

TOWN OF NEWFANE, VERMONT
FINANCIAL STATEMENTS
JUNE 30, 2009
AND
INDEPENDENT AUDITOR'S REPORTS

TOWN OF NEWFANE, VERMONT

JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

The Board of Selectmen
Town of Newfane, Vermont

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Newfane, Vermont (the Town) as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Newfane, Vermont as of June 30, 2009 and the respective changes in financial position thereof and the budgetary comparison for the General Fund 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 28, 2010, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information contained in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mudgett, Jennett &
Kragh-Wisner, P.C.*

Montpelier, Vermont
January 28, 2010

TOWN OF NEWFANE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

This discussion and analysis is intended to serve as an introduction of the Town of Newfane's basic financial statements. The Town's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This document also contains other supplementary information and audit reports in addition to the basic financial statements. Our narrative overview is intended to be read in conjunction with the attached financial statements and schedules.

Financial Statements

Government-wide Financial Statements - The government-wide financial statements are designed to provide the readers with a broad overview of Newfane's finances in a manner similar to a private sector business. These statements present the financial picture of the Town from the "economic resources" measurement focus using the accrual basis of accounting. The *statement of net assets* presents information on all of Newfane's assets and liabilities, with the difference between the two reported as *net assets*. Net assets include capital assets, net of depreciation, and are reduced by the balance of any long-term debt. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Newfane is improving or deteriorating.

The *statement of activities* 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 or the Community Development note receivable).

The government-wide financial statements for Newfane include general governmental administrative expenses, community services and highway expenses which are principally supported by taxes and intergovernmental revenue. Newfane does not have any enterprise funds or business-type activities for which a significant portion of revenues would be generated through user fees.

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. State and local governments use fund accounting to ensure and demonstrate compliance with financially regulated legal requirements. All of the funds of Newfane are divided into two categories: *governmental funds* and *fiduciary funds*.

Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in government-wide financial statements. However, governmental funds focus on annual *inflows and outflows of spendable resources*, and the *balances of spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The General Fund is the Town's major governmental fund. In addition, the Town of Newfane maintains other governmental funds which are reserved or designated for specific purposes. These funds are reported individually in supplementary Schedules 1 and 2 on pages 23 and 24.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. These financial statements separately report two trust funds as fiduciary funds. The Town transferred one of these funds to trustees of the Moore Free Library during the year ended June 30, 2009.

Government-wide Financial Analysis

Newfane's Net Assets June 30, 2009 and 2008

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Current assets	\$ 297,452	\$ 284,794
Capital assets	<u>2,190,707</u>	<u>2,165,446</u>
Total assets	<u>2,488,159</u>	<u>2,450,240</u>
Current liabilities	140,403	314,058
Long-term liabilities	<u>208,692</u>	<u>152,700</u>
Total liabilities	<u>349,095</u>	<u>466,758</u>
Net Assets:		
Invested in capital assets, net of related debt	1,920,891	1,975,346
Restricted	64,174	45,737
Unrestricted	<u>153,999</u>	<u>(37,601)</u>
Total net assets	<u>\$2,139,064</u>	<u>\$1,983,482</u>

The Statement of Net Assets shows total assets of the Town as of June 30, 2009 are \$2,488,159; total assets as of June 30, 2008 were \$2,450,240. Of these totals, \$297,452 and \$284,794 represent current assets. Noncurrent assets are the net capital assets including land, buildings, infrastructure and equipment. The liabilities of the Town at June 30, 2009 totaled \$349,095, including \$52,678 in accounts payable, \$26,601 in accrued payroll items, \$61,124 in current debt due in fiscal 2010, and \$208,692 in long-term debt which includes estimated postclosure care costs for the landfill. Liabilities at June 30, 2008 totaled \$466,758, including \$35,421 in accounts payable, \$16,237 in accrued payroll items, \$225,000 in short-term notes payable, and \$190,100 in long-term debt.

The Statement of Activities reports total operating expenses for 2009 of \$3,981,564; total expenses for 2008 were \$4,119,834. These accrual basis expenses include all fund expenditures plus depreciation of capital assets, but exclude debt principal payments and capital asset purchases. Certain revenues (labeled Program Revenues) offset expenses as they relate to specific programs, such as State and Federal grants or fees charged for specific services.

General revenues, mainly property taxes, totaled \$3,881,749 for 2009 and \$3,845,399 for 2008. The largest portion of the property taxes are collected by the Town in amounts (approximately \$2.7 million) mandated by the State of Vermont for education. These amounts are sent to the State or the local school districts.

In 2009, revenues exceeded expenses, increasing net assets by \$155,582; in 2008, revenues exceeded expenses, increasing net assets by \$241,331. At June 30, 2009, net assets totaled \$2,139,064; net assets at June 30, 2008 were \$1,983,482.

Changes in Net Assets for the Years Ended June 30, 2009 and 2008

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues		
Program Revenues		
Grants and Contributions	\$ 168,253	\$ 431,275
Charges for Services	83,694	74,110
Other	3,450	10,381
General Revenue		
Property Taxes	3,879,096	3,829,388
Investment Income	2,653	16,011
Total Revenues	<u>4,137,146</u>	<u>4,361,165</u>
Expenses		
Governmental Activities		
General government	470,505	478,485
Education - State and Local	2,756,368	2,922,284
Highway and roads	687,966	631,949
Other programs	66,725	87,116
Total Expenses	<u>3,981,564</u>	<u>4,119,834</u>
Changes in net assets	155,582	241,331
Net assets - Beginning	<u>1,983,482</u>	<u>1,742,151</u>
Net assets - Ending	<u>\$2,139,064</u>	<u>\$1,983,482</u>

Fund Financial Analysis

At June 30, 2009, the Town's governmental funds reported a combined fund balance of \$84,030, an increase of \$179,946 for the year then ended. At June 30, 2008, the Town's governmental funds reported a combined fund deficit of \$95,916, a decrease of \$148,995 from the fund balance at the end of the prior year. Of the 2009 fund balances, \$115,999 constitutes unreserved and undesignated fund balance of the General Fund, but a portion of that is offset by a deficit in the Capital Projects Fund. Other fund balances are reserved or designated for the purposes described in Note 9.

Year-end assets of the General Fund were \$330,834 for 2009 and \$435,481 for 2008; liabilities were \$213,422 and \$380,710 at June 30, 2009 and 2008, respectively. General Fund revenue and expenditures in 2009 exceeded the amounts budgeted by a net difference of \$62,641, as summarized on the Statement of Revenue and Expenditures - Budget and Actual - General Fund.

The Capital Projects Fund is used for purchase of capital assets and payment of debt service on long-term debt incurred for such purchases. The Fund reported a deficit at June 30, 2009 of \$96,143, a positive change of \$97,971 from the deficit of \$194,114 reported by the Fund at June 30, 2008. That deficit was due to capital outlay in 2008 in excess of authorized borrowing and other sources of funds.

Capital Assets and Debt Administration

The Town has maintained an inventory of capital assets and reports depreciation of those assets in the government-wide financial statements. Buildings and improvements, recent bridge and highway infrastructure improvements, highway equipment, and office equipment have been recorded at their cost and depreciated over their estimated useful lives. The Town was not required, as a small government, to record the cost and depreciation associated with infrastructure improvements that occurred prior to Newfane's implementation of the current financial reporting model.

Capital Assets as of June 30, 2009 and 2008
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 105,000	\$ 105,000
Buildings & improvements	300,890	308,556
Bridge & highway improvements	1,140,994	1,154,975
Highway equipment	634,520	585,749
Office & election equipment	<u>9,303</u>	<u>11,166</u>
Net Capital Assets	<u>\$2,190,707</u>	<u>\$2,165,446</u>

In 2009, the Town acquired a new truck which cost approximately \$120,000 and also recorded engineering costs for future bridge improvements. In 2008, the Town increased the capital asset value of infrastructure improvements by \$444,997 to record the remaining cost of rebuilding roads after the 2007 flood.

At the end of the fiscal year, the Town had \$269,816 in long-term debt outstanding compared to \$190,100 in the prior year. The Town borrowed \$117,116 for the truck purchase and paid \$37,400 to retire debt. In addition to the outstanding bonds and notes, the Town reports, as debt, an accrued estimate of future costs to provide postclosure care for the closed landfill. In 2009, the Town paid \$4,400 toward the cost of postclosure care.

The Town paid off the short-term notes which were caused by the 2008 deficit in the Capital Projects Fund. The Town did not have any short-term obligations at June 30, 2009.

Requests for Information

This financial report is designed to provide a general overview of the Town of Newfane's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Newfane, P.O. Box 296, Newfane, Vermont 05345-0296.

TOWN OF NEWFANE, VERMONT
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental Activities</u>
ASSETS:	
Current assets -	
Cash and cash equivalents	\$ 110,368
Property taxes receivable	169,021
Accounts receivable	<u>18,063</u>
Total current assets	<u>297,452</u>
Noncurrent assets -	
Capital assets (Note 3)	2,779,192
less - accumulated depreciation	<u>(588,485)</u>
Total noncurrent assets	<u>2,190,707</u>
Total assets	<u>2,488,159</u>
 LIABILITIES:	
Current liabilities -	
Accounts payable	52,678
Accrued payroll	26,601
Current portion of long-term debt	<u>61,124</u>
Total current liabilities	<u>140,403</u>
Noncurrent liabilities -	
Long-term debt (Note 4)	<u>208,692</u>
Total noncurrent liabilities	<u>208,692</u>
Total liabilities	<u>349,095</u>
 NET ASSETS:	
Invested in capital assets, net of related debt	1,920,891
Restricted	64,174
Unrestricted	<u>153,999</u>
Total net assets	\$ <u>2,139,064</u>

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

**TOWN OF NEWFANE, VERMONT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

		Program Revenues				
	Expenses	Grants and Contributions	Charges for Services	Other	Net (Expense) Revenue and Change in Net Assets	
FUNCTIONS/PROGRAMS:						
Governmental activities -						
General government	\$ 470,505	\$ 17,738	\$ 83,694	\$ 3,450	\$ (365,623)	
Education appropriation	2,756,368	-	-	-	(2,756,368)	
Highways and roads	687,966	150,515	-	-	(537,451)	
Special appropriations	29,359	-	-	-	(29,359)	
Special assessments	<u>37,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,366)</u>	
 Total governmental activities	 \$ <u>3,981,564</u>	 \$ <u>168,253</u>	 \$ <u>83,694</u>	 \$ <u>3,450</u>	 <u>(3,726,167)</u>	
 GENERAL REVENUES - PROPERTY TAXES					 3,879,096	
- INVESTMENT INCOME					<u>2,653</u>	
					<u>3,881,749</u>	
 CHANGE IN NET ASSETS					 155,582	
 NET ASSETS, July 1, 2008					 <u>1,983,482</u>	
 NET ASSETS, June 30, 2009					 \$ <u>2,139,064</u>	

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

TOWN OF NEWFANE, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009
(Page 1 of 2)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 46,863	\$ 1,003	\$ 62,502	\$ 110,368
Property taxes receivable	169,021	-	-	169,021
Accounts receivable	18,063	-	-	18,063
Due from other funds	<u>96,887</u>	<u>-</u>	<u>2,059</u>	<u>98,946</u>
 Total assets	 \$ <u>330,834</u>	 \$ <u>1,003</u>	 \$ <u>64,561</u>	 \$ <u>396,398</u>
<u>LIABILITIES AND FUND EQUITY</u>				
LIABILITIES:				
Accounts payable	\$ 52,678	\$ -	\$ -	\$ 52,678
Accrued payroll	26,601	-	-	26,601
Deferred revenue - taxes	134,143	-	-	134,143
Due to other funds	<u>-</u>	<u>97,146</u>	<u>1,800</u>	<u>98,946</u>
Total liabilities	<u>213,422</u>	<u>97,146</u>	<u>1,800</u>	<u>312,368</u>
FUND EQUITY:				
Reserved for restricted purpose	1,413	-	62,761	64,174
Unreserved -				
Undesignated	<u>115,999</u>	<u>(96,143)</u>	<u>-</u>	<u>19,856</u>
Total fund equity	<u>117,412</u>	<u>(96,143)</u>	<u>62,761</u>	<u>84,030</u>
 Total liabilities and fund equity	 \$ <u>330,834</u>	 \$ <u>1,003</u>	 \$ <u>64,561</u>	 \$ <u>396,398</u>

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

TOWN OF NEWFANE, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009
(Page 2 of 2)

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS:

Amount reported on Balance Sheet - Governmental Funds - total fund equity	\$ 84,030
Amounts reported for governmental activities in the Government-wide Statement of Net Assets are different because -	
Capital assets used in governmental funds are not financial resources and are therefore not reported in the funds.	
Capital assets	2,779,192
Accumulated depreciation	(588,485)
Deferred taxes are reported in the governmental funds to offset uncollected taxes which are not available financial resources.	
	134,143
Liabilities not due and payable are not reported in governmental funds	
Long-term debt	<u>(269,816)</u>
Net Assets of Governmental Activities - Government-wide Statement of Net Assets	\$ <u>2,139,064</u>

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

TOWN OF NEWFANE, VERMONT
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

(Page 1 of 2)

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u>
REVENUE:				
Taxes	\$ 3,849,005	\$ -	\$ -	\$ 3,849,005
Intergovernmental	150,515	-	17,738	168,253
Licenses, permits, fines, and fees	48,050	-	-	48,050
Interest and penalties on taxes	35,644	-	-	35,644
Interest - other	1,964	7	682	2,653
Other	1,100	-	2,350	3,450
Total revenue	<u>4,086,278</u>	<u>7</u>	<u>20,770</u>	<u>4,107,055</u>
EXPENDITURES:				
Current -				
General government	361,956	-	1,436	363,392
Public safety	93,506	-	-	93,506
Town solid waste management	4,400	-	-	4,400
Health and welfare	1,329	-	-	1,329
Special appropriations	29,359	-	-	29,359
Special assessments	37,366	-	-	37,366
Highway department	586,590	-	-	586,590
Education	2,756,368	-	-	2,756,368
Capital outlay	-	131,055	-	131,055
Debt service -				
Principal	-	33,000	-	33,000
Interest	2,763	5,097	-	7,860
Total expenditures	<u>3,873,637</u>	<u>169,152</u>	<u>1,436</u>	<u>4,044,225</u>
EXCESS OF REVENUE OR (EXPENDITURES)	212,641	(169,145)	19,334	62,830
OTHER FINANCING SOURCES (USES):				
Proceeds from borrowing	-	117,116	-	117,116
Operating transfers in (out), net	(150,000)	150,000	-	-
	<u>(150,000)</u>	<u>267,116</u>	<u>-</u>	<u>117,116</u>
NET CHANGE IN FUND BALANCES	62,641	97,971	19,334	179,946
FUND BALANCES, July 1, 2008	<u>54,771</u>	<u>(194,114)</u>	<u>43,427</u>	<u>(95,916)</u>
FUND BALANCES, June 30, 2009	\$ <u>117,412</u>	\$ <u>(96,143)</u>	\$ <u>62,761</u>	\$ <u>84,030</u>

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

TOWN OF NEWFANE, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

(Page 2 of 2)

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES:

Net change in fund balance - total Governmental Funds	\$ 179,946
Amounts reported for governmental activities in the Government-wide Statement of Activities are different because -	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Additions to capital assets, net	131,120
Depreciation	(105,859)
Property tax revenue in governmental funds includes deferred revenue of the prior year but excludes deferred revenue of the current year as taxes uncollected within 60 days are unavailable at year end.	
Prior year	(104,052)
Current year	134,143
The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.	
Proceeds from borrowing	(117,116)
Debt service - principal	33,000
Reduction of estimated postclosure costs for landfill	<u>4,400</u>
Change in Net Assets of Governmental Activities - Government-wide Statement of Activities	\$ <u>155,582</u>

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

**TOWN OF NEWFANE, VERMONT
STATEMENT OF REVENUE AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE:			
General -			
Taxes	\$ 3,818,454	\$ 3,849,005	\$ 30,551
Interest on taxes	18,000	23,153	5,153
Delinquent tax penalties	8,000	12,491	4,491
Intergovernmental	135,000	150,515	15,515
Licenses and permits	5,800	6,102	302
Fees for services	19,500	23,401	3,901
Judicial fines	10,000	18,547	8,547
Interest on cash accounts	8,000	1,964	(6,036)
Miscellaneous	<u>1,400</u>	<u>1,100</u>	<u>(300)</u>
Total revenue	<u>4,024,154</u>	<u>4,086,278</u>	<u>62,124</u>
EXPENDITURES:			
Current -			
General government	377,074	361,956	15,118
Public safety	96,600	93,506	3,094
Town solid waste management	3,600	4,400	(800)
Health and welfare	1,000	1,329	(329)
Special appropriations	29,359	29,359	-
Special assessments	36,176	37,366	(1,190)
Highway department	604,000	586,590	17,410
Education	2,726,345	2,756,368	(30,023)
Debt service - interest on short term notes	-	2,763	(2,763)
Capital Projects Fund - transfer	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Total expenditures	<u>4,024,154</u>	<u>4,023,637</u>	<u>517</u>
EXCESS OF REVENUE OR (EXPENDITURES)	\$ <u>-</u>	\$ <u>62,641</u>	\$ <u>62,641</u>

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

TOWN OF NEWFANE, VERMONT
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2009

	Moore Free <u>Library</u>	Cemetery <u>Trust</u>	<u>Totals</u>
ASSETS:			
Cash	\$ <u>-</u>	\$ <u>676</u>	\$ <u>676</u>
Total assets	<u>-</u>	<u>676</u>	<u>676</u>
LIABILITIES:			
Accounts payable - earnings held for beneficiary	<u>-</u>	<u>176</u>	<u>176</u>
Total liabilities	<u>-</u>	<u>176</u>	<u>176</u>
NET ASSETS:			
Restricted	<u>-</u>	<u>500</u>	<u>500</u>
Total net assets	\$ <u>-</u>	\$ <u>500</u>	\$ <u>500</u>

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

TOWN OF NEWFANE, VERMONT
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Moore Free <u>Library</u>	Cemetery <u>Trust</u>	<u>Totals</u>
ADDITIONS:			
Interest on cash accounts - current	\$ 12	\$ 3	\$ 15
Interest held by Town - prior earnings	<u>229</u>	<u>-</u>	<u>229</u>
	241	3	244
DEDUCTIONS:			
Trust distributions	<u>1,277</u>	<u>3</u>	<u>1,280</u>
CHANGES IN NET ASSETS	(1,036)	-	(1,265)
NET ASSETS, July 1, 2008	<u>1,036</u>	<u>500</u>	<u>1,536</u>
NET ASSETS, June 30, 2009	\$ <u>-</u>	\$ <u>500</u>	\$ <u>500</u>

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

TOWN OF NEWFANE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. Summary of significant accounting policies:

The Town of Newfane, Vermont (the Town) is a unit of local government chartered by the State of Vermont. The Town operates under a Board of Selectmen (Selectboard) form of government and provides services as outlined in its charter. The following is a summary of the more significant accounting policies used by the Town.

- A. Reporting entity - The Town's financial statements include all of the financial activity of the Town. The Town is a primary unit of government under reporting criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include a separately elected governing body, separate legal standing, and fiscal independence from other state and local governmental entities. Based on these criteria, there are no other entities which are component units of the Town.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing *Governmental Accounting and Financial Reporting Standards* which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

- B. Government-wide and fund financial statements - The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has no business-type activities.

In the government-wide statement of net assets, the financial position of the Town is consolidated and incorporates capital assets as well as long-term debt and obligations. The government-wide statement of activities reflects both the gross and net costs by category. Direct expenses that are clearly identifiable with the category are offset by program revenues of the category. Program revenues include charges for services provided by a particular function or program and grants that are restricted to meeting the operational or capital requirements of the particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds are reported as separate columns in the fund financial statements and non-major funds are summarized in a single column.

- C. Basis of presentation - The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue and expenditures.

TOWN OF NEWFANE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. Summary of significant accounting policies (continued):

C. Basis of presentation (continued) -

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.

Capital Projects Fund - Capital Projects Fund accounts for the receipt and disbursement of resources for the purpose of building or buying major capital assets.

Additionally, the Town reports as other governmental funds several special revenue funds which are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified services. The Town also reports fiduciary funds which are used to account for resources held for the benefit of parties outside the Town. The Town's fiduciary funds are the Moore Free Library and the Cemetery Trust.

D. Measurement focus and basis of accounting - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported on a current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become both measurable and available. "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the fund liability is incurred, if measurable.

E. Budgets and budgetary accounting - The Town follows these procedures in establishing the budgetary data for the General Fund:

1. The Selectboard prepares the annual operating budget for the General Fund. The operating budget includes proposed expenditures and the means of financing them. Comments on the budget are received from the public. The budget is then approved and warned for balloting by the Selectboard.
2. The budget and warning of the Town Meeting are published in the Town Report, which is distributed or made available to all citizens.
3. The budget is voted on at the annual Town Meeting held on the first Tuesday of March.
4. Budget revisions must be approved by the Selectboard. Appropriations lapse at the end of the Town's fiscal year if not encumbered.

TOWN OF NEWFANE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. Summary of significant accounting policies (continued):

E. Budgets and budgetary accounting (continued) -

- 5. The budget is employed as a management control device during the year for the General Fund.
- 6. The Budget is prepared on the modified accrual basis and the budgeted amounts presented here are intended to reflect the complete classification of revenue and expenditures on that basis.

F. Compensated absences - The Town's personnel policies permit employees to accumulate earned but unused vacation benefits; vacation pay of \$11,049 is accrued as a liability of the General Fund.

G. Capital assets - Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. 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. Capital assets are defined by the Town as assets with an initial individual cost in excess of a defined threshold amount. Major outlays for capital assets and improvements are capitalized as projects are constructed. Normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings & improvements	20 - 50 years
Infrastructure improvements	50 years
Highway equipment	10 - 25 years
Office furniture & equipment	5 - 15 years

H. Encumbrance accounting - Encumbrances of budgeted amounts, when outstanding at year end, are recorded as a reservation of fund balance in the Town's governmental funds, since they do not constitute expenditures or liabilities. These year-end balances do not include encumbrances.

I. Risk management - The Town is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, employee health and accident and environmental liability. The Town purchases commercial insurance coverage for the risks of losses to which it is exposed.

J. Property taxes - Property taxes attach as an enforceable lien on property owned as of April 1st. Property taxes for the fiscal year are levied in April and are payable in four installments due August 15, October 15, January 15 and April 15. Thereafter, unpaid taxes become delinquent and are assessed an 8% penalty plus interest of 1.5% per month. Property taxes receivable are considered to be fully collectible; revenue recognition is deferred in the General Fund on amounts uncollected within 60 days of year end.

K. Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures, or expenses, during the reporting period. Actual results could differ from those estimates.

TOWN OF NEWFANE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. Summary of significant accounting policies (continued):

L. Fund balances - Fund balances of governmental fund types are classified in three separate categories. The categories, and their general meanings, are as follows:

Reserved fund balance - Indicates that portion of fund equity which has been legally segregated for specific purposes, by regulation or voter action.

Designated fund balance - Indicates that portion of fund equity for which the Town Selectboard has made tentative plans.

Undesignated fund balance - Indicates that portion of fund equity which is available for appropriation and expenditures in future periods.

2. Cash and cash equivalents:

The cash deposits of the Town at year end include checking and sweep accounts, as well as savings accounts, money market accounts, and certificates of deposit with local banks. Recorded balances carried on Town books vary from bank balances by the amount of checks and deposits outstanding at year end.

Custodial credit risk - deposits - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk, but follows the practice of depositing cash in FDIC insured banks. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to a stated limit. Uninsured cash represents balances in excess of FDIC insurance limits. At June 30, 2009, the Town's bank deposits were fully insured.

3. Capital assets:

Changes in capital assets of the governmental activities consisted of the following:

	Balance July 1, 2008	Increase	Decrease	Balance June 30, 2009
Capital assets, not depreciated:				
Land	\$ 105,000	\$ -	\$ -	\$ 105,000
Capital assets, depreciated:				
Buildings & improvements	488,446	-	-	488,446
Bridge & highway improvements	1,186,909	9,442	-	1,196,351
Highway equipment	898,710	121,613	54,070	966,253
Office & election equipment	23,077	65	-	23,142
Total capital assets, depreciated	<u>2,597,142</u>	<u>131,120</u>	<u>54,070</u>	<u>2,674,192</u>
Less accumulated depreciation:				
Buildings & improvements	179,890	7,666	-	187,556
Bridge & highway improvements	31,934	23,423	-	55,357
Highway equipment	312,961	72,842	54,070	331,733
Office & election equipment	11,911	1,928	-	13,839
Total accumulated depreciation	<u>536,696</u>	<u>105,859</u>	<u>54,070</u>	<u>588,485</u>
Capital assets, net	\$ <u>2,165,446</u>	\$ <u>25,261</u>	\$ -	\$ <u>2,190,707</u>

TOWN OF NEWFANE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

4. Notes payable and long-term debt:

Long-term debt - At June 30, 2009, the Town reported the following long-term obligations:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance June 30, 2009</u>
General obligation bonds	4.9%	December 1, 2013	\$ 75,000
Notes payable - State of Vermont Secured by grader	2.0%	December 31, 2011	54,000
Notes payable - bank Unsecured - for truck purchase (planned 5 year repayment)	2.5%	January 8, 2010	117,116
Estimated landfill postclosure care costs	N/A	N/A	<u>23,700</u>
			<u>\$ 269,816</u>

The following is a summary of changes in long-term debt:

	<u>Balance July 1, 2008</u>	<u>Borrowed/ Revised Estimate</u>	<u>Paid</u>	<u>Balance June 30, 2009</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 90,000	\$ -	\$ 15,000	\$ 75,000	\$ 15,000
Grader note payable	72,000	-	18,000	54,000	18,000
Truck note payable	-	117,116	-	117,116	23,424
Estimated landfill postclosure care costs	<u>28,100</u>	<u>-</u>	<u>4,400</u>	<u>23,700</u>	<u>4,700</u>
	<u>\$ 190,100</u>	<u>\$ 117,116</u>	<u>\$ 37,400</u>	<u>\$ 269,816</u>	<u>\$ 61,124</u>

Annual maturities of the long-term debt (including landfill care estimates) are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ 61,124	\$ 7,522	\$ 68,646
2011	61,823	5,811	67,634
2012	61,623	4,089	65,712
2013	46,823	2,360	49,183
2014	<u>38,423</u>	<u>984</u>	<u>39,407</u>
	<u>\$ 269,816</u>	<u>\$ 20,766</u>	<u>\$ 290,582</u>

**TOWN OF NEWFANE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

4. Notes payable and long-term debt (continued):

Short-term notes payable - The following is a summary of changes in short-term debt.

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>
Current expense note, 2.65%, due August 25, 2008	\$ <u>225,000</u>	\$ <u>-</u>	\$ <u>225,000</u>	\$ <u>-</u>

5. Landfill closure and postclosure care costs:

The Town landfill ceased operation in 1993. State and Federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for twenty years after closure and to report monitoring results to the State regulatory agency. An estimated liability of \$23,700 has been recognized in long-term debt for the future postclosure care costs. The Town is required to annually appropriate funds to finance postclosure care of the facility.

The estimate is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2009. However, the actual cost of postclosure care may be higher (or lower) due to inflation, changes in technology, or changes in landfill laws and regulations.

6. Budget basis operations:

General Fund revenues and expenditures, as reported on a budget basis, include operating transfers between funds. These interfund transfers are reported as other financing sources or uses in the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds.

7. Capital Projects Fund - deficit:

The deficit at June 30, 2009 of \$96,143 in this fund was caused by expenditures in prior years for road reconstruction and equipment which exceeded the amounts received from long-term borrowing or from state and federal grants for flood damage. The Town has authorized new borrowing for equipment purchases and has authorized a 2010 transfer from the General Fund of \$75,000.

8. Moore Free Library Trust Fund - distribution:

In November 2008, the Town distributed the balance (\$1,277) of this fund to the trustees of the library. In the process of distribution, an additional account for the library building fund (\$5,742) was identified as held by the bank under the Town name and identification number. The account had not been included in the Town accounting system as bank records included the library address. This additional account was also released to the library trustees.

TOWN OF NEWFANE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

9. Fund equity:

Fund balances of the governmental funds are restricted as follows:

General Fund -		
Village trees grants	\$ 309	
Tercentenary activities	<u>1,104</u>	
		\$ 1,413
Other Governmental Funds -		
Williamsville Hall	1,273	
Monument upkeep	2,090	
Reappraisal costs	55,342	
Historical grant	<u>4,056</u>	
		<u>62,761</u>
		\$ <u>64,174</u>

10. Defined benefit pension plan:

Vermont Municipal Employees' Retirement System -

Plan description: The Town contributes to the Vermont Municipal Employees' Retirement System (VMERS) a cost-sharing multiple-employer public employee retirement system with defined benefit and defined contribution plans, administered by the State of Vermont. VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The State statutory provisions, found in Section 5062 of Title 24, Chapter 125, of the V.S.A., govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the proper operation of VMERS is vested in the Board of Trustees consisting of five members. VMERS issues annual financial information which is available and may be reviewed at the VMERS' office, 109 State Street, Montpelier, Vermont, 05609-6901 or by calling (802) 828-2305.

Funding policy: Defined Benefit Plan members are required to contribute 2.5% (Group A), 4.5% (Group B) or 9.0% (Group C) of their annual covered salary, and the Town is required to contribute 4% (Group A), 5% (Group B) or 6% (Group C) of the employees' compensation. Defined Contribution Plan members are required to contribute 5% of their annual covered salary and the Town is required to contribute an equal dollar amount. The contribution requirements of plan members and the Town are established and may be amended by the Board of Trustees. The Town's contributions to VMERS for the years ended June 30, 2009, 2008, and 2007 were \$12,421, \$12,617 and \$13,450, respectively, which were equal to the required contributions for each year.

The July 1, 2008 actuarial valuation of VMERS reports asset market value of \$348,740,022 and actuarial accrued liability of \$343,685,089, leaving an actuarial surplus of \$5,054,933.

TOWN OF NEWFANE, VERMONT
 COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2009

Schedule I

	<u>Planning Commission Fund</u>	<u>Williamsville Hall Fund</u>	<u>Monument Upkeep Fund</u>	<u>Reappraisal Fund</u>	<u>Historical Grant Fund</u>	<u>Totals</u>
Cash and cash equivalents	\$ -	\$ -	\$ 2,090	\$ 57,142	\$ 3,270	\$ 62,502
Due from (to) General Fund	-	<u>1,273</u>	-	<u>(1,800)</u>	<u>786</u>	<u>259</u>
Total assets	<u>\$ -</u>	<u>\$ 1,273</u>	<u>\$ 2,090</u>	<u>\$ 55,342</u>	<u>\$ 4,056</u>	<u>\$ 62,761</u>

LIABILITIES AND FUND EQUITY

LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND EQUITY:						
Fund balances -						
Reserved for restricted purpose	-	<u>1,273</u>	<u>2,090</u>	<u>55,342</u>	<u>4,056</u>	<u>62,761</u>
Total liabilities and fund equity	<u>\$ -</u>	<u>\$ 1,273</u>	<u>\$ 2,090</u>	<u>\$ 55,342</u>	<u>\$ 4,056</u>	<u>\$ 62,761</u>

TOWN OF NEWFANE, VERMONT

Schedule 2

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

	Planning Commission	Williamsville Hall	Monument Upkeep	Reappraisal	Historical Grant	Totals
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
REVENUE:						
Grant revenue	\$ 4,383	\$ -	\$ -	\$ 13,355	\$ -	\$ 17,738
Interest earnings	-	-	4	669	9	682
Miscellaneous	-	<u>2,350</u>	-	-	-	<u>2,350</u>
	4,383	2,350	4	14,024	9	20,770
EXPENDITURES	-	<u>1,077</u>	-	<u>359</u>	-	<u>1,436</u>
EXCESS OF REVENUE OR (EXPENDITURES)	4,383	1,273	4	13,665	9	19,334
FUND BALANCES, July 1, 2008	<u>(4,383)</u>	-	<u>2,086</u>	<u>41,677</u>	<u>4,047</u>	<u>43,427</u>
FUND BALANCES, June 30, 2009	\$ -	\$ <u>1,273</u>	\$ <u>2,090</u>	\$ <u>55,342</u>	\$ <u>4,056</u>	\$ <u>62,761</u>

Mudgett
Jennett &
Krogh-Wisner, P.C.
Certified Public Accountants #435

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

The Board of Selectmen
Town of Newfane, Vermont

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Newfane, Vermont (the Town) as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 28, 2010. 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 the Town'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies described in findings 1 and 2 of the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the conditions described in findings 1 and 2 to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 for the information and use of the Board of Selectmen and management of the Town of Newfane and is not intended to be and should not be used by anyone other than these specified parties.

Montpelier, Vermont
January 28, 2010

*Mudgett, Jenness &
Krogh-Wisner, P.C.*

**TOWN OF NEWFANE, VERMONT
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

1. Accounting Procedures and Reconciliation Controls - 2009 Update:

Condition - In prior years we reported that we found a significant number of errors in classification of transactions to general ledger accounts. In 2009, we noted improvements in several areas that required correcting adjustments last year.

However, the 2009 audit identified several areas for improvement in Town accounting. We proposed several adjustments to record corrections to property taxes receivable, deferred revenue from delinquent taxes, accounts payable, accrual of employee benefits, library trust distribution, and various activities related to the Capital Projects Fund. We also assisted the Town with calculation of depreciation of capital assets. The Town had not fully recorded capital assets and depreciation prior to audit. Adjustments were proposed to complete the recording of capital assets and depreciation for financial reporting.

Budgeted revenues and expenditures did not balance as carried in the Town general ledger and presented for audit. The budgets also did not reflect the published 2009 budgets. Amounts presented in the financial statements were revised to balance the budget and to reflect the published budget classifications.

While the year-end financial statements reflect these adjustments, the Town's accounting procedures and reconciliation controls should provide for complete recording of all transactions prior to the year-end audit. When transactions are fully recorded as they occur, the account balances can be reported on an interim basis for management use. Reconciliation of key accounts on a regular basis provides internal controls for the completeness and accuracy of the recording and reporting process.

Recommendation - We recommend the Town expand the use of outside support by NEMRC (or others) to fully record all activity in the general ledger and reconcile all asset, liability and fund balance accounts for all funds. We also recommend that interim reports for the General Fund and the Capital Projects Fund be reviewed regularly throughout the year so as to promptly identify and correct errors in the recording and classification of budgets or actual activity.

2. Internal Controls - Town Clerk's Office:

Condition - In 2009 the Town engaged another accounting firm to perform certain procedures with respect to the Town's internal control system with a primary focus on revenue controls of the Town Clerk's office. Their report describes the procedures used by the Town and includes findings, recommendations and conclusions based on the firm's procedures. The recommended actions in the report are intended to strengthen the Town's internal control system.

Recommendation - During our 2009 audit, we interviewed the current Town Clerk to determine the procedures and controls which are now in place and subsequently received and read the report of the other firm. We agree with the recommendations of their report. We would further recommend that current procedures and controls for all transaction cycles be documented in an operations manual which would then be reviewed by the Selectboard and adopted as policy. The controls should include review of the Clerk's reconciliation of revenue activity and provide for regular reporting to the Treasurer and Selectboard. The Town might wish to consider restoring the position of elected auditors and assigning certain control functions to them.