 2012

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
For The Year Ended June 30, 2012

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/due from other funds". All other outstanding balances between funds are also reported as "due to/due 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 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 asset 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
For The Year Ended June 30, 2012

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, but voters have discretion to change individual line items within the budget, thereby changing the total voted expense amount.

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.

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
For The Year Ended June 30, 2012

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 --- The 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 amount to \$2,247,997. 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 for 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)
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Town of Charlotte, Vermont
Notes to Financial Statements
For The Year Ended June 30, 2012

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:

	<u>Book Balance</u>	<u>Bank Balance</u>
- Insured (FDIC) and/or (SIPC)	\$ 250,000	\$ 250,000
- Category 1	-	-
- Category 2	1,997,837	2,212,504
- Category 3	-	-
- Category 4	160	-
Total deposits	\$ 2,247,997	\$ 2,462,504

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.

Collateralization agreements of \$2,212,504 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. At June 30, 2012, the security being used for collateral is the Federal Home Loan, due March 15, 2033, Cusip #31395PCB6.

NOTE 3 - INVESTMENTS

The 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
For The Year Ended June 30, 2012

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	\$ -	\$ -
Insured (SIPC) and registered held by dealer/broker in Town's name		
Money Market	4,511	4,511
Mutual Funds	Unknown	348,737
Uninsured, registered held by dealer/broker in Town's name	-	-
Insured (SIPC) unregistered held by dealer/broker	-	-
Uninsured, unregistered held by dealer/broker	-	-
	<u>Unknown</u>	<u>\$ 353,248</u>
TOTAL		

NOTE 4 - CAPITAL ASSETS

Capital activity for the Town for the year ended June 30, 2012 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Government Activities:				
Capital assets not being depr.				
Land	\$ 2,138,199	\$ -	\$ -	\$ 2,138,199
Library Collection	404,625			404,625
Total capital assets not being depreciated	2,542,824	-	-	2,542,824
Other Capital Assets:				
Buildings	1,855,167	-	-	1,855,167

Town of Charlotte, Vermont
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Infrastructure	\$ 2,764,071	\$ -	\$ -	\$ 2,764,071
Furniture and Equipment	452,153	-	-	452,153
Total other capital assets At historical costs	<u>5,071,391</u>	<u>-</u>	<u>-</u>	<u>5,071,391</u>
Less accumulated depreciation:				
Buildings	509,930	37,679	-	547,609
Infrastructure	856,553	102,383	-	958,936
Furniture and Equipment	124,882	17,149	-	142,031
Total accum. depr.	<u>1,491,365</u>	<u>157,211</u>	<u>-</u>	<u>1,648,576</u>
Other Capital Assts, Net Governmental Activities	<u>3,580,026</u>	<u>(157,211)</u>	<u>-</u>	<u>3,422,815</u>
Capital Assets, Net	<u>\$ 6,122,850</u>	<u>\$ (157,211)</u>	<u>\$ -</u>	<u>\$ 5,965,639</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General Government	\$ 54,828
Public Safety	-
Public Works	102,383
Cemetery	-
Health & Welfare	-
Solid Waste Management	-
Recreation	-
Other Services	-
Total governmental activities depreciation expense	<u>\$ 157,211</u>

NOTE 5 - DEFERRED REVENUE

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

Property Taxes	<u>\$ 154,323</u>
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Town of Charlotte, Vermont
Notes to Financial Statements
For The Year Ended June 30, 2012

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:

	<u>Balance</u>		<u>Balance</u>
	<u>July 1, 2011</u>	<u>Borrowings</u>	<u>June 30, 2012</u>
		<u>Retirements</u>	
Vermont Municipal Bank, Fire and Rescue Building bond payable, interest at 5.065% 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.	\$ 180,000	\$ -	\$ 20,000 \$ 160,000
Vermont Municipal Bank, Fire and Rescue Pump Truck bond payable, net interest at 4.928% 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 and refinanced August, 2012.	300,000	-	25,000 275,000
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.	300,000	-	75,000 225,000
Total Long-Term Debt	\$ 780,000	\$ -	\$ 120,000 \$ 660,000

Interest expense for the year ended June 30, 2012 was \$22,092.

Town of Charlotte, Vermont
Notes to Financial Statements
For The Year Ended June 30, 2012

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, 2013	120,000	22,093	142,093
2014	120,000	20,086	140,086
2015	120,000	18,026	138,026
2016	120,000	15,925	135,925
Thereafter	180,000	37,359	217,359
Totals	<u>\$ 660,000</u>	<u>\$ 113,489</u>	<u>\$ 773,489</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:

Special Revenue Fund:

Community Library	490
Recreation Fund	2,244
Restoration of Records	19,583
Reappraisal Fund	23,734
Conservation Commission	977
Thorpe Barn	7,578
Repairs and Improvements	10,015
Cemetery Fund	1,818
Tree Fund	2,303
Scenic Preservation	951
Mack Scholarship	1,773
Affordable Housing	134,495
Highway Project	52,865
Trails Reserve	10,495
Total	<u>\$ 269,321</u>

Town of Charlotte, Vermont
Notes to Financial Statements
For The Year Ended June 30, 2012

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

Capital Projects & Other Governmental Funds:	
Anticipated Surplus (applied to tax rate for 2013)	\$ 380,000
Fire & Rescue Capital Fund	162,521
Land Conservation Fund	725,095
Total	<u>\$ 1,267,616</u>
Trust Funds:	
Free Sports & Instruction	<u>\$ 4,777</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	<u>\$ 162,521</u>
Net Assets Restricted For Other Purposes:	
Land Conservation Fund	725,095
Community Library	490
Recreation Fund	2,244
Restoration of Records	19,583
Reappraisal Fund	23,734
Conservation Commission	977
Thorpe Barn	7,578
Repairs and Improvements	10,015
Cemetery Fund	1,818
Tree Fund	2,303
Scenic Preservation	951
Mack Scholarship	1,773
Affordable Housing	134,495
Highway Project	52,865
Trails Reserve	10,495
	<u>\$ 994,416</u>

Town of Charlotte, Vermont
Notes to Financial Statements
For The Year Ended June 30, 2012

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 transfer were made during the year.

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

Repairs and Improvement Fund	\$ 10,000
Fire/Rescue Capital Fund	138,945
Affordable Housing Fund	30,000
Trails Fund	5,000
	\$ 183,945

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 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 \$12,297 during the year. The Town contributed \$14,046 during the year. The Town's total payroll for all employees during the year was \$413,856, with \$287,195 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; injured to employees; and natural disasters for which the

Town of Charlotte, Vermont
Notes to Financial Statements
For The Year Ended June 30, 2012

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 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

Town of Charlotte, Vermont
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 11 - RISK MANAGEMENT (CONTINUED)

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

NOTE 12 - 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.

During the year ended June 30, 2013	\$ 1,362
2014	1,362
Thereafter	1,362
Total	<u>\$ 4,086</u>

Total lease payments made this year were \$1,362.

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

There were no tax anticipation notes taken in subsequent periods during the 2012 fiscal year at the release date of this report.

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
For The Year Ended June 30, 2012

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 collectability of any related receivable at June 30, 2012 may be impaired. In the opinion of the Town, there are no significant contingent liabilities related 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, 2012

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES:			
Tax-Based Income:			
Property Taxes	\$ 12,565,069	\$ 12,916,886	\$ 351,817
Delinquent Tax Interest	10,000	19,389	9,389
Delinquent Tax Penalty	20,000	22,516	2,516
Subtotal	12,595,069	12,958,791	363,722
Rent Income:			
Thompson's Point	495,000	793,475	298,475
Rental Property	-	-	-
Subtotal	495,000	793,475	298,475
Grants and Special Projects:			
Current Use	90,042	90,042	-
Pilot Payment	985	21,448	20,463
State Highway Aid	189,337	188,469	(868)
Highway Grants	-	3,448	3,448
Subtotal	280,364	303,407	23,043
Town Clerk's Revenue:			
Vault Time Fees	10,000	8,556	(1,444)
Recording Fees	52,000	52,615	615
Dog Licenses	2,500	2,716	216
Hunting & Fishing Licenses	250	(69)	(319)
Registration Renewal Fees	200	165	(35)
Subtotal	64,950	63,983	(967)
Planning and Zoning:			
Board Adjustment	1,500	2,860	1,360
Building Permits	14,000	18,850	4,850
Subdivision Income	16,000	15,400	(600)
Miscellaneous	200	106	(94)
Septic Applications	12,000	14,000	2,000
Certificate of Occupancy	2,000	2,850	850
Certificate of Compliance	1,000	2,700	1,700
Highway Access Permit	300	800	500
Subtotal	47,000	57,566	10,566
Miscellaneous:			
Railroad Tax	125	219	94
Barber Cemetery Fund	50	156	106

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, 2012

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Senior Center	\$ 20,000	\$ 22,683	\$ 2,683
Fire & Rescue	98,000	108,620	10,620
Beach Fees	8,000	12,109	4,109
Intramural Sports	45,325	55,417	10,092
Court Highway Fines	30,000	7,293	(22,707)
Agricultural Lease	3,000	2,660	(340)
Investment Income	2,000	1,034	(966)
Reappraisal Fund Transfer	33,600	33,600	-
Miscellaneous	500	16,589	16,089
Subtotal	<u>240,600</u>	<u>260,380</u>	<u>19,780</u>
 TOTAL REVENUES	 <u>\$ 13,722,983</u>	 <u>\$ 14,437,602</u>	 <u>\$ 714,619</u>
 EXPENDITURES:			
Selectmen:			
Salaries	9,000	9,000	-
Minute-taker Salaries	2,550	3,503	(953)
Administrative Assistant	25,148	25,148	-
Legal Expenses	45,000	39,817	5,183
Unanticipated Expenses	10,000	20,949	(10,949)
Advertising	500	909	(409)
Seminars	150	110	40
Total Selectmen	<u>92,348</u>	<u>99,436</u>	<u>(7,088)</u>
 Town Clerk:			
Clerk's Salaries	58,315	58,315	-
Assistant Clerk Salaries	34,218	34,035	183
Equipment	700	1,707	(1,007)
Telephone	1,700	1,912	(212)
Seminars/Training	120	110	10
Supplies	2,500	2,885	(385)
Memberships/Manuals	-	-	-
Service Contracts	4,500	3,208	1,292
Total Town Clerk	<u>102,053</u>	<u>102,172</u>	<u>(119)</u>
 Treasurer:			
Supplies	800	750	50
Audit Expense	12,000	12,250	(250)
Total Treasurer	<u>12,800</u>	<u>13,000</u>	<u>(200)</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, 2012

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Elections and Town Meetings			
Elections	\$ 500	\$ -	\$ 500
Town Meetings	2,000	3,204	(1,204)
Town Report Expenses	3,800	4,050	(250)
Total Elections and Town Meetings	6,300	7,254	(954)
Planning and Zoning:			
Zoning Administrator Salaries	33,613	33,613	-
Planner Salaries	25,148	25,148	-
Administrative Assistant Salaries	34,380	34,512	(132)
Minute-Taker Salaries	3,000	2,394	606
Legal Expenses	1,000	(618)	1,618
Miscellaneous	100	18	82
Mileage	550	590	(40)
Telephone	900	761	139
Advertising	1,500	1,799	(299)
Equipment	250	54	196
Seminars	500	298	202
Computer Upgrade	1,000	1,445	(445)
Supplies	1,500	881	619
Memberships/Manuals	320	353	(33)
Engineering	9,000	6,615	2,385
Copier	2,750	2,948	(198)
Planning Consultants	2,000	2,012	(12)
Mapping	500	52	448
Village Planning	1,000	-	1,000
Town Planning/Land Use	2,000	4,424	(2,424)
Total Planning and Zoning	121,011	117,299	3,712
Constable:			
Salaries	2,600	2,600	-
Total Constable	2,600	2,600	-
Listers:			
Lister Salaries	27,933	17,186	10,747
Contracted Appraiser	33,600	33,900	(300)
Miscellaneous	-	-	-
Mileage	100	61	39
Telephone	750	1,709	(959)
Seminars	-	115	(115)
Computer Software	-	300	(300)

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, 2012

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Supplies	\$ 1,500	\$ 346	\$ 1,154
Memberships/Manuals	45	30	15
MS Service Contract	232	232	-
Mapping Contract	2,000	2,000	-
Furniture and Equipment	200	-	200
Total Listers	66,360	55,879	10,481
 Delinquent Tax Collector;			
Salaries	5,305	5,305	-
Total Delinquent Tax Collector	5,305	5,305	-
 Employee Benefits:			
Social Security	24,180	24,263	(83)
Health Insurance	128,700	100,155	28,545
Retirement	13,921	14,231	(310)
Unemployment Compensation	1,000	700	300
Vacation Time	-	2,465	(2,465)
Medicare Expense	5,655	5,695	(40)
Total Employee Benefits	173,456	147,509	25,947
 Fire and Rescue:			
2 Cross-Trained EMTs	230,000	248,661	(18,661)
Membership Incentive	22,500	16,875	5,625
Operating Expense	210,519	155,988	54,531
Fire Warden	100	100	-
Administrative Assistant	16,881	17,504	(623)
Total Fire and Rescue	480,000	439,128	40,872
 Highways			
Miscellaneous	4,000	1,710	2,290
Retreatment	235,000	259,394	(24,394)
Winter Plow/Sand/Ice	200,000	180,372	19,628
Gravel Roads Maintenance	166,000	191,610	(25,610)
Gravel Roads Upgrade	77,250	-	77,250
Ditching	70,000	47,025	22,975
Brush/Tree Removal	45,000	97,208	(52,208)
Culvert Replace/Repair	40,000	35,813	4,187
Mowing Roadside	30,000	22,870	7,130
Sweeping Int./Shoulders	4,000	8,188	(4,188)
Cold Patch	4,000	3,396	604
Bridge/Guardrail Repair	3,000	5,302	(2,302)
Road Signs	11,000	13,027	(2,027)
Town Garage	-	-	-

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, 2012

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Covered Bridges	\$ 10,000	\$ 2,280	\$ 7,720
Bike Path Maintenance	2,000	2,252	(252)
Gravel Road Upgrades	-	53,368	(53,368)
Total Highways	901,250	923,815	(22,565)
 Town Lands:			
Landfill Monitor	5,000	4,543	457
Land Maintenance Contract	11,000	5,425	5,575
Cemetery Maintenance	8,000	8,105	(105)
Park Security	5,284	5,284	-
Ballpark Maintenance	8,000	-	8,000
Park Maintenance	11,000	9,025	1,975
Berry Farm Field	-	7,230	(7,230)
Town Beach Mowing	-	2,700	(2,700)
School Fields Maintenance	9,300	6,805	2,495
Trail Maintenance	2,000	1,550	450
Total Town Lands	59,584	50,667	8,917
 Library:			
Salaries	36,854	36,854	-
Assistant Salaries	49,997	51,245	(1,248)
Custodial Services	3,500	2,720	780
Postage/Miscellaneous	1,000	995	5
Telecommunications	1,700	1,932	(232)
Supplies	3,000	3,320	(320)
Seminars	1,000	900	100
Association Dues	200	300	(100)
Acquisitions	10,500	11,337	(837)
Special Programs	1,750	1,366	384
Energy	7,000	6,972	28
Maintenance	6,000	5,814	186
Computer Support	3,000	2,623	377
Computer Equipment	3,300	2,336	964
Total Library	128,801	128,714	87
 Annual Requests:			
Lewis Creek Association	600	600	-
Visiting Nurses Association	8,570	8,570	-
CV Agency on Aging	1,600	1,600	-
Women Helping Battered Women	450	450	-
Women's 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, 2012

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Chittenden County Food Shelf	\$ 200	\$ 200	\$ -
COTS	500	500	-
Special Investigations	2,700	5,064	(2,364)
NVRCDC	75	75	-
American Red Cross	250	250	-
Total Annual Requests	16,845	19,209	(2,364)
 Recreation:			
Beach Attendant Salaries	8,500	7,844	656
Miscellaneous	1,000	592	408
Beach Maintenance	3,500	3,837	(337)
Telephone	250	-	250
Garbage Removal	300	364	(64)
Skating Rink	600	320	280
Beach Electricity	225	257	(32)
Skating Rink Electricity	400	348	52
Beach Coordinator	1,530	2,025	(495)
Docks In and Out	4,000	4,682	(682)
Intramural Sports Director	18,803	18,803	-
Intramural Expenses	33,446	36,102	(2,656)
Total Recreation	72,554	75,174	(2,620)
 Conservation:			
GIS Mapping	-	-	-
Education Tech Support	3,550	4,142	(592)
Green Up Day	100	-	100
UVM Interns	-	-	-
CV Conservation Alliance	100	-	100
Natural Resource Info CCS	300	-	300
Total Conservation	4,050	4,142	(92)
 Town Hall:			
Maintenance	17,000	18,142	(1,142)
Postage	7,500	6,323	1,177
Alarm/Phone	500	112	388
Equipment	3,500	5,455	(1,955)
Supplies	3,000	3,365	(365)
Fax Line	-	-	-
Trash Removal	1,200	1,162	38
Utilities	4,800	3,963	837
Fuel Oil	4,500	4,520	(20)

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, 2012

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Computer Service	\$ 4,200	\$ 5,593	\$ (1,393)
Total Town Hall	46,200	48,635	(2,435)
 Senior Center:			
Maintenance	6,000	6,203	(203)
Snow Plowing	1,500	-	1,500
Custodial Services	6,000	6,600	(600)
Miscellaneous	500	100	400
Postage	500	487	13
Telecommunications	2,000	1,656	344
Supplies	1,000	741	259
Energy	8,000	7,706	294
Director	23,977	23,133	844
Program Expenses	20,000	22,200	(2,200)
Total Senior Center	69,477	68,826	651
 Miscellaneous			
Insurance	27,500	35,024	(7,524)
Flea Market Electricity	200	250	(50)
Street Lights Electricity	1,800	1,686	114
Museum Electricity	300	215	85
Health Officer	1,275	1,275	-
Animal Control Officer	3,000	3,000	-
Dogs/Miscellaneous	500	1,848	(1,348)
Miscellaneous	500	443	57
Trails Committee	1,000	527	473
Traffic Enforcement	40,000	13,021	26,979
Charlotte Land Trust	5,000	4,999	1
Affordable Housing	500	120	380
Energy Committee	5,000	-	5,000
Anniversary Celebration	-	1,012	(1,012)
Tax Anticipation Interest	1,900	2,703	(803)
Total Miscellaneous	88,475	66,123	22,352
 Intergovernmental Taxes and Dues			
VLCT Dues	4,364	4,364	-
CCRPC Dues	6,013	6,013	-
County Tax	51,000	40,008	10,992
CCMPO	5,629	5,629	-
School Tax	11,206,508	11,206,508	-
Total Intergovernmental Taxes and Dues	11,273,514	11,262,522	10,992
 TOTAL EXPENDITURES	 13,722,983	 13,637,409	 85,574

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, 2012

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ 800,193	\$ 800,193
OTHER FINANCING SOURCES (USES)			
Transfer to Special Revenue Fund	-	(45,000)	\$ (45,000)
Transfer to Capital Project Fund	-	(138,945)	\$ (138,945)
Transfer to Other Governmental Funds	-	-	\$ -
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	616,248	\$ 616,248
FUND BALANCE, JULY 1, 2011	<hr/>	<hr/>	<hr/>
	-	(28,120)	\$ (28,120)
FUND BALANCE, JUNE 30, 2012	<hr/>	<hr/>	<hr/>
	\$ -	\$ 588,128	\$ 588,128

The accompanying notes are an integral part of these financial statements

	Community Library	Recreation Fund	Restoration of Records	Reappraisal Fund	Conservation Commissions	Thorpe Barn	Repairs & Improvement Fund	Cemetery Fund	Subtotals
ASSETS:									
Current Assets:									
Cash	\$ 490	\$ 2,244	\$ 19,583	\$ 23,734	\$ 977	\$ 7,578	\$ 10,015	\$ 1,818	\$ 66,439
	<u>490</u>	<u>2,244</u>	<u>19,583</u>	<u>23,734</u>	<u>977</u>	<u>7,578</u>	<u>10,015</u>	<u>1,818</u>	<u>66,439</u>
Total Current Assets									
TOTAL ASSETS	\$ 490	\$ 2,244	\$ 19,583	\$ 23,734	\$ 977	\$ 7,578	\$ 10,015	\$ 1,818	\$ 66,439
LIABILITIES & FUND BALANCES:									
Liabilities:									
None	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities									
Fund Balances:									
Reserved	490	2,244	19,583	23,734	977	7,578	10,015	1,818	66,439
	<u>490</u>	<u>2,244</u>	<u>19,583</u>	<u>23,734</u>	<u>977</u>	<u>7,578</u>	<u>10,015</u>	<u>1,818</u>	<u>66,439</u>
Total Fund Balances									
TOTAL LIABILITIES & FUND BALANCES	\$ 490	\$ 2,244	\$ 19,583	\$ 23,734	\$ 977	\$ 7,578	\$ 10,015	\$ 1,818	\$ 66,439

The accompanying notes are an integral part of these financial statements

	Tree Fund	Scenic Preservation	Mack Scholarship	Affordable Housing	Highway Project	Trails Reserve	Subtotals	Totals
ASSETS:								
Current Assets:								
Cash	\$ 2,303	\$ 951	\$ 1,773	\$ 134,495	\$ 52,865	\$ 10,495	\$ 202,882	\$ 269,321
Total Current Assets	<u>2,303</u>	<u>951</u>	<u>1,773</u>	<u>134,495</u>	<u>52,865</u>	<u>10,495</u>	<u>202,882</u>	<u>\$ 269,321</u>
TOTAL ASSETS	\$ 2,303	\$ 951	\$ 1,773	\$ 134,495	\$ 52,865	\$ 10,495	\$ 202,882	\$ 269,321
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	2,303	951	1,773	134,495	52,865	10,495	202,882	\$ 269,321
Total Fund Balances	<u>2,303</u>	<u>951</u>	<u>1,773</u>	<u>134,495</u>	<u>52,865</u>	<u>10,495</u>	<u>202,882</u>	<u>\$ 269,321</u>
TOTAL LIABILITIES & FUND BALANCES	\$ 2,303	\$ 951	\$ 1,773	\$ 134,495	\$ 52,865	\$ 10,495	\$ 202,882	\$ 269,321

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, 2012

	Community Library	Recreation Fund	Restoration of Records	Reappraisal Fund	Conservation Commissions	Thorpe Barn	Repairs & Improvement Fund	Cemetery Fund	Subtotals
REVENUES:									
Grants and Special Projects				\$ 16,635					16,635
Fees, Permits, Miscellaneous	1,194	1,000	5,855						8,049
Investment Income		2	7	5		4	2	1	21
Donations					140	5,615		2,080	7,835
TOTAL REVENUES	\$ 1,194	\$ 1,002	\$ 5,862	\$ 16,640	\$ 140	\$ 5,619	\$ 2	\$ 2,081	\$ 32,540
EXPENDITURES:									
General Town Expenses			1,846	33,645	140	6,254		2,763	44,648
Highway									-
Library	1,121	3,000							4,121
Recreation									-
Miscellaneous									-
TOTAL EXPENDITURES	1,121	3,000	1,846	33,645	140	6,254	-	2,763	48,769
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	73	(1,998)	4,016	(17,005)	-	(635)	2	(682)	(16,229)
OTHER FINANCING SOURCES (USES):									
Transfers In							10,000		10,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	73	(1,998)	4,016	(17,005)	-	(635)	10,002	(682)	(6,229)
FUND BALANCES, JULY 1, 2011	417	4,242	15,567	40,739	977	8,213	13	2,500	72,668
FUND BALANCES, JUNE 30, 2012	\$ 490	\$ 2,244	\$ 19,583	\$ 23,734	\$ 977	\$ 7,578	\$ 10,015	\$ 1,818	\$ 66,439

The accompanying notes are an integral part of these financial statements

	Tree Fund	Scenic Preservation	Mack Scholarship	Affordable Housing	Highway Project	Trails Reserve	Subtotals	Totals
REVENUES:								
Grants and Special Projects							\$ -	\$ 16,635
Fees, Permits, Miscellaneous	2			76	29	152	2	8,051
Investment Income			1			258		279
Donations	1,637		915			4,975	7,527	15,362
TOTAL REVENUES	\$ 1,639	\$ -	\$ 916	\$ 76	\$ 29	\$ 5,127	7,787	40,327
EXPENDITURES:								
General Town Expenses	3,574		1,724	41,706			47,004	91,652
Highway								-
Library								-
Recreation								4,121
Miscellaneous								-
TOTAL EXPENDITURES	3,574	-	1,724	41,706	-	-	47,004	95,773
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,935)	-	(808)	(41,630)	29	5,127	(39,217)	(55,446)
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	30,000		5,000	35,000	45,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,935)	-	(808)	(11,630)	29	10,127	(4,217)	(10,446)
FUND BALANCES, JULY 1, 2011	4,238	951	2,581	146,125	52,836	368	207,099	279,767
FUND BALANCES, JUNE 30, 2012	\$ 2,303	\$ 951	\$ 1,773	\$ 134,495	\$ 52,865	\$ 10,495	\$ 202,882	269,321

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, 2012

Schedule 4

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Assets:				
Cash:				
Thompson's Point Operating	\$ 107,178	\$ 188,776	\$ 200,192	\$ 95,762
Thompson's Point Sinking	49,331	10,027	19,726	\$ 39,632
Subdivision Escrow	4,860	2		\$ 4,862
After School Ski Program	7,491	9,007	8,435	\$ 8,063
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 168,860</u>	<u>\$ 207,812</u>	<u>\$ 228,353</u>	<u>\$ 148,319</u>
Liabilities:				
Amount held for Agency Funds	<u>\$ 168,860</u>	<u>\$ 207,812</u>	<u>\$ 228,353</u>	<u>\$ 148,319</u>
Total Liabilities	<u>\$ 168,860</u>	<u>\$ 207,812</u>	<u>\$ 228,353</u>	<u>\$ 148,319</u>

The accompanying notes are an integral part of these financial statements



Batchelder Associates, PC

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, 2012 which collectively comprise the entity's basic financial statements and have issued our report thereon dated August 16, 2012. 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 of 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,

Bonnie K. Batchelder • Certified Public Accountant

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:

Financial Statement Presentation:

1. During audit testing, bank reconciliation review and substantive testing, it was discovered that the books had been closed in the NEMRC system. After closing, entries were posted to prior period without the proper annotation in the software which led to incorrectly stated accounts. The situation was investigated and corrected by the accounting staff during fieldwork. As a result, financial data and reporting was incorrectly stated and relied upon. Special care and review of all account balances should be completed at the close of the year to ensure that all entries have been captured in the proper accounting period and that all balances reconcile to subsidiary schedules presented to the Board of Selectman and auditors.
2. During audit testing, it was discovered that accounting maintenance assumed by the Town in February, 2012 was comingled with the Town's accounting records. This did not alter significantly the expenses of the Town, as the individual expenses reported during the interim periods equated to the Town's appropriation to Fire and Rescue. We suggested that all expenses for the Fire and Rescue be maintained in its own separate set of records, completely isolated from the Town's records. This has subsequently been completed and reviewed.

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*.

Other Items for Consideration:

1. Each user of NEMRC should have unique passwords.
2. The auditors opinion letter was not included in the Town report. This letter is an integral part of the financial statements and should be a part of the published presentation.
3. Additional research should be done and procedures documented for the process NEMRC follows to track and record overpayments made by taxpayers.
4. Staff responsible for processing payroll, issues and signs all paychecks, including their own. We suggest that direct deposit be instituted in the Town to avoid the appearance of any segregation of duty issues.

5. We suggest that the Thompson Point transactions be integrated into the NEMRC system. The software offers an accounts receivable module which would allow better control and integration into the Town's books versus an offline tracking system, which exists currently.

6. We suggest that interim audit work be completed in June to ensure that records and year end figures are as complete and accurate as possible for setting the tax rate in August.

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.

Batchelder Associates, P.C.

Batchelder Associates, P.C.
Barre, Vermont
License #945

August 16, 2012