

TOWN OF RICHMOND, VERMONT
FINANCIAL STATEMENTS
JUNE 30, 2012
AND
INDEPENDENT AUDITOR'S REPORTS

TOWN OF RICHMOND, VERMONT

JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

The Selectboard
Town of Richmond, Vermont

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Richmond, Vermont (the Town) 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. 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Richmond as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, 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 14, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial

statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedules 1, 2, 3 and 4 are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Montpelier, Vermont
January 14, 2013

**TOWN OF RICHMOND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Our discussion and analysis of the Town of Richmond, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Town's financial statements.

Financial Highlights

- The Town's net assets increased by \$261,706 as a result of this year's operations. While net assets of our business-type activities decreased by \$19,689, net assets of our governmental activities increased by \$281,395.
- In the Town's business-type activities, operating revenues were \$653,317 while operating expenses were \$671,232.
- The cost of all of the Town's programs was \$3,829,481 this year, with the addition of the Richmond Fire Department program.
- The General Fund reported a surplus this year of \$96,458.
- The unassigned fund balance for the General Fund was a surplus of \$417,858 as of June 30, 2012.
- The nonmajor funds reported a net gain of \$17,935 this year which increased their aggregate fund balance to \$560,915.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Governmental and proprietary fund financial statements report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The fiduciary fund statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets - the difference between assets and liabilities - as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two types of services or activities:

- Governmental activities - Most of the Town's basic services are reported here, including public safety, highway and streets, culture and recreation, community services, and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system facilities are reported here.

Reporting the Town's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Selectboard establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the U.S. Department of Housing and Urban Development). All of the Town's funds are categorized as governmental, proprietary and fiduciary.

- Governmental funds - 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 governmental funds 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.

The Town reports 20 individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Jericho Road Improvement Fund and Community Development Fund, which are considered major funds. Data from the other 17 governmental funds are aggregated into a single column on the fund financial statements. Individual fund data for these nonmajor governmental funds is provided in the supplementary schedules section.

- Proprietary funds - Proprietary funds report activities that operate more like those of private-sector business and use the full accrual basis of accounting. Proprietary funds are reported as business-type activities on the government-wide financial statements. Since proprietary funds use accrual basis accounting, there are no differences between amounts reported on the government-wide statements and the proprietary fund statements. The Town uses a proprietary fund to account for its Water and Sewer Fund.
- Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of other parties. Fiduciary activity is not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The Town reports eight Trust Funds and two Agency Funds.

The Town as a Whole

The Town's combined net assets increased by \$261,706 from a year ago - increasing from \$8,355,389, as restated, to \$8,617,095. Looking at the net assets and net expenses of governmental and business-type activities separately, however, two very different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

Table 1 - Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 2,002,308	\$ 1,561,657	\$ 344,104	\$ 194,059	\$ 2,346,412	\$ 1,755,716
Capital assets	<u>4,400,606</u>	<u>3,624,516</u>	<u>5,694,680</u>	<u>4,813,085</u>	<u>10,095,286</u>	<u>8,437,601</u>
Total assets	<u>6,402,914</u>	<u>5,186,173</u>	<u>6,038,784</u>	<u>5,007,144</u>	<u>12,441,698</u>	<u>10,193,317</u>
Other liabilities	253,195	112,293	27,124	21,980	280,319	134,273
Long-term liabilities	<u>1,659,259</u>	<u>868,850</u>	<u>1,885,025</u>	<u>838,840</u>	<u>3,544,284</u>	<u>1,707,690</u>
Total liabilities	<u>1,912,454</u>	<u>981,143</u>	<u>1,912,149</u>	<u>860,820</u>	<u>3,824,603</u>	<u>1,841,963</u>
Net assets:						
Invested in capital assets, net of debt	2,757,739	2,771,825	3,816,572	3,981,463	6,574,311	6,753,288
Restricted	748,496	545,784	-	-	748,496	545,784
Unrestricted	<u>984,225</u>	<u>887,421</u>	<u>310,063</u>	<u>164,861</u>	<u>1,294,288</u>	<u>1,052,282</u>
Total net assets	4,490,460	4,205,030	4,126,635	4,146,324	8,617,095	8,351,354
Restatement	-	4,035	-	-	-	4,035
Total Net Assets, as restated	<u>\$ 4,490,460</u>	<u>\$ 4,209,065</u>	<u>\$ 4,126,635</u>	<u>\$ 4,146,324</u>	<u>\$ 8,617,095</u>	<u>\$ 8,355,389</u>

Unrestricted net assets, of our governmental activities, which is the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from an \$887,421 surplus at June 30, 2011 to a \$984,225 surplus at June 30, 2012, an increase of \$96,804.

The net assets of our business-type activities decreased to \$4,126,635 compared to \$4,146,324 in fiscal year 2011. The Town generally can only use these net assets to finance the continuing operations of the water and sewer operations.

Table 2 - Change in Net Assets

	2012			2011		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
REVENUES						
Program revenues:						
Grants and contributions	\$ 402,804	\$ 6,112	\$ 408,916	\$ 452,115	\$ 336,983	\$ 789,098
Charges for services	257,719	653,317	911,036	216,103	605,147	821,250
Other	136,068	22,814	158,882	30,244	36,406	66,650
General revenues:						
Property taxes	2,609,462	-	2,609,462	2,460,019	-	2,460,019
Interest income	2,468	423	2,891	4,356	538	4,894
Total revenues	<u>3,408,521</u>	<u>682,666</u>	<u>4,091,187</u>	<u>3,162,837</u>	<u>979,074</u>	<u>4,141,911</u>
PROGRAM EXPENSES						
General government	839,242	-	839,242	678,870	-	678,870
Public safety	527,404	-	527,404	504,082	-	504,082
Highways and streets	1,431,245	-	1,431,245	1,206,146	-	1,206,146
Culture and recreation	196,762	-	196,762	174,350	-	174,350
Appropriations	80,391	-	80,391	70,421	-	70,421
Interest	52,082	31,123	83,205	27,717	12,731	40,448
Water and sewer	-	671,232	671,232	-	713,097	713,097
Total program expenses	<u>3,127,126</u>	<u>702,355</u>	<u>3,829,481</u>	<u>2,661,586</u>	<u>725,828</u>	<u>3,387,414</u>
Increase (decrease) in net assets	<u>\$ 281,395</u>	<u>\$(19,689)</u>	<u>\$ 261,706</u>	<u>\$ 501,251</u>	<u>\$ 253,246</u>	<u>\$ 754,497</u>

Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The increase in net assets for governmental activities was \$281,395 in 2012 compared to \$501,251 in 2011.

Table 3 presents the cost of each of the Town’s five functions - general government, public safety, highways and streets, culture and recreation, and appropriations - as well as each program’s net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Town’s taxpayers by each of these functions.

Table 3 - Governmental Activities

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 839,242	\$ 400,317	\$ 678,870	\$ 405,266
Public safety	527,404	444,694	504,082	483,627
Highways and streets	1,431,245	1,169,904	1,206,146	808,875
Culture and recreation	196,762	183,147	174,350	167,218
Appropriations	80,391	80,391	70,421	70,421
Interest	52,082	52,082	27,717	27,717
Totals	<u>\$ 3,127,126</u>	<u>\$ 2,330,535</u>	<u>\$ 2,661,586</u>	<u>\$ 1,963,124</u>

Business-type Activities

The factors driving this year’s results include:

Water and sewer revenues increased in FY12 due in part to higher septage volume. The Town anticipates that expenses and long-term debt will continue to increase due to inflation and related capital improvements. User revenue will increase only slightly due to rate increases in FY13 and the addition of a few user accounts each year, and septage revenue may increase by 5% per year in the near future as the plant’s septage operation stabilizes.

The Town’s Funds

As the Town completed the year, its governmental funds (as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances) reported a combined fund balance of \$1,146,706, which is more than last year’s total of \$893,137, as restated. Included in this year’s total change in fund balance is a current year surplus of \$96,458 in the Town’s General Fund.

General Fund Budgetary Highlights

The Town’s budget performance varied from anticipated amounts due to two significant courses of events. First, the Town committed to accelerating the gravel road program to make up for lost time in the prior year. This resulted in utilizing funds from the assigned fund balance (Rainy Day Fund) that was increased in the prior fiscal year. The second issue was the damages from the Tropical Storm Irene flooding. This event skewed expenses for repairs and revenues from insurance claims and FEMA claims. Also, the Town utilized revenues from short-term borrowing to make some equipment purchases.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2012, the Town had \$10,095,286 invested in a broad range of capital assets, including police and fire equipment, buildings, and water and sewer line, net of accumulated depreciation. (See Table 4). This amount represents a net increase (including additions and depreciation) of \$1,657,685 from the prior year.

Table 4 - Capital Assets, Net of Accumulated Depreciation, at Year-End

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 250,000	\$ 250,000	\$ 50,000	\$ 50,000	\$ 300,000	\$ 300,000
Construction in progress	-	100,443	1,143,370	1,039,464	1,143,370	1,139,907
Buildings and improvements	1,594,665	1,498,228	495,728	495,728	2,090,393	1,993,956
Vehicles and equipment	2,406,358	2,676,235	119,227	119,227	2,525,585	2,795,462
Water and sewer system	-	-	1,588,862	694,057	1,588,862	694,057
Infrastructure	1,984,385	1,198,597	-	-	1,984,385	1,198,597
Phosphorus upgrade	-	-	3,939,064	3,939,064	3,939,064	3,939,064
Accumulated depreciation	<u>(1,834,802)</u>	<u>(2,098,987)</u>	<u>(1,641,571)</u>	<u>(1,524,455)</u>	<u>(3,476,373)</u>	<u>(3,623,442)</u>
Totals	<u>\$4,400,606</u>	<u>\$3,624,516</u>	<u>\$5,694,680</u>	<u>\$4,813,085</u>	<u>\$10,095,286</u>	<u>\$8,437,601</u>

This year's additions included:

<i>Governmental Activities</i>		<i>Business-type Activities</i>	
Town Center Portico	\$ 96,437	Water and Sewer Project	
Jericho Road Improvements	785,788	Upgrade - CIP	\$ 86,150
Police Cruiser	32,898	Water and Sewer Sanitation - CIP	17,756
Highway Truck	112,036	Jericho Road Waterline	860,345
Highway Excavator	134,960	Bakers Street Waterline	34,460
	<u>\$ 1,162,119</u>		<u>\$ 998,711</u>

Debt

At June 30, 2012, the Town had \$3,520,975 in bonds, notes and lines of credit outstanding versus \$1,684,313 on June 30, 2011 - an increase of \$1,836,662 - as shown in Table 5.

Table 5 - Outstanding Debt at Year-End

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 1,218,800	\$ 450,000	\$ 1,667,624	\$ 698,852	\$ 2,886,424	\$ 1,148,852
Notes payable	<u>424,067</u>	<u>402,691</u>	<u>210,484</u>	<u>132,770</u>	<u>634,551</u>	<u>535,461</u>
Totals	<u>\$ 1,642,867</u>	<u>\$ 852,691</u>	<u>\$ 1,878,108</u>	<u>\$ 831,622</u>	<u>\$ 3,520,975</u>	<u>\$ 1,684,313</u>

New debt resulted from the 2011 Series 2 Jericho Road bond and the equipment notes for the Highway Department.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for the business-type activities. Some of those factors are the economy,

wages and unemployment in the region and the fees charged in other municipalities as well as capital improvements authorized by voters or the approved Capital Spending Plan.

When adopting the budget for the 2012-2013 year, the Selectboard took into account these indicators, specifically the Consumer Price Index for All Urban Consumers (CPI-U), as well as the rate of new home construction and adjustments to property values due to a stabilizing housing market, inflationary pressures, in particular in the areas of health insurance and highway construction costs both projected to continue to increase at between 10% and 20% annually.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Manager at Town of Richmond, P.O. Box 285, Richmond, Vermont 05477.

TOWN OF RICHMOND, VERMONT
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
ASSETS:			
Current assets -			
Cash and cash equivalents	\$ 967,518	\$ 484,367	\$ 1,451,885
Property taxes receivable	189,259	-	189,259
Interest and penalties receivable	29,525	-	29,525
Accounts receivable	38,748	196,873	235,621
Grants receivable	21,671	18,609	40,280
Internal balances	<u>355,745</u>	<u>(355,745)</u>	<u>-</u>
Total current assets	<u>1,602,466</u>	<u>344,104</u>	<u>1,946,570</u>
Noncurrent assets -			
Note receivable	399,842	-	399,842
Capital assets	6,235,408	7,336,251	13,571,659
less - accumulated depreciation	<u>(1,834,802)</u>	<u>(1,641,571)</u>	<u>(3,476,373)</u>
Total noncurrent assets	<u>4,800,448</u>	<u>5,694,680</u>	<u>10,495,128</u>
Total assets	<u>6,402,914</u>	<u>6,038,784</u>	<u>12,441,698</u>
LIABILITIES:			
Current liabilities -			
Due to fiduciary funds	300	-	300
Accounts payable	239,500	26,201	265,701
Due to State of Vermont	1,089	-	1,089
Accrued wages	6,017	923	6,940
Deferred revenue	6,289	-	6,289
Current portion of long-term debt	<u>216,849</u>	<u>80,831</u>	<u>297,680</u>
Total current liabilities	<u>470,044</u>	<u>107,955</u>	<u>577,999</u>
Noncurrent liabilities -			
Accrued compensated absences	16,392	6,917	23,309
Long-term debt	<u>1,426,018</u>	<u>1,797,277</u>	<u>3,223,295</u>
Total noncurrent liabilities	<u>1,442,410</u>	<u>1,804,194</u>	<u>3,246,604</u>
Total liabilities	<u>1,912,454</u>	<u>1,912,149</u>	<u>3,824,603</u>
NET ASSETS:			
Invested in capital assets, net of related debt	2,757,739	3,816,572	6,574,311
Restricted	748,496	-	748,496
Unrestricted	<u>984,225</u>	<u>310,063</u>	<u>1,294,288</u>
Total net assets	<u>\$ 4,490,460</u>	<u>\$ 4,126,635</u>	<u>\$ 8,617,095</u>

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

TOWN OF RICHMOND, VERMONT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Grants and Contributions	Charges for Services	Other	Governmental Activities	Business-type Activities	Totals
Governmental activities -							
General government	\$ 839,242	\$ 150,432	\$ 189,339	\$ 99,154	\$ (400,317)	\$ -	\$ (400,317)
Public safety	527,404	15,689	54,355	12,666	(444,694)	-	(444,694)
Highways and streets	1,431,245	234,943	2,150	24,248	(1,169,904)	-	(1,169,904)
Culture and recreation	196,762	1,740	11,875	-	(183,147)	-	(183,147)
Appropriations	80,391	-	-	-	(80,391)	-	(80,391)
Interest	52,082	-	-	-	(52,082)	-	(52,082)
Total governmental activities	<u>3,127,126</u>	<u>402,804</u>	<u>257,719</u>	<u>136,068</u>	<u>(2,330,535)</u>	<u>-</u>	<u>(2,330,535)</u>
Business-type activities -							
Water and sewer	671,232	6,112	653,317	22,814	-	11,011	11,011
Interest	31,123	-	-	-	-	(31,123)	(31,123)
Total business-type activities	<u>702,355</u>	<u>6,112</u>	<u>653,317</u>	<u>22,814</u>	<u>-</u>	<u>(20,112)</u>	<u>(20,112)</u>
	<u>\$ 3,829,481</u>	<u>\$ 408,916</u>	<u>\$ 911,036</u>	<u>\$ 158,882</u>	<u>(2,330,535)</u>	<u>(20,112)</u>	<u>(2,350,647)</u>
GENERAL REVENUES - PROPERTY TAXES					2,609,462	-	2,609,462
- INTEREST INCOME					<u>2,468</u>	<u>423</u>	<u>2,891</u>
					<u>2,611,930</u>	<u>423</u>	<u>2,612,353</u>
CHANGE IN NET ASSETS					281,395	(19,689)	261,706
NET ASSETS, July 1, 2011, as restated					<u>4,209,065</u>	<u>4,146,324</u>	<u>8,355,389</u>
NET ASSETS, June 30, 2012					<u>\$ 4,490,460</u>	<u>\$ 4,126,635</u>	<u>\$ 8,617,095</u>

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

TOWN OF RICHMOND, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012
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	<u>General</u> <u>Fund</u>	<u>Community</u> <u>Development</u> <u>Fund</u>	<u>Jericho Road</u> <u>Improvement</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u> <u>Governmental</u> <u>Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 793,726	\$ -	\$ -	\$ 173,792	\$ 967,518
Property taxes receivable	189,259	-	-	-	189,259
Interest and penalties receivable	29,525	-	-	-	29,525
Accounts receivable	38,748	-	-	-	38,748
Grants receivable	21,671	-	-	-	21,671
Note receivable	-	399,842	-	-	399,842
Due from other funds	-	-	<u>159,942</u>	<u>573,077</u>	<u>733,019</u>
Total assets	<u>\$ 1,072,929</u>	<u>\$ 399,842</u>	<u>\$ 159,942</u>	<u>\$ 746,869</u>	<u>\$ 2,379,582</u>
<u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES:					
Accounts payable	\$ 50,609	\$ -	\$ 76,931	\$ 111,960	\$ 239,500
Due to State of Vermont	1,089	-	-	-	1,089
Accrued wages	6,017	-	-	-	6,017
Deferred revenue	6,289	399,842	-	-	406,131
Deferred tax revenue	202,565	-	-	-	202,565
Due to other funds	<u>303,580</u>	<u>-</u>	<u>-</u>	<u>73,994</u>	<u>377,574</u>
Total liabilities	<u>570,149</u>	<u>399,842</u>	<u>76,931</u>	<u>185,954</u>	<u>1,232,876</u>
FUND EQUITY:					
Fund balances -					
Restricted	-	-	83,011	293,191	376,202
Committed	-	-	-	372,294	372,294
Assigned	84,922	-	-	-	84,922
Unassigned	<u>417,858</u>	<u>-</u>	<u>-</u>	<u>(104,570)</u>	<u>313,288</u>
Total fund balances	<u>502,780</u>	<u>-</u>	<u>83,011</u>	<u>560,915</u>	<u>1,146,706</u>
Total liabilities and fund equity	<u>\$ 1,072,929</u>	<u>\$ 399,842</u>	<u>\$ 159,942</u>	<u>\$ 746,869</u>	<u>\$ 2,379,582</u>

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

TOWN OF RICHMOND, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012
(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 balances	\$ 1,146,706
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	6,235,408
Accumulated depreciation	(1,834,802)
Deferred revenues are reported in the governmental funds to offset uncollected taxes and long-term notes receivable which are not available financial resources.	
Deferred tax revenue	202,565
Deferred note receivable	399,842
Liabilities not due and payable in the year are not reported in the governmental funds.	
Accrued compensated absences	(16,392)
Long-term debt	<u>(1,642,867)</u>
Net Assets of Governmental Activities - Government-wide Statement of Net Assets	\$ <u>4,490,460</u>

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

TOWN OF RICHMOND, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

(Page 1 of 2)

	General Fund	Community Development Fund	Jericho Road Improvement Fund	Other Governmental Funds	Totals Governmental Funds
REVENUES:					
Property taxes	\$ 2,574,817	\$ -	\$ -	\$ -	\$ 2,574,817
Intergovernmental	336,788	-	-	48,586	385,374
Fees, licenses and permits	31,203	-	-	118,619	149,822
Charges for goods and services	68,838	-	-	-	68,838
Culture and recreation	-	-	-	1,741	1,741
Police revenues	74,798	-	-	-	74,798
Interest income	1,007	-	-	1,461	2,468
Miscellaneous	60,018	-	-	7,256	67,274
Total revenues	<u>3,147,469</u>	<u>-</u>	<u>-</u>	<u>177,663</u>	<u>3,325,132</u>
EXPENDITURES:					
General government	787,894	-	-	41,542	829,436
Public safety	437,770	-	-	13,742	451,512
Highways and streets	1,224,007	-	-	46,037	1,270,044
Library	159,140	-	-	14,711	173,851
Recreation	8,331	-	-	4,360	12,691
Appropriations	80,391	-	-	-	80,391
Capital outlay	27,198	-	729,624	276,154	1,032,976
Debt service - Principal	472,691	-	-	30,000	502,691
- Interest	49,532	-	-	2,550	52,082
Total expenditures	<u>3,246,954</u>	<u>-</u>	<u>729,624</u>	<u>429,096</u>	<u>4,405,674</u>
EXCESS OF REVENUES OR (EXPENDITURES)	<u>(99,485)</u>	<u>-</u>	<u>(729,624)</u>	<u>(251,433)</u>	<u>(1,080,542)</u>
OTHER FINANCING SOURCES (USES):					
Loan proceeds	311,880	-	868,800	112,187	1,292,867
Insurance proceeds	41,244	-	-	-	41,244
Operating transfers in	-	-	-	157,181	157,181
Operating transfers out	(157,181)	-	-	-	(157,181)
Total other financing sources (uses)	<u>195,943</u>	<u>-</u>	<u>868,800</u>	<u>269,368</u>	<u>1,334,111</u>
NET CHANGE IN FUND BALANCES	96,458	-	139,176	17,935	253,569
FUND BALANCES (DEFICIT), July 1, 2011, as restated	<u>406,322</u>	<u>-</u>	<u>(56,165)</u>	<u>542,980</u>	<u>893,137</u>
FUND BALANCES, June 30, 2012	<u>\$ 502,780</u>	<u>\$ -</u>	<u>\$ 83,011</u>	<u>\$ 560,915</u>	<u>\$ 1,146,706</u>

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

TOWN OF RICHMOND, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

(Page 2 of 2)

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

Net change in fund balances - total Governmental Funds	\$ 253,569
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 of dispositions	1,053,007
Depreciation	(276,917)
Deferred revenue in governmental funds includes interest revenue related to long-term notes receivable. It also includes tax revenue of the prior year but excludes deferred tax revenue of the current year as taxes uncollected within 60 days are unavailable at year end.	
Increase in deferred interest revenue	7,500
Prior year - Deferred property taxes	(167,920)
Current year - Deferred property taxes	202,565
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 the issuance of long-term debt	(1,292,867)
Debt service - Principal	502,691
Changes in accrued compensated absences accumulated by employees will increase or decrease the liability reported in the government-wide statements, but are only recorded as an expenditure when paid in the governmental funds.	
Increase in accrued compensated absences	<u>(233)</u>
Change in Net Assets of Governmental Activities - Government-wide Statement of Activities \$	<u>281,395</u>

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

TOWN OF RICHMOND, VERMONT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Property taxes	\$ 2,550,124	\$ 2,574,817	\$ 24,693
Intergovernmental	161,250	336,788	175,538
Fees, licenses and permits	24,350	31,203	6,853
Charges for goods and services	53,700	68,838	15,138
Police revenues	46,700	74,798	28,098
Interest income	2,000	1,007	(993)
Miscellaneous	<u>2,000</u>	<u>60,018</u>	<u>58,018</u>
Total revenues	<u>2,840,124</u>	<u>3,147,469</u>	<u>307,345</u>
EXPENDITURES:			
General government	624,914	787,894	(162,980)
Public safety	481,600	437,770	43,830
Highways and streets	1,065,200	1,224,007	(158,807)
Library	163,342	159,140	4,202
Recreation	11,550	8,331	3,219
Appropriations	81,768	80,391	1,377
Capital outlay	26,000	27,198	(1,198)
Debt service - Principal	193,500	472,691	(279,191)
- Interest	<u>37,250</u>	<u>49,532</u>	<u>(12,282)</u>
Total expenditures	<u>2,685,124</u>	<u>3,246,954</u>	<u>(561,830)</u>
EXCESS OF REVENUES OR (EXPENDITURES)	<u>155,000</u>	<u>(99,485)</u>	<u>(254,485)</u>
OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	311,880	311,880
Insurance proceeds	-	41,244	41,244
Operating transfers in	2,300	-	(2,300)
Operating transfers out	<u>(157,300)</u>	<u>(157,181)</u>	<u>119</u>
Total other financing sources (uses)	<u>(155,000)</u>	<u>195,943</u>	<u>350,943</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 96,458</u>	<u>\$ 96,458</u>

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

TOWN OF RICHMOND, VERMONT
STATEMENT OF NET ASSETS - PROPRIETARY FUND
JUNE 30, 2012

	<u>Water and Sewer Fund</u>
ASSETS:	
Current assets -	
Cash and cash equivalents	\$ 484,367
Accounts receivable	196,873
Grants receivable	<u>18,609</u>
Total current assets	<u>699,849</u>
Noncurrent assets -	
Capital assets	7,336,251
less - accumulated depreciation	<u>(1,641,571)</u>
Total noncurrent assets	<u>5,694,680</u>
Total assets	<u>6,394,529</u>
 LIABILITIES:	
Current liabilities -	
Accounts payable	26,201
Accrued wages	923
Due to other funds	355,745
Current portion of long-term debt	<u>80,831</u>
Total current liabilities	<u>463,700</u>
Noncurrent liabilities -	
Accrued compensated absences	6,917
Long-term debt	<u>1,797,277</u>
Total noncurrent liabilities	<u>1,804,194</u>
Total liabilities	<u>2,267,894</u>
 NET ASSETS:	
Invested in capital assets, net of related debt	3,816,572
Unrestricted	<u>310,063</u>
Total net assets	<u>\$ 4,126,635</u>

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

**TOWN OF RICHMOND, VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGE
IN NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Water and Sewer Fund</u>
OPERATING REVENUES:	
Charges for services	\$ <u>653,317</u>
Total operating revenues	<u>653,317</u>
OPERATING EXPENSES:	
Administration	216,961
Pump station	26,485
Wastewater department	245,270
Water department	65,400
Depreciation	<u>117,116</u>
Total operating expenses	<u>671,232</u>
Operating income (loss)	<u>(17,915)</u>
NONOPERATING REVENUES (EXPENSES):	
Grant revenue	6,112
Insurance reimbursement	22,814
Interest income	423
Interest expense	<u>(31,123)</u>
Total nonoperating revenues (expenses)	<u>(1,774)</u>
CHANGE IN NET ASSETS	(19,689)
NET ASSETS, July 1, 2011	<u>4,146,324</u>
NET ASSETS, June 30, 2012	\$ <u>4,126,635</u>

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

TOWN OF RICHMOND, VERMONT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 677,838
Cash paid to suppliers for goods and services	(363,159)
Cash paid to employees for services	<u>(186,114)</u>
Net cash provided (used) by operating activities	<u>128,565</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from grants	6,112
Purchases of capital assets	(998,711)
Proceeds from long-term debt	1,062,996
Insurance reimbursement	22,814
Principal paid on bonds payable	(16,510)
Interest paid on bonds payable	<u>(31,123)</u>
Net cash provided (used) by capital and related financing activities	<u>45,578</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Change in due to/from other funds	<u>40,684</u>
Net cash provided (used) by noncapital financing activities	<u>40,684</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>423</u>
Net cash provided (used) by investing activities	<u>423</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	215,250
CASH AND CASH EQUIVALENTS, July 1, 2011	<u>269,117</u>
CASH AND CASH EQUIVALENTS, June 30, 2012	\$ <u>484,367</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (17,915)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	117,116
(Increase) decrease in trade accounts receivable	24,521
Increase (decrease) in accounts payable	10,753
Increase (decrease) in accrued wages	(5,609)
Increase (decrease) in accrued compensated absences	<u>(301)</u>
Net cash provided (used) by operating activities	\$ <u>128,565</u>

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

TOWN OF RICHMOND, VERMONT
STATEMENT OF NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Trust</u> <u>Funds</u>	<u>Agency Funds</u>		<u>Totals</u> <u>Fiduciary</u> <u>Funds</u>
		<u>Impact</u> <u>Fee Fund</u>	<u>Engineering</u> <u>Fee Fund</u>	
ASSETS:				
Cash and cash equivalents	\$ 166,072	\$ 65,547	\$ 10,521	\$ 242,440
Due from other funds	<u>300</u>	<u>-</u>	<u>-</u>	<u>300</u>
Total assets	<u>166,372</u>	<u>65,547</u>	<u>10,521</u>	<u>242,440</u>
LIABILITIES:				
Impact fees -				
Accounts payable	-	10,025	-	10,025
Richmond Town School District	-	55,522	-	55,522
Engineering fees	<u>-</u>	<u>-</u>	<u>10,521</u>	<u>10,521</u>
Total liabilities	<u>-</u>	<u>65,547</u>	<u>10,521</u>	<u>76,068</u>
NET ASSETS:				
Held in trust for special purposes	\$ <u>166,372</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>166,372</u>

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

TOWN OF RICHMOND, VERMONT
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
Trust Funds:				
Net assets held in trust for special purposes -				
Edmunds Trust	\$ 23,978	\$ 57	\$ -	\$ 24,035
Shonyon Athletic	3,066	7	-	3,073
Shonyon Trust	3,316	8	-	3,324
Cemetery - Rocheleau	513	-	-	513
Cemetery - Towne	278	-	-	278
Cemetery - Crandall	5,895	1	-	5,896
Cemetery - Perpetual Care	598	1,495	531	1,562
Cemetery - Operating	<u>120,384</u>	<u>7,411</u>	<u>104</u>	<u>127,691</u>
Total net assets held in trust for special purposes	\$ <u>158,028</u>	\$ <u>8,979</u>	\$ <u>635</u>	\$ <u>166,372</u>

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

TOWN OF RICHMOND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. Summary of significant accounting policies:

The Town of Richmond, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town is governed by a five-member Selectboard. The Town provides various services as authorized and funded by State government or Town voters.

- A. Reporting entity - 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.

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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

- 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 equity, revenues and expenditures or expenses, as appropriate.

TOWN OF RICHMOND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 primary operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Community Development Fund - This fund accounts for the Town's community development grant loan program.

Jericho Road Improvement Fund - This fund accounts for the Town's Jericho Road reconstruction project.

The Town reports the following major proprietary fund:

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations.

The Town also reports fiduciary funds which are used to account for resources held for the benefit of parties outside the Town. The Town reports eight trust funds and two agency funds.

- 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 proprietary and 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 generally are recorded when the fund liability is incurred, if measurable, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. Licenses and permits, fines and forfeitures and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings and certain intergovernmental grants are recorded as earned.

Private-sector standards of accounting and financial reporting issued prior to December 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with guidance of the GASB. The Town has not elected the option of following private-sector guidance issued subsequent to 1989.

TOWN OF RICHMOND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. Summary of significant accounting policies (continued):

D. Measurement focus and basis of accounting (continued) -

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Budgets and budgetary accounting - The Town approves a budget for the General Fund at an annual Town Meeting. The tax rate is determined by the Selectboard based on the education and municipal grand lists and the approved operating budget. The accounting method used for budget presentation is the same method used for the historical financials. Formal budgetary integration is employed as a management control during the year for the General Fund. The Town does not legally adopt budgets for other governmental funds.

F. Cash and cash equivalents - The Town's cash and cash equivalents are considered to be cash on hand and demand deposits.

G. Capital assets - Capital assets, which include property, plant, equipment, vehicles, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide and in the proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Town does not retroactively report infrastructure assets. The Town began capitalizing newly acquired or constructed general infrastructure assets as of July 1, 2003. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets of the Town are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Water and sewer systems	30 - 50 years
Vehicles and equipment	4 - 20 years
Infrastructure	20 - 30 years

H. Deferred revenue - The Town has recorded, in the General Fund, deferred revenue from property taxes and related penalties and interest which have not been collected within 60 days following year end and are not considered available for current-year operations. Certain unexpended grant receipts are also reported as deferred revenue. The Town has recorded, in the Community Development Fund, deferred revenue from a note receivable due to the nature and length of the note.

I. 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 RICHMOND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. Summary of significant accounting policies (continued):

- J. Compensated absences - It is the Town's policy to permit employees to accumulate earned but unused vacation pay benefits based upon their length of employment (subject to certain carryover limitations and time restrictions). Upon retirement, termination or death, employees are compensated for these accrued benefits at their current rates of pay. Compensated absences are reported in the government-wide financial statements. Governmental funds report compensated absences as an expenditure when the benefit is paid. Unused sick days may be accumulated to be used in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.
- K. Long-term obligations - In the government-wide financial statements and proprietary 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 funds statement of net assets. In the fund financial statements, governmental fund types recognize the amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.
- L. Risk management - The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injuries to employees and others; and environmental liability. The Town manages these risks through commercial insurance packages and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.
- M. Fund equity - With the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds may report five categories of fund balances: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes determined by the Town's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Town Meetings.

Assigned fund balance includes amounts that are intended to be used by the Town for specific purposes as authorized by the Selectboard.

Unassigned fund balance is the residual classification for the government's General Fund and includes all spendable amounts not contained in another classification.

The Town's policy is to apply expenditures to fund balance in the order of restricted, committed, assigned, and unassigned unless the Selectboard specifies otherwise.

TOWN OF RICHMOND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

2. Cash and cash equivalents:

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 deposit policy for custodial credit risk. As of June 30, 2012, \$682,803 of the Town's bank balance of \$1,828,574 was uninsured and uncollateralized.

3. Note receivable:

Note receivable in the Community Development Fund consisted of a \$300,000 mortgage loan made to Richmond Village Housing Limited Partnership on March 9, 1999. The proceeds originated from a Grant Agreement dated January 9, 1998 between the Town of Richmond and the Vermont Agency of Commerce and Community Development. The note bears interest of 2.5% with principal and interest payments deferred until March 31, 2014. Monthly payments of principal and accrued interest of \$2,625 will begin April 30, 2014 and continue through March 31, 2029. The loan is secured by a mortgage deed on the real property. The note receivable balance with accrued interest at June 30, 2012 was \$399,842.

4. Interfund receivable and payable:

Interfund receivable and payable balances due to the pooling of cash receipts and disbursements as of June 30, 2012 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds -		
General Fund	\$ -	\$ 303,580
Jericho Road Improvement Fund	159,942	-
Other Governmental Funds	<u>573,077</u>	<u>73,994</u>
	<u>733,019</u>	<u>377,574</u>
Proprietary funds -		
Water and Sewer Fund	<u>-</u>	<u>355,745</u>
Fiduciary funds -		
Trust Funds	<u>300</u>	<u>-</u>
	<u>\$ 733,319</u>	<u>\$ 733,319</u>

5. Interfund transfers:

Interfund transfers for the year ended June 30, 2012, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds -		
General Fund	\$ -	\$ 157,181
Other Governmental Funds	<u>157,181</u>	<u>-</u>
	<u>\$ 157,181</u>	<u>\$ 157,181</u>

Transfers from the General Fund into the Other Governmental Funds were for budgeted capital reserve increases and to eliminate deficit fund balances.

TOWN OF RICHMOND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

6. Capital assets:

Changes in capital assets consisted of the following:

	Balance <u>July 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2012</u>
Governmental activities -				
Capital assets, not depreciated:				
Land	\$ 250,000	\$ -	\$ -	\$ 250,000
Construction in progress	<u>100,443</u>	<u>781,783</u>	<u>882,226</u>	<u>-</u>
Total capital assets, not depreciated	<u>350,443</u>	<u>781,783</u>	<u>882,226</u>	<u>250,000</u>
Capital assets, depreciated:				
Buildings and improvements	1,498,228	96,437	-	1,594,665
Vehicles and equipment	2,676,235	279,894	549,771	2,406,358
Infrastructure	<u>1,198,597</u>	<u>785,788</u>	<u>-</u>	<u>1,984,385</u>
Total capital assets, depreciated	<u>5,373,060</u>	<u>1,162,119</u>	<u>549,771</u>	<u>5,985,408</u>
Less accumulated depreciation for:				
Buildings and improvements	438,123	31,693	-	469,816
Vehicles and equipment	1,434,791	173,192	541,102	1,066,881
Infrastructure	<u>226,073</u>	<u>72,032</u>	<u>-</u>	<u>298,105</u>
Total accumulated depreciation	<u>2,098,987</u>	<u>276,917</u>	<u>541,102</u>	<u>1,834,802</u>
Total capital assets, depreciated, net	<u>3,274,073</u>	<u>885,202</u>	<u>8,669</u>	<u>4,150,606</u>
Capital assets, net, governmental activities	\$ <u>3,624,516</u>	\$ <u>1,666,985</u>	\$ <u>890,895</u>	\$ <u>4,400,606</u>
Business-type activities -				
Capital assets, not depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	<u>1,039,464</u>	<u>103,906</u>	<u>-</u>	<u>1,143,370</u>
Total capital assets, not depreciated	<u>1,089,464</u>	<u>103,906</u>	<u>-</u>	<u>1,193,370</u>
Capital assets, depreciated:				
Buildings	495,728	-	-	495,728
Water and sewer systems	694,057	894,805	-	1,588,862
Phosphorus upgrade	3,939,064	-	-	3,939,064
Vehicles and equipment	<u>119,227</u>	<u>-</u>	<u>-</u>	<u>119,227</u>
Total capital assets, depreciated	<u>5,248,076</u>	<u>894,805</u>	<u>-</u>	<u>6,142,881</u>
Less accumulated depreciation for:				
Buildings	391,832	9,914	-	401,746
Water and sewer systems	542,988	19,498	-	562,486
Phosphorus upgrade	533,305	78,781	-	612,086
Vehicles and equipment	<u>56,330</u>	<u>8,923</u>	<u>-</u>	<u>65,253</u>
Total accumulated depreciation	<u>1,524,455</u>	<u>117,116</u>	<u>-</u>	<u>1,641,571</u>
Total capital assets, depreciated, net	<u>3,723,621</u>	<u>777,689</u>	<u>-</u>	<u>4,501,310</u>
Capital assets, net, business-type activities	\$ <u>4,813,085</u>	\$ <u>881,595</u>	\$ <u>-</u>	\$ <u>5,694,680</u>

TOWN OF RICHMOND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

6. Capital assets (continued):

Depreciation expense in the governmental activities totaling \$276,917 was allocated to the following functions: general government \$9,573, public safety \$81,592, highways and streets \$175,532 and culture and recreation \$10,220.

7. Property taxes:

Property taxes attach as an enforceable lien on property owned as of April 1st. Elected listers establish a grand list of all property and the Selectboard sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Department of Education. Taxes were levied as of April 1, 2011 and were due August 15, 2011, November 15, 2011, February 15, 2012, and May 15, 2012.

8. Long-term debt:

The Town is indebted at June 30, 2012 as follows:

Governmental activities -

Bond payable, Vermont Municipal Bond Bank - 1995 Series 2 (refunded with 2003 Series 1), various interest rates, currently at 5.666%. Annual principal payment of \$30,000. Matures December 2013.	\$ 60,000
Bond payable, Vermont Municipal Bond Bank - 1998 Series 2 (refunded with 2009 Series 2), various interest rates, currently at 6.559%. Annual principal payment of \$15,000. Matures December 2012.	15,000
Bond payable, Vermont Municipal Bond Bank - 2005 Series 1, various interest rates, currently at 3.70%. Annual principal payment of \$10,000. Matures December 2025.	140,000
Bond payable, Vermont Municipal Bond Bank - 2007 Series 2, various interest rates, currently at 5.20%. Annual principal payment of \$25,000. Matures December 2017.	135,000
Bond payable, Vermont Municipal Bond Bank - 2011 Series 2, various interest rates, currently at .804%. Annual principal payment of \$45,600. Matures December 2031.	868,800
Note payable, Merchants Bank, NA - unsecured, with interest at 2.32%. Annual payments of \$22,438. Matures April 2017.	112,187
Note payable, Merchants Bank, NA - unsecured, with interest at 2.32%. Annual payments of \$68,811. Matures March 2016.	<u>311,880</u>
	<u>\$ 1,642,867</u>

TOWN OF RICHMOND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

8. Long-term debt (continued):

Business-type activities -

Bond payable, State of Vermont Special Environmental Revolving Fund - RF1-074, annual payments of \$22,220, including a 2.0% administrative fee. Matures March 2026.	\$ 269,003
Bond payable, State of Vermont Special Environmental Revolving Fund - RF1-101, annual payments of \$7,636 with no interest starting April 2015. Matures April 2024.	102,911
Note payable, State of Vermont Special Environmental Revolving Fund - WPL-170, annual payments of \$26,554 with no interest starting October 2012. Matures October 2019.	210,484
Bond payable, State of Vermont Clean Water State Revolving Fund - AR1-058, annual payments of \$20,609, including a 2.0% administrative fee, starting October 2012. Matures October 2031.	354,510
Bond payable, Vermont Municipal Bond Bank - 2011 Series 2, various interest rates, currently at .804%. Annual principal payment of \$10,000. Matures December 2031.	<u>941,200</u>
	\$ <u>1,878,108</u>

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

	<u>Balance</u>		<u>Balance</u>		<u>Due</u>
	<u>July 1,</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u>	<u>Within</u>
	<u>2011</u>			<u>2012</u>	<u>One Year</u>
Governmental activities -					
Bonds payable -					
1995 Series 2	\$ 90,000	\$ -	\$ 30,000	\$ 60,000	\$ 30,000
1998 Series 2	30,000	-	15,000	15,000	15,000
2001 Series 1	20,000	-	20,000	-	-
2005 Series 1	150,000	-	10,000	140,000	10,000
2007 Series 2	160,000	-	25,000	135,000	25,000
Portion 2011 VMBB Jericho Rd	-	868,800	-	868,800	45,600
Note payable - State of Vermont	22,000	-	22,000	-	-
2011 Note payable	380,691	-	380,691	-	-
2012 Note payable	-	112,187	-	112,187	22,438
2012 Note payable	-	311,880	-	311,880	68,811
	<u>852,691</u>	<u>1,292,867</u>	<u>502,691</u>	<u>1,642,867</u>	<u>216,849</u>
Business-type activities -					
RF1-074	285,513	-	16,510	269,003	16,840
RF1-101	76,356	26,555	-	102,911	-
WPL-170	132,770	77,714	-	210,484	-
AR1-058	336,983	17,527	-	354,510	14,591
Portion 2011 VMBB Jericho Rd	-	941,200	-	941,200	49,400
	<u>831,622</u>	<u>1,062,996</u>	<u>16,510</u>	<u>1,878,108</u>	<u>80,831</u>
	\$ <u>1,684,313</u>	\$ <u>2,355,863</u>	\$ <u>519,201</u>	\$ <u>3,520,975</u>	\$ <u>297,680</u>

TOWN OF RICHMOND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

8. Long-term debt (continued):

Annual maturities of the long-term debt are as follows:

Year ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 216,849	\$ 52,243	\$ 80,831	\$ 42,287
2014	201,849	44,413	81,459	41,212
2015	171,848	39,824	92,391	39,995
2016	164,448	35,932	132,542	38,634
2017	113,954	31,184	133,210	37,123
2018-2022	304,319	118,955	592,336	156,386
2023-2027	256,000	68,535	431,748	95,987
2028-2032	<u>213,600</u>	<u>23,119</u>	<u>333,591</u>	<u>32,331</u>
	\$ <u>1,642,867</u>	\$ <u>414,205</u>	\$ <u>1,878,108</u>	\$ <u>483,955</u>

During FY10 the Vermont Municipal Bond Bank refunded the 1998 Series 2 and 1999 Series 1 Bonds resulting in interest savings to the Town of \$4,907 and \$2,045, respectively. These savings allocations, to be received between FY13 and FY19, have been reflected as a reduction of interest in the above maturity table.

9. Pension plans:

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), 9.25% (Group C) or 11.00% (Group D) of their annual covered salary, and the Town is required to contribute 4% (Group A), 5% (Group B), 6.5% (Group C) or 9.5% (Group D) 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, 2012, 2011, and 2010 were \$40,660, \$38,654, and \$36,346, respectively. The amounts contributed were equal to the required contributions for each year.

The July 1, 2011 actuarial valuation of VMERS reports asset market value of \$402,550,150 and actuarial accrued liability of \$436,229,310, leaving an actuarial shortfall of \$33,679,160.

TOWN OF RICHMOND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

10. Deficits:

At June 30, 2012 the Highway Reserve Fund has a deficit fund balance of \$104,570. Management intends to recover this deficit through future transfers to the reserve.

11. Assigned fund balance:

The General Fund has an assigned fund balance of \$84,922 at June 30, 2012. This balance is to be used for budget stabilization as determined by the Selectboard.

12. Restatement:

Net Assets in the Governmental Activities at June 30, 2012 have been restated from \$4,205,030 to \$4,209,065. In the prior year, the activities of the Richmond Fire Department were not included in the financial statements. The restatement has been recorded to properly include these activities, and the fund is presented as an other governmental fund in the fund financial statements.

TOWN OF RICHMOND, VERMONT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 1
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	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Property taxes -			
Current	\$ 2,501,524	\$ 2,504,579	\$ 3,055
Delinquent penalty and interest	33,000	47,766	14,766
Richmond Housing Taxes	7,200	-	(7,200)
VYCC	8,400	22,472	14,072
Total property taxes	<u>2,550,124</u>	<u>2,574,817</u>	<u>24,693</u>
Intergovernmental -			
Highway State aid	107,000	109,179	2,179
Railroad tax	1,400	1,331	(69)
Fish and Game	150	-	(150)
Current use program	51,000	61,729	10,729
Act 60 reappraisal grant	1,700	-	(1,700)
FEMA - Federal portion	-	96,629	96,629
- State portion	-	6,619	6,619
Special grants	-	61,301	61,301
Total intergovernmental	<u>161,250</u>	<u>336,788</u>	<u>175,538</u>
Fees, Licenses, and Permits -			
Liquor licenses	800	800	-
Dog licenses	5,100	5,620	520
Marriage licenses	200	260	60
Overweight permits	1,000	1,085	85
Access permits	150	1,065	915
Vehicle registration	600	472	(128)
Zoning permits	16,000	21,481	5,481
Field use	500	420	(80)
Total fees, licenses, and permits	<u>24,350</u>	<u>31,203</u>	<u>6,853</u>
Charges for goods and services -			
Water and sewer administration	14,000	14,000	-
Water and sewer insurance premium reimbursement	-	15,439	15,439
School district payment	8,500	5,707	(2,793)
Town Clerk's fees	26,000	28,866	2,866
Vault time and copies	4,000	3,978	(22)
Certified copies	1,200	848	(352)
Total charges for goods and services	<u>53,700</u>	<u>68,838</u>	<u>15,138</u>
Police revenues -			
Police grants	-	1,233	1,233
Insurance refund	-	12,666	12,666
Local fines	500	1,840	1,340
Police receipts	1,200	1,317	117
CESU contribution - SRO	22,000	27,665	5,665
Uniform traffic tickets	21,000	22,877	1,877

TOWN OF RICHMOND, VERMONT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES (CONTINUED):			
Police revenues (continued) -			
Sale of Town Property	2,000	-	(2,000)
Special grants	-	7,200	7,200
Total police revenues	<u>46,700</u>	<u>74,798</u>	<u>28,098</u>
Other revenues -			
Interest income	2,000	1,007	(993)
Miscellaneous	2,000	60,018	58,018
Total other revenues	<u>4,000</u>	<u>61,025</u>	<u>57,025</u>
Total revenues	<u>2,840,124</u>	<u>3,147,469</u>	<u>307,345</u>
EXPENDITURES:			
General Government -			
Salaries	254,700	265,001	(10,301)
Selectboard	3,750	2,250	1,500
Listers	8,000	9,513	(1,513)
Payroll taxes	20,750	24,336	(3,586)
Retirement	8,300	11,748	(3,448)
Health insurance	64,900	76,526	(11,626)
Long-term disability	5,200	6,005	(805)
Travel	750	723	27
Training and education	1,500	1,935	(435)
Dues	5,263	5,073	190
Awards	1,000	1,110	(110)
Office supplies	8,000	8,901	(901)
Postage	7,500	5,941	1,559
Telephone	5,000	4,818	182
Office equipment	7,000	5,999	1,001
Heat	5,500	5,500	-
Electricity	9,000	9,233	(233)
Water and sewer	3,600	3,103	497
Trash removal	1,900	32,330	(30,430)
Building maintenance	11,000	39,930	(28,930)
Landscaping	4,000	6,463	(2,463)
Contracted work	14,700	13,961	739
General insurance	86,401	97,821	(11,420)
Advertising	7,500	10,929	(3,429)
Town reports	5,000	5,298	(298)
Recording books	3,000	3,365	(365)
Legal	24,000	21,861	2,139
Independent auditors	19,000	35,730	(16,730)
Engineering review	3,000	12,360	(9,360)
Tax map maintenance	3,500	1,098	2,402
Technology	1,000	918	82

TOWN OF RICHMOND, VERMONT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 1
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	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
EXPENDITURES (CONTINUED):			
General Government (continued) -			
Special grants	-	22,016	(22,016)
County tax	21,200	35,180	(13,980)
Bank service charges	-	919	(919)
Total general government	<u>624,914</u>	<u>787,894</u>	<u>(162,980)</u>
Police department:			
Salaries	245,000	252,335	(7,335)
Overtime	22,000	16,401	5,599
Payroll taxes	23,000	21,509	1,491
Retirement	11,000	4,263	6,737
Health insurance	70,300	29,565	40,735
Travel	250	-	250
Training and education	4,000	2,149	1,851
Uniforms	3,500	5,712	(2,212)
Office supplies	2,500	3,351	(851)
Telephone	6,000	5,888	112
Computers - Office	7,000	5,364	1,636
Office equipment	1,500	2,121	(621)
Equipment repair	2,500	2,423	77
Gas and diesel	14,500	25,318	(10,818)
Cruiser repairs	4,500	5,976	(1,476)
Cruiser tires	4,000	2,328	1,672
Cruiser equipment	500	375	125
Supplies	2,300	5,184	(2,884)
Total police department	<u>424,350</u>	<u>390,262</u>	<u>34,088</u>
Fire department:			
Salaries	16,000	14,482	1,518
Payroll taxes	1,200	1,130	70
Training and education	500	147	353
Telephone	2,200	2,592	(392)
Medical	100	-	100
Heat	3,000	4,375	(1,375)
Electricity	1,750	1,686	64
Water and sewer	700	731	(31)
Maintenance	1,500	1,425	75
Gas, oil, and diesel fuels	2,000	4,185	(2,185)
Maintenance - pumpers	8,000	4,203	3,797
Equipment repairs	1,500	1,354	146
Radio dispatch	5,600	1,703	3,897
Radio repair	1,500	1,748	(248)
Supplies	1,500	1,313	187
Equipment purchase	9,600	6,373	3,227

TOWN OF RICHMOND, VERMONT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 1
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	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES (CONTINUED):			
Fire department (continued):			
Travel	400	-	400
Public relations	200	61	139
Total fire department	<u>57,250</u>	<u>47,508</u>	<u>9,742</u>
Total public safety	<u>481,600</u>	<u>437,770</u>	<u>43,830</u>
Highways and streets -			
Highway:			
Salaries	213,000	210,746	2,254
Overtime	25,000	28,151	(3,151)
Payroll taxes	19,400	18,997	403
Retirement	12,325	12,309	16
Health insurance	71,325	56,105	15,220
Training and education	400	405	(5)
Uniforms	2,400	2,308	92
Office supplies	500	308	192
Telephone	1,700	1,857	(157)
Street lights	13,500	14,229	(729)
Heat	6,000	5,573	427
Electricity	2,400	2,113	287
Water and sewer	750	1,063	(313)
Trash removal	1,300	937	363
Maintenance	10,000	8,856	1,144
Gas and oil	3,500	3,780	(280)
Diesel fuel	58,000	69,692	(11,692)
Truck repairs	12,000	16,998	(4,998)
Gang mowers	200	-	200
Winter maintenance attachments	300	550	(250)
Excavator repair	3,000	693	2,307
Grader repair	2,000	2,272	(272)
Loader repair	1,500	1,363	137
Pickup repair	400	98	302
Tires	7,500	7,923	(423)
Tire chains	1,200	722	478
Tractor	300	326	(26)
Roadside mower	250	329	(79)
Park mower	300	603	(303)
Utility vehicle	1,000	865	135
Small equipment repair	1,000	1,191	(191)
Radio and repair	1,200	758	442
Special grants	-	46,484	(46,484)
Total highway	<u>473,650</u>	<u>518,604</u>	<u>(44,954)</u>

TOWN OF RICHMOND, VERMONT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 1
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	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES (CONTINUED):			
Highways and streets (continued) -			
Road maintenance and bridges:			
Centerline paint and shoulder	2,000	2,389	(389)
Chloride	16,000	12,575	3,425
Culverts	5,500	5,482	18
Guardrails	3,000	4,143	(1,143)
Gravel	179,500	295,275	(115,775)
Cutting edges	9,500	6,296	3,204
Small equipment purchases	9,000	13,310	(4,310)
Equipment rental	11,500	6,886	4,614
Miscellaneous equipment parts	1,000	726	274
Miscellaneous supplies	1,000	1,117	(117)
Miscellaneous road expense	-	2,156	(2,156)
Patching	2,700	2,274	426
Salt	57,000	54,424	2,576
Sand	48,000	47,998	2
Sidewalk repairs	300	12	288
Bridge and culvert repair	3,200	665	2,535
Signs	1,000	2,195	(1,195)
Storm drains	1,950	-	1,950
Sweeping	3,500	3,400	100
Consultants	200	673	(473)
Welding and cutting supplies	700	959	(259)
Retreatment	<u>235,000</u>	<u>242,448</u>	<u>(7,448)</u>
Total road maintenance and bridges	<u>591,550</u>	<u>705,403</u>	<u>(113,853)</u>
Total highways and streets	<u>1,065,200</u>	<u>1,224,007</u>	<u>(158,807)</u>
Library -			
Salaries	102,500	99,140	3,360
Payroll taxes	8,508	8,411	97
Retirement	3,484	3,317	167
Health insurance	8,900	8,725	175
Travel	300	185	115
Training and education	300	90	210
Office supplies	2,000	2,715	(715)
Postage	1,200	1,200	-
Telephone	2,500	2,331	169
Computer	3,000	2,090	910
Heat	4,000	3,902	98
Electricity	6,000	3,828	2,172
Water and sewer	1,000	621	379
Maintenance	7,200	9,091	(1,891)

TOWN OF RICHMOND, VERMONT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 1
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	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES (CONTINUED):			
Library (continued) -			
Books	11,750	12,399	(649)
Programs	700	1,095	(395)
Total library	<u>163,342</u>	<u>159,140</u>	<u>4,202</u>
Recreation -			
Salaries	3,800	3,510	290
Payroll taxes	300	283	17
Dues	100	-	100
Electricity	700	1,056	(356)
Water and sewer	600	440	160
Trash removal	650	228	422
Maintenance	3,500	1,574	1,926
Recreation path maintenance	1,000	1,240	(240)
Special events	900	-	900
Total recreation	<u>11,550</u>	<u>8,331</u>	<u>3,219</u>
Special Appropriations -			
Central Vermont Agency on Aging	1,800	-	1,800
Flags	650	907	(257)
Greater Burlington Industrial Corporation	100	100	-
Howard Center	100	100	-
Metropolitan Planning Organization	2,670	4,002	(1,332)
Regional Planning	2,800	2,670	130
Richmond Community Band	400	-	400
Richmond Rescue	48,100	48,100	-
Hale & Hearty	4,100	4,100	-
Transportation Services - SSTA	2,300	2,524	(224)
Visiting Nurses Association	9,548	9,548	-
Vermont Center for Independent Living	100	100	-
Front Page Forum	100	-	100
CUSI Domestic Task Force	8,000	7,240	760
Lake Iroquois Association	400	400	-
Lake Iroquois District	600	600	-
Total special appropriations	<u>81,768</u>	<u>80,391</u>	<u>1,377</u>
Debt service -			
Principal payments:			
Library building	4,500	4,500	-
Town Center building	10,500	10,500	-
2001 engine	20,000	20,000	-
2005 engine	10,000	10,000	-
2006 grader	32,000	22,000	10,000
2007 tandem dump truck	24,000	-	24,000

TOWN OF RICHMOND, VERMONT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 1
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	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES (CONTINUED):			
Debt service (continued) -			
Principal payments (continued):			
2011 dump truck	17,000	17,000	-
1996 highway garage	25,000	25,000	-
Fire engine 2010 note	50,500	50,500	-
Loan payoff - refinancing	-	<u>313,191</u>	<u>(313,191)</u>
Total principal payments	<u>193,500</u>	<u>472,691</u>	<u>(279,191)</u>
Interest payments:			
Library building	1,350	1,651	(301)
Town Center building	1,000	1,000	-
2001 engine	8,500	4,536	3,964
2005 engine	6,200	6,152	48
2006 tandem dump truck	-	440	(440)
1996 highway garage	7,900	7,533	367
Jericho Rd 2011	-	25,413	(25,413)
Notes payable interest	<u>12,300</u>	<u>2,807</u>	<u>9,493</u>
Total interest payments	<u>37,250</u>	<u>49,532</u>	<u>(12,282)</u>
Total debt service	<u>230,750</u>	<u>522,223</u>	<u>(291,473)</u>
Capital outlay -			
Police cruiser purchase	<u>26,000</u>	<u>27,198</u>	<u>(1,198)</u>
Total expenditures	<u>2,685,124</u>	<u>3,246,954</u>	<u>(561,830)</u>
EXCESS OF REVENUE OR (EXPENDITURES)	<u>155,000</u>	<u>(99,485)</u>	<u>(254,485)</u>
OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	311,880	311,880
Insurance proceeds	-	41,244	
Transfer from Cemetery Operating Fund	2,300	-	(2,300)
Transfer to Reappraisal Fund	(9,100)	(9,100)	-
Transfer to Library Reserve Fund	(8,000)	(8,000)	-
Transfer to Conservation Fund	(43,500)	(43,381)	119
Transfer to Fire Reserve Fund	(30,000)	(30,000)	-
Transfer to Police Reserve Fund	(2,000)	(2,000)	-
Transfer to Highway Reserve Fund	(27,700)	(27,700)	-
Transfer to Bridge and Culvert Reserve Fund	<u>(37,000)</u>	<u>(37,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(155,000)</u>	<u>195,943</u>	<u>350,943</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>96,458</u>	\$ <u>96,458</u>

TOWN OF RICHMOND, VERMONT
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>Town Center Debt Service</u>	<u>Conservation</u>	<u>Police Reserve</u>	<u>Library Reserve</u>	<u>Fire Reserve</u>	<u>Fire Impact Fees</u>	<u>Highway Reserve</u>	<u>Bridge & Culvert Reserve</u>	<u>Reappraisal</u>
Cash and cash equivalents	\$ 168,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	<u>-</u>	<u>171,066</u>	<u>4,755</u>	<u>41,941</u>	<u>35,343</u>	<u>4,498</u>	<u>7,390</u>	<u>188,445</u>	<u>72,066</u>
Total assets	<u>\$ 168,735</u>	<u>\$ 171,066</u>	<u>\$ 4,755</u>	<u>\$ 41,941</u>	<u>\$ 35,343</u>	<u>\$ 4,498</u>	<u>\$ 7,390</u>	<u>\$ 188,445</u>	<u>\$ 72,066</u>
<u>LIABILITIES AND FUND EQUITY</u>									
LIABILITIES:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,960	\$ -	\$ -
Due to other funds	<u>73,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>73,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,960</u>	<u>-</u>	<u>-</u>
FUND EQUITY:									
Fund balances -									
Restricted	-	171,066	-	-	-	4,498	-	-	72,066
Committed	94,741	-	4,755	41,941	35,343	-	-	188,445	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(104,570)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>94,741</u>	<u>171,066</u>	<u>4,755</u>	<u>41,941</u>	<u>35,343</u>	<u>4,498</u>	<u>(104,570)</u>	<u>188,445</u>	<u>72,066</u>
Total liabilities and fund equity	<u>\$ 168,735</u>	<u>\$ 171,066</u>	<u>\$ 4,755</u>	<u>\$ 41,941</u>	<u>\$ 35,343</u>	<u>\$ 4,498</u>	<u>\$ 7,390</u>	<u>\$ 188,445</u>	<u>\$ 72,066</u>

TOWN OF RICHMOND, VERMONT
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
JUNE 30, 2012

<u>ASSETS</u>	Records Restoration	Railroad Street Planning	Adam Muller Flag	Recreation Path	Recreation (Soccer Program)	Tree Replacement	Richmond Fire Department	Richmond Free Library	Total
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,104	\$ 953	\$ 173,792
Due from other funds	<u>13,614</u>	<u>7,069</u>	<u>9,488</u>	<u>986</u>	<u>16,282</u>	<u>134</u>	<u>-</u>	<u>-</u>	<u>573,077</u>
Total assets	<u>\$ 13,614</u>	<u>\$ 7,069</u>	<u>\$ 9,488</u>	<u>\$ 986</u>	<u>\$ 16,282</u>	<u>\$ 134</u>	<u>\$ 4,104</u>	<u>\$ 953</u>	<u>\$ 746,869</u>

LIABILITIES AND FUND EQUITY

LIABILITIES:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,960
Accounts payable	-	-	-	-	-	-	-	-	73,994
Due to other funds	-	-	-	-	-	-	-	-	<u>185,954</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY:	13,614	-	9,488	986	16,282	134	4,104	953	293,191
Fund balances -	-	7,069	-	-	-	-	-	-	372,294
Restricted	-	-	-	-	-	-	-	-	(104,570)
Committed	<u>13,614</u>	<u>7,069</u>	<u>9,488</u>	<u>986</u>	<u>16,282</u>	<u>134</u>	<u>4,104</u>	<u>953</u>	<u>560,915</u>
Unassigned	<u>13,614</u>	<u>7,069</u>	<u>9,488</u>	<u>986</u>	<u>16,282</u>	<u>134</u>	<u>4,104</u>	<u>953</u>	<u>746,869</u>
Total fund balances	<u>\$ 13,614</u>	<u>\$ 7,069</u>	<u>\$ 9,488</u>	<u>\$ 986</u>	<u>\$ 16,282</u>	<u>\$ 134</u>	<u>\$ 4,104</u>	<u>\$ 953</u>	<u>\$ 746,869</u>
Total liabilities and fund equity	<u>\$ 13,614</u>	<u>\$ 7,069</u>	<u>\$ 9,488</u>	<u>\$ 986</u>	<u>\$ 16,282</u>	<u>\$ 134</u>	<u>\$ 4,104</u>	<u>\$ 953</u>	<u>\$ 746,869</u>

TOWN OF RICHMOND, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Town Center Debt Service	Conservation	Police Reserve	Library Reserve	Fire Reserve	Fire Impact Fees	Highway Reserve	Bridge & Culvert Reserve	Reappraisal
REVENUES:									
Intergovernmental revenue	\$ 10,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,515	\$ -	\$ 16,036
Rents and fees	92,574	-	-	-	656	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Donations - community projects	-	-	-	-	-	-	-	-	-
Interest income	1,459	-	-	-	-	-	-	-	-
Total revenues	<u>104,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>656</u>	<u>-</u>	<u>22,515</u>	<u>-</u>	<u>16,036</u>
EXPENDITURES:									
General government	29,771	-	-	-	-	-	-	-	-
Public safety	-	-	6,553	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	36,137	9,900	-
Library	-	-	-	12,757	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-
Capital outlay	16,893	35,265	-	-	-	-	223,996	-	-
Debt service - Principal	30,000	-	-	-	-	-	-	-	-
- Interest	2,550	-	-	-	-	-	-	-	-
Total expenditures	<u>79,214</u>	<u>35,265</u>	<u>6,553</u>	<u>12,757</u>	<u>-</u>	<u>-</u>	<u>260,133</u>	<u>9,900</u>	<u>-</u>
EXCESS OF REVENUES OR (EXPENDITURES)	24,854	(35,265)	(6,553)	(12,757)	-	656	(237,618)	(9,900)	16,036
OTHER FINANCING SOURCES (USES):									
Loan proceeds	-	-	-	-	-	-	112,187	-	-
Operating transfers in	-	43,381	2,000	8,000	30,000	-	27,700	37,000	9,100
Total other financing sources (uses):	<u>-</u>	<u>43,381</u>	<u>2,000</u>	<u>8,000</u>	<u>30,000</u>	<u>-</u>	<u>139,887</u>	<u>37,000</u>	<u>9,100</u>
NET CHANGE IN FUND BALANCES	24,854	8,116	(4,553)	(4,757)	30,000	656	(97,731)	27,100	25,136
FUND BALANCES (DEFICIT), July 1, 2011	69,887	162,950	9,308	46,698	5,343	3,842	(6,839)	161,345	46,930
FUND BALANCES (DEFICIT), June 30, 2012	<u>\$ 94,741</u>	<u>\$ 171,066</u>	<u>\$ 4,755</u>	<u>\$ 41,941</u>	<u>\$ 35,343</u>	<u>\$ 4,498</u>	<u>\$ (104,570)</u>	<u>\$ 188,445</u>	<u>\$ 72,066</u>

TOWN OF RICHMOND, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Records Restoration	Railroad Street Planning	Adam Muller Flag	Recreation Path	Recreation (Soccer Program)	Tree Replacement	Richmond Fire Department	Richmond Free Library	Total
REVENUES:									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,586
Rents and fees	19,074	-	-	-	6,315	-	-	-	118,619
Culture and recreation	-	-	-	-	-	-	1,741	-	1,741
Donations - community projects	-	-	-	-	-	-	7,256	-	7,256
Interest income	-	-	-	-	-	-	2	-	1,461
Total revenues	<u>19,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,315</u>	<u>-</u>	<u>7,258</u>	<u>1,741</u>	<u>177,663</u>
EXPENDITURES:									
General government	11,771	-	-	-	-	-	-	-	41,542
Public safety	-	-	-	-	-	-	7,189	-	13,742
Highways and streets	-	-	-	-	-	-	-	-	46,037
Library	-	-	-	-	-	-	1,954	-	14,711
Recreation	-	-	-	-	4,360	-	-	-	4,360
Capital outlay	-	-	-	-	-	-	-	-	276,154
Debt service - Principal	-	-	-	-	-	-	-	-	30,000
- Interest	-	-	-	-	-	-	-	-	2,550
Total expenditures	<u>11,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,360</u>	<u>-</u>	<u>7,189</u>	<u>1,954</u>	<u>429,096</u>
EXCESS OF REVENUES OR (EXPENDITURES)	7,303	-	-	-	1,955	-	69	(213)	(251,433)
OTHER FINANCING SOURCES (USES):									
Loan proceeds	-	-	-	-	-	-	-	-	112,187
Operating transfers in	-	-	-	-	-	-	-	-	157,181
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,368</u>
NET CHANGE IN FUND BALANCES	7,303	-	-	-	1,955	-	69	(213)	17,935
FUND BALANCES (DEFICIT), July 1, 2011	<u>6,311</u>	<u>7,069</u>	<u>9,488</u>	<u>986</u>	<u>14,327</u>	<u>134</u>	<u>4,035</u>	<u>1,166</u>	<u>542,980</u>
FUND BALANCES (DEFICIT), June 30, 2012	<u>\$ 13,614</u>	<u>\$ 7,069</u>	<u>\$ 9,488</u>	<u>\$ 986</u>	<u>\$ 16,282</u>	<u>\$ 134</u>	<u>\$ 4,104</u>	<u>\$ 953</u>	<u>\$ 560,915</u>

TOWN OF RICHMOND, VERMONT
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 4
Page 1 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
OPERATING REVENUES:			
Charges for services	\$ 670,400	\$ 653,317	\$ (17,083)
OPERATING EXPENSES:			
Administration -			
Salaries	140,000	129,734	10,266
Overtime	3,000	760	2,240
Payroll taxes	10,800	10,504	296
Retirement	6,700	6,891	(191)
Health insurance	52,000	31,165	20,835
Disability insurance	1,100	1,151	(51)
Travel	1,500	-	1,500
Training and education	2,500	808	1,692
Dues	500	365	135
Uniforms	1,200	1,194	6
Office supplies	700	1,311	(611)
Telephone	3,000	3,013	(13)
Office equipment	500	-	500
Administrative expense	14,000	14,000	-
Safety training	300	-	300
General insurance	15,500	15,500	-
Bank service charges	-	72	(72)
Advertising	1,500	493	1,007
Total administration	<u>254,800</u>	<u>216,961</u>	<u>37,839</u>
Pump station -			
EECBG Grant	-	10,200	(10,200)
Plant maintenance	1,000	14,936	(13,936)
Electricity	1,800	1,349	451
Total pump station	<u>2,800</u>	<u>26,485</u>	<u>(23,685)</u>
Wastewater department -			
Heat dewatering	21,000	12,476	8,524
Plant electricity	35,000	32,906	2,094
Trash removal	900	395	505
Permits and licenses	800	995	(195)
Fleet maintenance	2,000	2,677	(677)
Gas, oil and diesel	900	1,574	(674)
Contracted - Wastewater	7,500	5,281	2,219
Contracted - Biosolids	3,500	330	3,170
Engineering	500	-	500
Chemicals - Wastewater	6,000	12,579	(6,579)
Chemicals - Biosolids	40,000	52,485	(12,485)
Collection system repair	3,000	3,914	(914)
Wastewater repair	4,000	21,686	(17,686)
Biosolids repair	4,000	5,684	(1,684)
Supplies	4,500	9,150	(4,650)

TOWN OF RICHMOND, VERMONT
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 4
Page 2 of 2

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING EXPENSES (CONTINUED):			
Wastewater department (continued) -			
Personal protective gear	500	334	166
Equipment rental	500	126	374
Biosolids disposal	<u>80,000</u>	<u>82,678</u>	<u>(2,678)</u>
Total wastewater department	<u>214,600</u>	<u>245,270</u>	<u>(30,670)</u>
Water department -			
Heat	1,500	2,034	(534)
Waterhouse electricity	7,000	7,087	(87)
Trash removal	1,000	2,524	(1,524)
Permits and licenses	1,500	1,056	444
Fleet maintenance	1,500	-	1,500
Gas, oil and diesel	1,000	629	371
Contracted - Water	5,000	3,000	2,000
Engineering	500	3,454	(2,954)
Chemicals - Water	1,000	1,568	(568)
Water line	20,000	17,840	2,160
Pumps and tanks	5,000	1,206	3,794
Water system repair	-	-	-
Asphalt repair	1,000	1,365	(365)
Equipment	500	686	(186)
Supplies	700	425	275
Meters	2,800	1,857	943
Personal protective gear	500	543	(43)
Equipment rental	500	-	500
Wastewater reserve	15,000	15,700	(700)
Water capital reserve	59,000	4,426	54,574
Miscellaneous	<u>300</u>	<u>-</u>	<u>300</u>
Total water department	<u>125,300</u>	<u>65,400</u>	<u>59,900</u>
Depreciation	<u>-</u>	<u>117,116</u>	<u>(117,116)</u>
Total expenses	<u>597,500</u>	<u>671,232</u>	<u>(73,732)</u>
OPERATING INCOME (LOSS)	<u>72,900</u>	<u>(17,915)</u>	<u>(90,815)</u>
NONOPERATING REVENUES (EXPENSES):			
Grant revenue	-	6,112	6,112
Insurance proceeds	-	22,814	22,814
Interest income	2,400	423	(1,977)
Debt service - Interest	<u>(75,300)</u>	<u>(31,123)</u>	<u>44,177</u>
Total nonoperating revenues (expenses)	<u>(72,900)</u>	<u>(1,774)</u>	<u>71,126</u>
CHANGE IN NET ASSETS	\$ <u>-</u>	\$ <u>(19,689)</u>	\$ <u>(19,689)</u>

**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 Selectboard
Town of Richmond, Vermont

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Richmond, Vermont (the Town) as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 14, 2013. 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

Management of the Town is responsible for establishing and maintaining effective 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 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 in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 12-1 through 12-4 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 12-5 through 12-8 to be significant deficiencies.

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*.

Management's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit management's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Selectboard and management of the Town, and is not intended to be and should not be used by anyone other than those specified parties.

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

Montpelier, Vermont
January 14, 2013

**TOWN OF RICHMOND, VERMONT
SCHEDULE OF FINDINGS AND RESPONSES
AS OF JUNE 30, 2012**

12-1 Financial reporting:

The Town relies on its auditors to prepare the year-end financial statements. Auditing standards state that management is responsible for the financial reporting function, including the general ledger accounting that is the basis for the annual financial statements. Management is also responsible for the form and content of the financial statements and related notes. This responsibility includes developing and maintaining an internal control structure which addresses all aspects of the accounting and financial reporting function.

Our 2012 audit resulted in 28 journal entries to correct the recording of financial activity; this was a significant improvement from the prior year. However, the Financial Director left employment with the Town before the preparation of the 2012 financial statements was complete. We concluded that the Town does not have adequate internal controls over general ledger accounting and financial reporting.

We recommend that management review the current system, with reference to our proposed journal entries and audit findings, and adopt such changes as deemed necessary to ensure that accounting and financial reporting is maintained in an accurate and timely manner.

Management's response - A number of improvements have been made over the past year including staff development and reporting protocols. The Town continues to move forward on becoming capable of producing its own financial statements and improving internal controls. The Town has determined that the continued use of a contract CPA is necessary to properly address this finding, and additional part-time staff will be retained to properly separate duties.

12-2 Staffing and training for accounting and financial reporting:

During the 2011 fiscal year, there was a transition to a new Financial Director. The Town hired a person for the position that did not have the training and experience to perform all duties of the position. We understand that it was expected that she would learn the duties on the job. During the 2012 audit, we noted that the new Financial Director put forth significant effort to learn the accounting duties and improve the internal controls over financial reporting, and was continuing her education with the goal of attaining a degree in accounting. Subsequent to year end the Financial Director has left employment with the Town.

The Town has undertaken a search for a Financial Director with more training and experience. A complete understanding of governmental accounting and financial reporting does not need to be a requirement of the position, but the Town needs to provide such training and support as is needed to fully understand the operation of the accounting system and have a basic understanding of governmental reporting requirements.

We recommend that the Town provide adequate financial resources for (1) staffing the finance and accounting function, (2) training finance and accounting staff in governmental accounting and reporting, and (3) obtaining support from its accounting software providers for the finance and accounting staff.

Management's response - The Town has decided to move towards a financial assistant to handle day-to-day activities and contract a professional CPA to handle the maintenance of the general ledger. This arrangement will allow for an experienced accounts payable/accounts receivable employee to make sure that daily business is completed while the CPA will make sure that proper adjustments are performed to maintain the ledgers on a monthly and yearly basis.

**TOWN OF RICHMOND, VERMONT
SCHEDULE OF FINDINGS AND RESPONSES
AS OF JUNE 30, 2012**

12-3 Capital asset accounting:

In prior years we have recommended that the Town maintain a capital asset accounting system. The Town has relied on its auditors to update its capital asset listing and to calculate depreciation expense. During the 2012 audit, the Financial Director updated the capital asset listing and calculated depreciation expense. Our auditors proposed changes to this listing, and proposed adjusting journal entries to the general ledger to record capital assets and accumulated depreciation, as well as 2012 activity related to capital asset additions, retirements and annual depreciation expense.

We recommend that the Town develop and implement a system to maintain capital asset balances. This system should include a formal capitalization policy, including a capitalization threshold, depreciation methods and useful lives to be used for each type of capital asset. The policy should be communicated to the appropriate personnel to ensure that all capital asset additions and retirements are identified and recorded correctly within the general ledger. The system should ensure that supporting documentation is maintained for each capital asset until the asset's retirement. The system should also require an annual inventory of capital assets and reconciliation of total asset and depreciation balances to the general ledger.

Management's response - The contracted CPA will ensure accurate capital asset recording.

12-4 Long-term debt accounting:

In prior years the accounting for long-term debt was not completed prior to the annual audit. In 2012 the balances of long-term debt were recorded accurately; however, it was noted that debt service expenditures were not properly recorded, and did not agree to allocations documented on supporting debt service invoices. We proposed adjusting journal entries to correct activity related to loan proceeds and payments.

We recommend that the Town reconcile the recorded activity related to loan proceeds and payments with supporting debt service documentation and the recorded long-term debt balances in the general ledger.

Management's response - The contracted CPA will ensure accurate long-term debt accounting.

12-5 Bank reconciliations:

As in the prior year, we noted that monthly bank reconciliations for the General Fund checking, Water and Sewer Fund checking, and General Fund money market accounts had not been performed in a complete and timely manner. With the assistance of a contracted Certified Public Accountant (CPA), management did perform bank reconciliations for the month ended June 30, 2012 prior to our annual audit.

The timely completion of monthly bank reconciliations and the recording of any adjustments identified, are necessary to ensure that all cash activity is properly recorded in the general ledger and that the cash balance is accurate. During 2012 the recorded cash balances were incorrect until the year end reconciliations were completed.

The Town's accounting software does include a cash reconciliation routine. We noted that it was not used for the year end bank reconciliations. While it is not necessary to use that software, it is an efficient way to accomplish the monthly reconciliation.

**TOWN OF RICHMOND, VERMONT
SCHEDULE OF FINDINGS AND RESPONSES
AS OF JUNE 30, 2012**

12-5 Bank reconciliations (continued):

We recommend that monthly bank reconciliations be prepared, and any adjustments be recorded, so that the reconciliations are agreed to the general ledger cash balances each month. We also recommend that the bank reconciliations be reviewed by someone other than the preparer and that the reviewer and the preparer initial and date each monthly bank reconciliation.

Management's response - Bank reconciliations were completed last year. However, the year-end reconciliation was delayed due to fund restructuring. From now on, a part-time employee will perform this duty with the assistance of the contracted CPA.

12-6 Segregation of duties:

This condition was unchanged from the prior year. We noted that the Financial Director prepares bank deposits and has full access to record transactions in the general ledger and subsidiary ledgers. The Financial Director also has access to record non-cash credits to taxpayer accounts. There is no formal review and approval process of the Financial Director's work.

We consider complete accounting access to the general ledger and assignment of treasury functions to be incompatible duties. We recommend that all general journal entries, and any changes posted to taxpayer accounts be reviewed and approved by the appropriate level of management, and supporting documentation of approval be retained. We also recommend that bank deposits be prepared by someone without access to the general ledger.

Subsequent to year end the Financial Director has left employment with the Town. We understand that internal controls within the finance department are changing. We recommend that management evaluate the current control structure and implement appropriate controls to ensure adequate segregation of incompatible duties.

Management's response - The Town is working towards expanding the segregation of duties by assigning certain tasks to additional personnel. This will require an additional expenditure of funds. However, the expected duties of bank deposits and bank account reconciliations will require minimal resources.

12-7 Fuel usage:

This condition was unchanged from the prior year. The Town allows Richmond Rescue to use fuel from the highway department with the understanding that Richmond Rescue will be billed for its usage accordingly. However, it was noted that the Town relies on Richmond Rescue to inform them of its usage, via email. The Town has no other controls in place to ensure that usage by this outside party is tracked appropriately and billed accordingly.

We recommend that the Town evaluate its policy regarding fuel usage by external parties, and develop appropriate controls to track and bill for fuel usage.

Management's response - The Town continues to explore ways to bring all users of Richmond's bulk diesel storage to properly report usage. It may be necessary to limit access to the secure pumps to authorized Town personnel only.

**TOWN OF RICHMOND, VERMONT
SCHEDULE OF FINDINGS AND RESPONSES
AS OF JUNE 30, 2012**

12-8 Grant administration:

We noted that activity in Fund 42 was not reconciled by finance department personnel prior to the audit. We analyzed activity in the fund, proposed adjusting journal entries to the general ledger to reclassify revenue and expenditures, adjust deferred revenue and record additional grant receivables. We also identified and restored a prior year grant receivable, related to a 2009 grant, that had been inappropriately written off but was determined to still be collectible from the State of Vermont.

We recommend that the Town assign a single person to be responsible for grant administration. Controls should be established to ensure that grant files are properly maintained, that projects are tracked and reported in a timely manner, and that the grant activity is regularly reconciled with the general ledger.

Management's response - The contracted CPA will ensure that all grant funds are properly accounted for and the finance assistant will be responsible for collecting grant monies due to the Town.

**TOWN OF RICHMOND, VERMONT
STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

The prior audit findings 11-1, 11-2, 11-6, 11-7, 11-5, 11-8, 11-11 and 11-12 are repeated in the current year as findings 12-1 through 12-8, respectively. The prior audit findings 11-3, 11-4, 11-9, 11-10, 11-13, 11-14, and 11-15, listed below, are considered to be resolved.

11-3 General ledger structure and control:

2011 condition - The Town's financial statements report operations of twenty-five governmental funds, five trust funds and two agency funds, but the Town combines these funds into five funds when accounting for them in the general ledger. The five funds are titled Fund 30 - Nonmajor governmental funds, 40 - Reserve accounts, 41 - Restricted governmental funds, 43 - Cemetery funds, and 44 - Richmond Free Library fund.

While it is possible to use subfunds for accounting within a fund, it is a complex structure and requires a complete set of accounts for each subfund. Each fund to be reported should be maintained in separate fund (or subfund) in the general ledger. We recommend that each fund the Town reports in the financial statements be supported by a separate and complete fund (or subfund) in the general ledger.

The Town does not record all transactions for these governmental funds and trust funds appropriately in the general ledger. The funds do not include revenue and expenditure accounts and transactions were posted directly to multiple equity accounts within these five funds. This resulted in understatements of revenue and expenditures until they are separated for reporting. We recommend revenue and expenditures be recorded directly in the appropriate general ledger accounts.

In addition, supporting documentation maintained by management to allocate interest for pooled funds was not completed when balances were provided for the audit. We recommend interest be allocated as received so individual balances are current and complete.

Current status - At the close of the fiscal year the Financial Director made appropriate adjusting entries to create a new fund structure, and reclassify fiscal year 2012 activity to the appropriate revenue and expenditure accounts within these new funds, comparable to the fund presentation in the Town's financial statements. We consider this finding to be resolved.

11-4 Journal entries:

2011 condition - During our audit we noted that supporting documentation for journal entries is not retained. Journal entries are also not reviewed and approved by anyone other than the preparer.

We recommend that journal entries and supporting documentation be reviewed by someone other than the preparer to ensure that they are appropriate and recorded accurately. The entries, with the supporting documentation, should be sequentially numbered and retained in an orderly manner. The reviewer should evidence their approval of each journal entry by initialing and dating the journal entries.

Current status - While supporting documentation for journal entries was not retained for a portion of the 2012 fiscal year, management implemented a process for review and approval of journal entries, with supporting documentation in January of 2012. We noted that this process was in place for the remainder of fiscal year 2012. We consider this finding to be resolved.

**TOWN OF RICHMOND, VERMONT
STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

11-9 Revenue recognition:

2011 condition - We noted that the Town does not maintain copies of utility bills when they are generated. Without this documentation management cannot adequately reconcile billings to revenue and to accounts receivable at year end.

We recommend that the Town maintain documentation to support utility revenue and receivable balances, such as billing calculations or copies of actual bills.

Current status - It was noted that during fiscal year 2012 the Financial Director began maintaining appropriate records to support utility billings. We consider this finding to be resolved.

11-10 Controls over expenditures:

2011 condition - We noted five instances where the Town made duplicate payments to vendors and were required to request reimbursement. The overpayments were primarily caused by payment of vendor invoices and also payment of subsequent statements or duplicate invoices. We recommend that controls be established to match invoices with statements and require review of prior vendor payments during the payment process.

The Town does not have a formal policy in place requiring review and approval of expenditures at the department level. We noted that many invoices are not initialed or signed indicating department level approval for payment. Departmental level approvals help to ensure that goods and services are received prior to payment of invoices, and can also prevent duplicate payments. We recommend that a formal departmental approval process be implemented for all expenditures.

Current status - During our audit we selected 12 vendor files (from a population of 433 vendors) to review for inappropriate duplicate payments. While we were aware of duplicate payments made during fiscal year 2012 as a result of testing performed during the fiscal year 2011 audit, procedures performed over 2012 expenditures found no duplicate payments. Management has also implemented a new accounts payable policy subsequent to year end. We consider this finding to be resolved.

11-13 Board meeting minutes:

2011 condition - Upon review of the board meeting minutes throughout the year, we noted a lack of details. State statutes mandate that minutes should be taken for all meetings and the minutes shall cover all topics and motions that arise at the meeting and give a true indication of the business of the meeting. We noted only one occasion when minutes were not taken, an executive session; where no actions were taken, but during the course of the year several motions were not detailed enough for the reader to determine what was being approved. Motions which include details such as dollar amounts, vendors, purchase order details, authorized tax rates, pay rates, and other specific terms would add meaning to the action being documented.

We recommend that the minutes be recorded in sufficient detail to allow a person who did not attend the meeting to know what transpired.

Current status - We noted that minutes during fiscal year 2012 included appropriate detail. We consider this finding to be resolved.

**TOWN OF RICHMOND, VERMONT
STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

11-14 Gas cards:

2011 condition - We noted that the Town utilizes gas cards, issued to specific vehicles, for use within the highway and police departments. It was noted that when the cards are used, employees are not required to submit receipts to the finance department to be agreed with the monthly statement. It was also noted that the Town does not use the odometer tracking feature available with these cards.

We recommend that the Town adopt a formal policy regarding the use of gas cards, and develop stronger safeguards to prevent misuse. The Town should track usage, utilizing the odometer tracking feature, and establish stronger oversight with analysis of individual gas card usage.

Current status - We noted that management has begun tracking usage of gas cards and obtaining receipts from personnel to agree to monthly statements. We consider this finding to be resolved.

11-15 Cafeteria Plan:

2011 condition - We noted that the Town offered a pre-tax benefit to their employees for health insurance premiums for approximately five months prior to the Board's formal adoption of the Internal Revenue Code Section 125 plan that is the necessary authorization for the benefit. The Town may have violated federal tax regulations and may need to take corrective actions.

We recommend that the Town investigate this matter and, if necessary, obtain legal advice concerning any corrective actions to be taken.

Current status - Management reviewed this matter and took appropriate action. We consider this finding to be resolved.