

**TOWN OF WAITSFIELD, VERMONT
AUDIT REPORTS
DECEMBER 31, 2013**

Jeffrey R. Bradley CPA, P.C.

TOWN OF WAITSFIELD, VERMONT
AUDIT REPORTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Town of Waitsfield, Vermont

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Waitsfield, Vermont as of and for the year ended December 31, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Waitsfield, Vermont'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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Waitsfield, Vermont, as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2014, on our consideration of the Town of Waitsfield, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 and budgetary comparison information on pages 3 through 8 and 31 through 38 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waitsfield, Vermont's financial statements as a whole. The introductory section, combining and individual non-major fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Jeffrey R. Bradley CPA, P.C.

Mendon, Vermont

May 7, 2014

VT License 92-0000515

TOWN OF WAITSFIELD, VERMONT

Management's Discussion and Analysis

As management of the Town of Waitsfield, Vermont (the Town), we offer readers of the town's basic financial statements this narrative overview and analysis of the financial activities of the town for the fiscal year ended December 31, 2013.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Waitsfield's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the town is improving or deteriorating. The statement of activities presents information showing how the town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town of Waitsfield, Vermont that are principally supported by taxes and intergovernmental revenues. The governmental activities of the town include general government, public safety, public works, health and welfare, community development, and recreation and culture. The government-wide financial statements can be found on pages 9–10 of this report.

Fund financial statements

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific or attaining certain objectives in accordance with special regulations, restriction or limitations. The town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The town does not maintain any fiduciary funds.

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

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

Management's Discussion and Analysis TOWN OF WAITSFIELD, VERMONT

The town maintains two major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, two special revenue funds, and three capital projects funds, all of which are considered major funds. Data from six other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The town adopts an annual appropriated budget for its general fund, a budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 11–15 of this report.

Proprietary funds - The Town of Waitsfield maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The town uses enterprise funds to account for its water and sewage operations. Because all of these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewage utilities. Both are considered major funds of the town. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 16–17 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18–24 of this report.

Other information - The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds can be found immediately following the footnotes. Combining and individual fund statements can be found on pages 31–38.

FINANCIAL HIGHLIGHTS & FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

- The town's total net assets (assets minus liabilities) grew by 2% (or \$171,692) as a result of this year's operations. The net assets of the town's governmental activities increased \$217,693 (8%) and net assets of the town's business-type activities decreased \$46,001 (-1%).
- Capital assets increased \$1,044,938 (9%) in the current fiscal year.
- The town's long-term liabilities decreased \$349,034 (-8%) during the fiscal year ending December 31, 2013. Business-type activities long-term liabilities decreased \$60,608 (-28%). The remainder of the reduction is due to normal debt service payments.
- At the close of the current fiscal year, the town's governmental funds reported total ending fund balances of \$436,353, a decrease of \$195,382 (-28%). A key factor in the decrease is the purchase of a new fire truck.
- The General Fund's total fund balance increased \$45,174 (44%) to \$148,319.
- The ending General fund balance is 2.37% of 2013's expenditures and other uses.

Management’s Discussion and Analysis TOWN OF WAITSFIELD, VERMONT

By the far the largest portion of the town’s net assets (92%) reflects investments in capital assets (e.g., land, buildings, structures, systems, machinery, equipment, infrastructure, and intangible assets), net of any related debt used to acquire those assets that is still outstanding. The town uses assets to provide services to citizens; consequently, these assets are not available for future spending. Although the town’s investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

A large portion of the town’s net assets (5%) represents resources that are subject to external restrictions on how they can be used. The remaining governmental unrestricted net assets (\$106,654) may be used to meet the ongoing obligations to citizens and creditors.

Unrestricted governmental activities net assets decreased \$729,760 (-73%) from \$1,000,629 to \$270,869. The decrease in governmental activities restricted net assets is primarily from the completion of the Water Project and improvements on the Route 100 Transportation Path.

Governmental Activities - The most significant revenues of the governmental activities are current and delinquent property tax receipts (82%). Fees for service and reimbursements account for the remaining 15% of operating revenues. Delinquent tax interest and interest on bank deposits are 3% of total revenues.

Public education expenses are the most significant (65%), followed by public works (19%), general government (11%) and depreciation (5%).

Governmental revenues decreased \$5,322,447 (43.7%) in the current year, with the most significant portion of the decline attributable to one time capital grants and contributions from the Water Project received in 2012.

Governmental activities expenses decreased \$347,982 (4.7%) in the current year. The most significant changes in program expenses were as follows:

- Public education expenses increased \$204,379 (4.8%) to be funded by increased property tax revenues; Fire Protection increased \$169,516 (204%); highway (public works) expenses decreased \$881,047 (38.3%).
- There were not any other programs with significant or unusual changes.

Business-type activities - Business-type activities decreased the town’s net assets by (\$46,001). Depreciation expense in the water and sewer utilities for fiscal year 2013 was \$176,634.

GENERAL FUND BUDGETARY HIGHLIGHTS

- Total General Fund operating revenues totaled \$1,920,211 and exceeded budget by \$85,074 (4.7%). Property taxes (current and delinquent) revenues decreased \$86,488 (-7.12%) and \$88,411 more than budget, respectively.
- Total General Fund operating expenditures totaled \$1,875,037, exceeded \$126,565 (-7.7%) more than budget. In fiscal year 2013, building operating, legal fees and settlement costs also exceeded budgetary expectation.
- The General Fund year end fund balances (deficit) since 2010 are as follows:

2010	\$152,745
2011	(33,570)
2012	103,144
2013	148,348

Management’s Discussion and Analysis TOWN OF WAITSFIELD, VERMONT

Additional information on the town’s capital assets can be found in the notes to the financial statements on pages 18–24.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Description	Balance January 1, 2013	Change	Current Depreciation	Balance December 31, 2013
Land, Buildings, Equipment, Municipal Infrastructure	\$3,393,918	\$9,579,404	\$0	\$12,973,322
Construction in Progress	8,534,466	(8,534,466)	0	0
Accumulated Depreciation	(1,243,308)	0	(345,964)	(1,589,272)
Net Book Value	\$10,685,076	\$1,044,938	(\$345,964)	\$11,384,050

LONG-TERM LIABILITIES

As of December 31, 2013, the Town is indebted for the purchase of capital improvements, equipment and land, and the annual minimum monetary requirements to amortize the above referenced obligations are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2014	\$101,510	\$1,283	\$102,793
2015	84,327	383	84,710
2016	83,944	0	83,944
2017	83,545	0	83,545
2018	83,132	0	83,132
Thereafter	312,980	0	312,980
TOTALS	\$749,438	\$1,666	\$751,104

The following is a summary of monetary requirements to retire the Water System obligation, which requires semi-annual payments of \$62,360 for 40 years. It accrues interest at 2.75%, and is to be paid in full September 17, 2052. A schedule of the annual debt service payments is as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2014	\$42,382	\$81,338	\$124,720
2015	44,480	80,240	124,720
2016	45,712	79,008	124,720
2017	46,977	77,743	124,720
2018	48,122	76,598	124,720
Thereafter	2,792,175	1,497,269	4,289,444
TOTALS	\$2,971,884	\$1,892,196	\$4,864,080

The Town is also indebted for \$210,747 to the Vermont Municipal Bond Bank and \$93,215 to the Vermont Department of Environmental Conservation for water construction planning costs. Both obligations are non-interest bearing.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- On March 5, 2013, the voters approved the adoption of a July to June fiscal year (effective July 1, 2014). The January to June 2014 municipal expenditures in the General Fund are projected to be \$737,327, while the July 2014 to June 2015 expenditures are expected to total to \$1,474,654. The actual general fund 2013 expenditures of \$1,875,037 exceeded budgetary expectation by (\$25,970). Revenues exceeded budgeted expectation by \$134,575 primarily due to greater than anticipated miscellaneous reimbursements.
- The Town has added no major new major programs or initiatives to the fiscal year 2015 budget. If these estimates are realized, the Town's budgetary general fund balance is not anticipated to change.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the town's finances for all those interested in governmental finance. Questions concerning any information in the report or requests for additional information should be addressed to Town of Waitsfield, Vermont, 9 Bridge Street, Waitsfield, VT 05673.

TOWN OF WAITSFIELD, VERMONT
STATEMENT OF NET ASSETS
DECEMBER 31, 2013 and 2012

	2013	2012
Current Assets	\$ 991,027	\$ 2,731,711
Other Assets	265,000	265,000
Capital Assets	11,384,050	10,685,076
Total Assets	\$ 12,640,077	\$ 13,681,787
Current Liabilities	\$ 571,353	\$ 1,449,664
Noncurrent Liabilities	4,254,991	4,590,081
Total Liabilities	4,826,344	6,039,745
Nonspendable General Fixed Assets	7,197,249	6,166,453
Restricted Net Assets	345,615	474,960
Unassigned Net Assets	270,869	1,000,629
Total Net Assets	7,813,734	7,642,042
Total Liabilities and Net Assets	\$ 12,640,077	\$ 13,681,787

STATEMENT OF ACTIVITIES
Fiscal Years Ending December 31, 2013 and 2012

	2013	2012
<i>Program Revenues:</i>		
Operating Grants and Contributions	\$ 5,293,594	\$ 10,701,233
<i>General Revenues:</i>		
Property taxes and related charges	1,159,373	1,162,095
Fees for Service	302,192	162,688
Other	210,327	118,919
Interest Earnings	42,122	42,021
Total General Revenues	1,714,014	1,485,723
Total Revenues	7,007,608	12,186,956
<i>Programs:</i>		
General Government Services	720,002	761,324
Public Works	1,295,333	1,449,884
Public Education	4,446,093	4,241,715
Water Operations	24,674	-
Interest Expense	3,851	95,340
Depreciation	345,964	138,557
Total Expenses	6,835,916	6,686,820
Change in Net Assets	171,692	5,500,136
Net Assets - Beginning	7,642,042	2,141,906
Net Assets - Ending	\$ 7,813,734	\$ 7,642,042

TOWN OF WAITSFIELD, VERMONT
STATEMENT OF NET ASSETS
DECEMBER 31, 2013 and 2012

	<i>Governmental Activities</i>	<i>Business Type Activities</i>	<i>Totals December 31, 2013</i>	<i>Totals December 31, 2012</i>
ASSETS				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 643,373	\$ 164,215	\$ 807,588	\$ 1,499,769
Accounts Receivable	-	-	-	1,106,307
Prepaid Items	51,232	-	51,232	-
Delinquent Taxes Receivable	132,207	-	132,207	125,635
Total Current Assets	826,812	164,215	991,027	2,731,711
<i>Noncurrent Assets:</i>				
CDBG Loan Receivable	265,000	-	265,000	265,000
Capital Assets (Net of Accumulated Depreciation)	2,728,981	8,655,069	11,384,050	10,685,076
TOTAL ASSETS	\$ 3,820,794	\$ 8,819,284	\$ 12,640,077	\$ 13,681,787
LIABILITIES AND NET ASSETS				
<i>Current Liabilities:</i>				
Accrued Expenses	\$ 374,543	\$ -	\$ 374,543	\$ 752,363
Notes Payable	77,820	-	77,820	553,292
Current Portion of Long Term Debt	76,608	42,382	118,990	144,009
Total Current Liabilities	528,971	42,382	571,353	1,449,664
<i>Noncurrent Liabilities:</i>				
Deferred Revenue	265,000	-	265,000	768,759
Notes & Bonds Payable	118,149	3,871,842	3,989,991	3,821,322
Total Noncurrent Liabilities	383,149	3,871,842	4,254,991	4,590,081
Total Liabilities	912,120	3,914,224	4,826,344	6,039,745
<i>Net Assets:</i>				
Nonspendable General Fixed Assets	2,456,404	4,740,845	7,197,249	6,166,453
Restricted for Specific Purposes	345,615	-	345,615	474,960
Unassigned	106,654	164,215	270,869	1,000,629
Total Net Assets	2,908,674	4,905,060	7,813,734	7,642,042
TOTAL LIABILITIES & NET ASSETS	\$ 3,820,794	\$ 8,819,284	\$ 12,640,077	\$ 13,681,787

The accompanying notes are an integral part of these financial statements.

TOWN OF WAITSFIELD, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			December 31, 2012 Total
					Governmental Activities	Business Type Activities	December 31, 2013 Total	
Primary Government								
General government	\$ 497,862	\$ 142,579	\$ -	\$ -	\$ (355,283)	\$ -	\$ (355,283)	\$ (295,040)
Public Education	4,446,093	-	4,446,093	-	-	-	-	-
Public safety	23,047	4,306	-	-	(18,741)	-	(18,741)	(109,173)
Water Operations	24,674	-	-	-	-	155,307	130,633	-
Public Works	1,295,333	-	-	778,019	(517,314)	-	(517,314)	4,928,396
Cemetery Operations	31,398	-	-	-	(31,398)	-	(31,398)	(37,679)
Recreation & Free Library	48,255	-	-	-	(48,255)	-	(48,255)	(67,256)
Community development	119,440	-	69,482	-	(49,958)	-	(49,958)	(8,252)
Depreciation	169,330	-	-	-	(169,330)	(176,634)	(345,964)	(138,557)
Interest on long-term debt	3,851	-	-	-	(3,851)	-	(3,851)	(95,340)
Total Activities	6,659,282	146,885	4,515,574	778,019	(1,194,129)	(21,327)	(1,240,131)	4,177,099
<i>General Revenues:</i>								
					1,159,373	-	1,159,373	1,162,095
					42,122	-	42,122	42,021
					210,327	-	210,327	118,921
					<u>1,411,822</u>	<u>-</u>	<u>1,411,822</u>	<u>1,323,037</u>
Change in net assets					217,693	(46,001)	171,692	5,500,136
Net assets - beginning (as adjusted)					<u>2,690,981</u>	<u>4,951,061</u>	<u>7,642,042</u>	<u>2,141,906</u>
Net assets - ending					<u>2,908,674</u>	<u>\$ 4,905,060</u>	<u>7,813,734</u>	<u>7,642,042</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAITSFIELD, VERMONT
COMBINED BALANCE SHEET -
GOVERNMENTAL FUNDS
DECEMBER 31, 2013 and 2012**

	<i>Governmental Funds</i>		<i>Proprietary Fund</i>	December 31, 2013 Totals	December 31, 2012 Totals
	General Fund	Other Governmental Funds	Water & Wastewater Fund		
ASSETS					
Cash and Cash Equivalents	\$ 88,917	\$ 554,456	\$ 164,215	\$ 807,588	\$ 1,499,769
Grants Receivable	-	265,000	-	265,000	1,106,308
Delinquent Taxes Receivable	132,207	-	-	132,207	125,635
Prepaid Items	51,232	-	-	51,232	-
Due from Other Funds	703,282	57,965	-	761,247	164,868
TOTAL ASSETS	\$ 975,638	\$ 877,421	\$ 164,215	\$ 2,017,274	\$ 2,896,580
LIABILITIES AND FUND BALANCES					
<i>Liabilities:</i>					
Accrued Expenses	\$ 98,045	\$ -	\$ -	\$ 98,045	\$ 345,669
Due to Education Tax Fund	276,498	-	-	276,498	406,694
Short Term Notes Payable	16,000	-	61,820	77,820	553,292
Deferred Revenue	102,312	265,000	-	367,312	847,953
Due to Other Funds	334,465	266,806	159,975	761,247	164,868
Total Liabilities	827,320	531,806	221,795	1,580,921	2,318,476
<i>Fund Balances:</i>					
Restricted for Infrastructure and Other Purposes (Defi	-	345,615	(57,580)	288,035	520,898
Unassigned	148,318	-	-	148,318	57,206
Total Fund Balances (Deficit)	148,318	345,615	(57,580)	436,353	578,104
TOTAL LIABILITIES & FUND BALANCES	\$ 975,638	\$ 877,421	\$ 164,215	\$ 2,017,274	\$ 2,896,580

The accompanying notes are an integral part of these financial statements.

TOWN OF WAITSFIELD, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
DECEMBER 31, 2013

	Governmental Activities	Business Type Activities	Totals
Amounts reported for Governmental Activities in the Statement of Net Assets are different due to the following:	\$ 493,933	\$ (57,580)	\$ 436,353
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	2,728,981	8,655,069	11,384,050
Delinquent taxes are recognized as revenue in the period in which they are levied in the government-wide financial statements, but are reported as deferred tax revenue (a liability) in the Governmental Funds Balance Sheet.	102,312	-	102,312
Long Term Debt is not recorded in the governmental fund financial statements. However, the government wide financial statements include long term debt.	(416,552)	(3,692,429)	(4,108,981)
Net Assets - Government-Wide Financial Statements	2,908,674	4,905,060	\$ 7,813,734

The accompanying notes are an integral part of these financial statements.

TOWN OF WAITSFIELD, VERMONT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013 and 2012

	General Fund	Other Governmental Funds	TOTALS December 31, 2013	TOTALS December 31, 2012
Revenues:				
Property Taxes - Current Year	\$ 5,517,054	\$ -	\$ 5,517,054	\$ 5,259,798
Property Taxes - Delinquent	88,411	-	88,411	135,582
Interest & Penalties on Delinquent Taxes	34,845	-	34,845	30,197
State Payments in Lieu of Taxes	78,776	-	78,776	73,875
Traffic & Other Ordinance Fines	4,306	-	4,306	6,095
State & Federal Grants & Reimbursements	329,678	448,342	778,019	3,410,253
Licenses, Permits & Fees for Services	13,172	4,734	17,906	35,038
Recording Fees	26,805	19,092	45,897	47,680
Miscellaneous Reimbursements & Donations	214,106	69,482	283,588	3,168,184
Interest Income	3,145	4,132	7,277	11,825
Total Revenues	6,310,298	545,782	6,856,080	12,178,527
Expenditures:				
<i>Public Schools:</i>				
Payments to/on behalf Waitsfield Town School District	4,446,093	-	4,446,093	4,241,714
<i>Public Safety:</i>				
Law Enforcement	28,591	-	28,591	32,328
Fire Protection	90,390	162,066	252,456	82,940
Total Public Safety	118,981	162,066	281,047	115,268
<i>Community & Municipal Infrastructure:</i>				
Road, Highway, Bridge & Water System Infrastructure	644,937	775,079	1,420,016	2,301,063
Joslin Library	45,040	-	45,040	32,914
Parks & Conservation	250	2,966	3,216	34,342
Cemetery Operations	-	31,398	31,398	37,679
Taxes & Assessments to Regional Organizations	95,497	-	95,497	66,297
Appropriated Funds to Local Community Organizations	23,943	-	23,943	23,193
Total Community Infrastructure	809,667	809,443	1,619,109	2,495,488
<i>Administration:</i>				
Selectboard & Administrative Assistant	72,654	-	72,654	70,306
Town Clerk & Treasurer's Office	120,909	-	120,909	119,142
Listers	315	-	315	697

The accompanying notes are an integral part of these financial statements.

TOWN OF WAITSFIELD, VERMONT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013 and 2012

	General Fund	Other Governmental Funds	TOTALS December 31, 2013	TOTALS December 31, 2012
<i>Administration (continued):</i>				
Elections	651	-	651	692
Legal & Professional Fees	75,315	-	75,315	26,439
Municipal Buildings Operating Costs	154,281	19,330	173,611	68,159
Vault Restoration Costs	-	1,999	1,999	-
Planning & Zoning	40,460	-	40,460	46,594
Employee Benefits	128,838	-	128,838	119,604
Total Administration	593,423	21,329	614,752	451,633
<i>Debt Service:</i>				
Interest & Principal	90,461	-	90,461	95,341
Total Expenditures	6,058,624	992,837	7,051,461	7,399,444
Excess (Deficiency) of Revenues Over Expenditures	251,674	(447,056)	(195,382)	4,779,084
<i>Other Financing Sources (Uses):</i>				
Budget Stabilization Transfer	-	-	-	-
<i>Designated Fund Transfers:</i>				
Fire Department Building & Equipment Fund	(33,000)	33,000	-	-
Highway Equipment Fund	(60,000)	60,000	-	-
Town Office Reserve	(10,000)	10,000	-	-
Agricultural Support Fund	(5,000)	5,000	-	-
Culvert Repair Fund	(50,000)	50,000	-	-
Covered Bridge Fund	(10,000)	10,000	-	-
Street Tree Reserve	(3,500)	3,500	-	-
Route 100 Transportation Path	(20,000)	20,000	-	-
Conservation & Recreation Fund	(10,000)	10,000	-	-
Reappraisal Fund	(5,000)	5,000	-	-
Total Designated Fund Transfers	(206,500)	206,500	-	-
Excess of Revenues Over Expenditures and Other Financing Uses	45,174	(240,556)	(195,382)	4,779,084
Fund Balance (Deficit) - Beginning	103,144	586,171	689,315	(4,089,769)
Fund Balance (Deficit) - Ending	\$ 148,318	\$ 345,615	\$ 493,933	\$ 689,315

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAITSFIELD, VERMONT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Totals</u>
Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances & equity	\$ (195,382)	\$ (166,601)	\$ (361,983)
Delinquent taxes are recognized as revenue in the period in which they are levied in the government-wide financial statements, but are reported as revenue as measurable and available in the fund financial statements.	6,572	-	6,572
Repayment of bond principal is not an expense in the Statement of Activities	173,533	161,204	334,737
In the Statement of Activities, the cost of fixed assets is allocated over their estimated useful lives and reported as depreciation expense annually.	232,969	(40,604)	192,365
Change in net assets - Statement of Activities	<u>\$ 217,693</u>	<u>\$ (46,001)</u>	<u>\$ 171,692</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WAITSFIELD, VERMONT
Combined Statement of Revenues, Expenses and Changes
In Retained Earnings - Proprietary Fund Types
FOR THE YEAR ENDED DECEMBER 31, 2013

	<i>Proprietary Fund Types</i>	
	Water & Wastewater Fund	TOTALS December 31, 2013
<i>Revenues:</i>		
Rents and Usage Charges	\$ 155,282	\$ 155,282
Miscellaneous	25	25
Interest Income	-	-
Total Revenues	<u>155,307</u>	<u>155,307</u>
<i>Expenses:</i>		
Operating Supplies	24,674	24,674
Capital Expenditures	297,234	297,234
Total Expenditures	<u>321,908</u>	<u>321,908</u>
Increase (Decrease) in Retained Earnings	(166,601)	(166,601)
<i>Other Financing Sources (Uses):</i>		
Operating Transfers In (Out)	-	-
Increase (Decrease) in Retained Earnings and Other Financing Sources (Uses)	(166,601)	(166,601)
Retained Earnings - Beginning	<u>109,021</u>	<u>109,021</u>
Retained Earnings (Deficit) - Ending	<u>\$ (57,580)</u>	<u>\$ (57,580)</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAITSFIELD, VERMONT
 COMBINED STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

	<i>Proprietary Fund Types</i>		
	Water & Wastewater		TOTALS
	Fund		December 31, 2013
<i>Cash flows from Operating Activities:</i>			
Cash Received from Customers	\$ 145,824	\$	145,824
Cash Payments to Suppliers for Goods and Services	(24,674)		(24,674)
Net Cash Provided By (For) Operating Activities	121,150		121,150
<i>Cash Flows from Financing activities:</i>			
Payments for Debt Service	61,820	\$	61,820
Net borrowings (to) from other funds	159,975		159,975
Total Cash Flows from Financing activities	221,795		221,795
<i>Cash Flows from Investing Activities:</i>			
Capital Improvement Costs	(297,234)		(297,234)
Interest Income	-		-
Total Cash Flows from Investing Activities	(297,234)		(297,234)
<i>Net increase (decrease) in Cash</i>	45,711		45,711
Cash - Beginning (Reserve Funds)	118,504		118,504
Cash - Ending	\$ 164,215	\$	164,215
<i>Reconciliation of Operating Income (Loss) to net cash provided by Operating Activities:</i>			
Increase (Decrease) in Retained Earnings	\$ 130,633	\$	130,633
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operations:</i>			
<i>Changes in assets and liabilities:</i>			
(Increase) Decrease in Accounts Receivable	(9,483)		(9,483)
Total Adjustments	(9,483)		(9,483)
Total Cash Flows from Operating Activities	\$ 121,150	\$	121,150

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAITSFIELD, VERMONT
NOTES TO FINANCIAL STATEMENTS**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Waitsfield, Vermont (the Town) has been organized as a municipality in accordance with the laws of the State of Vermont. The following summarizes its significant accounting policies of the Town of Waitsfield, Vermont:

REPORTING ENTITY

The Board of Selectpersons is the basic level of government (and highest level of decision making), which has financial accountability, and control over all activities related to municipal services for the citizens of the Town of Waitsfield, Vermont. The Town is the 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 governmental entities. Based upon these criteria, there are no other entities which are component units of the Town.

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The basic financial statements include both government-wide and fund financial statements. The government wide statements report information on all of the non-fiduciary activities of the Town. Inter-fund activities have been eliminated from these statements. The financial position of the Town is consolidated and incorporates capital assets as well as long term debt obligations. The statement of net assets and the statement of activities are presented to distinguish between governmental activities of the Town. Governmental activities are financed through taxes, intergovernmental revenues and other non-exchange revenues. These activities are reported in governmental funds.

Program Revenues - Program revenues included in the Statement of Activities derive directly from parties outside the school board's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the school board's general revenues.

Allocation of Indirect Expenses - The school board reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

GOVERNMENTAL FUND FINANCIAL STATEMENTS (FFS)

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the summarized by type in the financial statements. The following fund types are utilized by the Town:

Governmental Fund Types

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

**TOWN OF WAITSFIELD, VERMONT
NOTES TO FINANCIAL STATEMENTS**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for in another fund. Other Governmental Fund – This fund is established to account for the proceeds and expenditures of specific revenue sources that are legally restricted in nature (grants).

Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied. Governmental fund financial statements use the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they both become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred except as indicated below.

Capital assets - These assets are reported in the government wide statements at historical cost. Capital assets include land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, infrastructure and all other tangible or intangible assets that are used in operations and have initial useful lives beyond a single reporting period.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately. Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the asset. Assets are depreciated on an individual basis for equipment and buildings.

The Select Board maintains a threshold level of \$5,000 or more for capitalizing capital assets. Capital assets are recorded in the GWFS, but are not reported in the FFS. All capital assets, other than land, are depreciated using the straight line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-25 years
Buildings and Building Improvements	25-50 years
Furniture and Fixtures & Equipment	5-10 years

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates – The preparation of financial statements requires management to develop estimates or assumptions that affect the reported amounts of assets and liabilities, revenues and expenditures at the date of the financial statements. Actual amounts may differ from those preliminary estimates.

**TOWN OF WAITSFIELD, VERMONT
NOTES TO FINANCIAL STATEMENTS**

Fund Balances – Fund balances are divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

Nonspendable - This fund balance category includes amounts that cannot be spent because they are not in spendable form (items that are not expected to be converted to cash).

Restricted - Fund balance is reported when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or is imposed by law through enabling legislation (ordinances).

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Board of Directors.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Charter or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Deferred Revenue

Deferred revenue occurs when assets are received prior to revenue recognition criteria have been satisfied. Grant revenue is recognized to the extent that allowable expenditures in accordance with the grant agreement have been incurred by the Town.

Property Taxes

Property taxes are levied (and the related tax rate is set) in July of its fiscal year, based upon the grand list of the Town Assessor as of April 1st of the previous fiscal year. The property tax due date calendar for these taxes is September 1st and November 15th of the fiscal year assessed.

The tax rates for the fiscal year were as follows:

	Non-residential	Residential
Education	\$1.3618	\$1.3848
Municipal	0.3337	0.3337
Total Tax Rate per \$100 of Assessed Value	\$1.6955	\$1.7185

**TOWN OF WAITSFIELD, VERMONT
NOTES TO FINANCIAL STATEMENTS**

Note 2 - CASH

The cash deposits in the Town's accounts as of December 31, 2013 consisted of the following, and is organized by the following risk categories: Category 1: FDIC Insured deposits or collateralized deposits with securities held in the Depositor's name; Category 2: Collateralized deposits held with the financial institution's name; Category 3: Uncollateralized deposits (such as cash on hand).

The following is a schedule summarizing cash on deposit with various financial institutions:

Description	Book Balance	Bank Balance
Insured (FDIC- Category 1)	\$381,756	\$285,927
Uninsured, un-collateralized (Category 3)	0	0
Uninsured Collateralized by Bank, Secured by Eligible Securities including Federal Agencies and U.S. Treasury (Category 1)	425,832	796,987
TOTALS	\$807,588	\$1,082,914

The difference between the bank balance and the book balance is due to reconciling items, such as outstanding checks and deposits in transit.

Note 3 - DELINQUENT TAXES RECEIVABLE

The following summarizes tax collections during the fiscal year ended December 31, 2013:

	December 31, 2011 and prior	December 31, 2012	December 31, 2012	TOTALS
Balance - January 1, 2013	\$19,447	\$106,188	\$0	\$125,635
Gross Tax Levy - Current Fiscal Year	0	0	6,248,450	6,248,450
Tax Collections & Credits	(19,242)	(85,945)	(6,136,690)	(6,241,877)
Balance - December 31, 2013	\$205	\$20,243	\$111,760	\$132,208

Amounts reported as deferred tax revenue are taxes that were not collected as of February 29, 2014 in the amount of \$102,312. The difference between the receivable and the deferred revenue amount (\$29,896) represents taxes collected in January and February 2014, and is recognized as revenue in the governmental fund financial statements.

**TOWN OF WAITSFIELD, VERMONT
NOTES TO FINANCIAL STATEMENTS**

Note 4 - DUE/TO FROM OTHER FUNDS

The following schedule details items (due to) or due from between the governmental funds as of the balance sheet date:

Fund	General Fund	Other Governmental	Water & Wastewater
Water Capital	\$159,975	\$0	(\$159,975)
Transportation Path Fund	243,415	(243,415)	0
Other Reserve Funds	(34,574)	34,574	0
Totals	\$368,816	(\$208,841)	(\$159,975)

Note 5 - CHANGES IN GENERAL FIXED ASSETS

The following schedule details the changes in the Town's fixed assets:

Description	Balance January 1, 2013	Change	Current Depreciation	Balance December 31, 2013
Land, Buildings, Equipment, Municipal Infrastructure	\$3,393,918	\$9,579,404	\$0	\$12,973,322
Construction in Progress	8,534,466	(8,534,466)	0	0
Accumulated Depreciation	(1,243,308)	0	(345,964)	(1,589,272)
Net Book Value	\$10,685,076	\$1,044,938	(\$345,964)	\$11,384,050

Note 6 - BONDS & NOTES PAYABLE

As of December 31, 2013, the Town is indebted for the purchase of capital improvements, equipment and land, and the annual minimum monetary requirements to amortize the above referenced obligations are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2014	\$101,510	\$1,283	\$102,793
2015	84,327	383	84,710
2016	83,944	0	83,944
2017	83,545	0	83,545
2018	83,132	0	83,132
Thereafter	312,980	0	312,980
TOTALS	\$749,438	\$1,666	\$751,104

The following is a summary of monetary requirements to retire the Water System obligation, which requires semi-annual payments of \$62,360 for 40 years. It accrues interest at 2.75%, and is to be paid in full September 17, 2052. A schedule of the annual debt service payments is as follows:

**TOWN OF WAITSFIELD, VERMONT
NOTES TO FINANCIAL STATEMENTS**

Note 6 - BONDS & NOTES PAYABLE (continued)

Fiscal Year Ending December 31,	Principal	Interest	Total
2014	\$42,382	\$81,338	\$124,720
2015	44,480	80,240	124,720
2016	45,712	79,008	124,720
2017	46,977	77,743	124,720
2018	48,122	76,598	124,720
Thereafter	2,792,175	1,497,269	4,289,444
TOTALS	\$2,971,884	\$1,892,196	\$4,864,080

The Town is also indebted for \$210,747 to the Vermont Municipal Bond Bank and \$93,215 to the Vermont Department of Environmental Conservation for water construction planning costs. Both obligations are non-interest bearing.

Note 7 - LINES OF CREDIT

The Town currently has three lines of credit (LOC): one annually renewable LOC (accruing 1% interest on the \$100,000 available to assist with Flood Assistance costs with a year-end principal balance of \$84,997); one for \$200,000 in association with the water construction project and \$16,000 for a culvert replacement. \$77,820 had been drawn down on these obligations as of December 31, 2013.

Note 8 - PENSIONS

Vermont Municipal Employees' Retirement System

The State of Vermont makes retirement contributions for all eligible covered salaries on the behalf of the Town. The 's total payroll was \$354,076 while its eligible covered payroll was \$338,851 resulting in an estimated \$15,248 of withheld payments from the 7 members who are required to contribute 4.5% of compensation as Group B members. The amounts paid for employer contributions (5% of gross salary, or \$16,943) are included as expenditures in the financial statements. Therefore, a total of \$32,191 was deposited to these accounts for the employees' benefit for this plan. All employees become members of the retirement system upon employment. Vesting occurs upon reaching 5 years of creditable service for defined benefit plans, and 1 year for defined contribution plans.

Note 9 - RISK MANAGEMENT/COMMITMENTS AND CONTINGENCIES

The Town is exposed to various risks of loss related to torts; theft, damage and destruction of its assets; injuries to employees and others; and natural disasters. These risks are provided for in various insurance contracts with the Vermont League of Cities and Towns' Property and Casualty Fund and Unemployment Insurance Trust.

**TOWN OF WAITSFIELD, VERMONT
NOTES TO FINANCIAL STATEMENTS**

Note 9 - RISK MANAGEMENT/COMMITMENTS AND CONTINGENCIES (continued)

Any claims under these policies have not exceeded coverage in any of the immediately preceding three fiscal years. If the insurance funds noted above should ever become insolvent, the Town could be liable for a proportionate share of the Fund's liabilities.

The Town receives grant support from various State, Local and Federal sources. These programs are subject to financial and compliance audits by these grantors. Management believes that any possible disallowed costs, if any, would be immaterial to these financial statements.

Jeffrey R. Bradley CPA, P.C.

~ Member ~

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

To the Board of Directors
Town of Waitsfield, Vermont

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Waitsfield, Vermont, as of and for the year ended December 31, 2013, which collectively comprise the Town of Waitsfield, Vermont's basic financial statements and have issued our report thereon dated May 7, 2014. 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 Town of Waitsfield, Vermont is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Waitsfield, Vermont's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Waitsfield, Vermont's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Waitsfield, Vermont's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Waitsfield, Vermont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Jeffrey R. Bradley CPA, P.C." The signature is written in a cursive, slightly slanted style.

Jeffrey R. Bradley CPA, P.C.

Mendon, Vermont

May 7, 2014

Jeffrey R. Bradley CPA, P.C.

~ Member ~

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Town of Waitsfield, Vermont

Report on Compliance for Each Major Federal Program

We have audited Town of Waitsfield, Vermont's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Waitsfield, Vermont's major federal programs for the year ended December 31, 2013. Town of Waitsfield, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Waitsfield, Vermont's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Waitsfield, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Waitsfield, Vermont's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Waitsfield, Vermont, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items. Our opinion on each major federal program is not modified with respect to these matters.

Town of Waitsfield, Vermont's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Waitsfield, Vermont's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Town of Waitsfield, Vermont, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Waitsfield, Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Waitsfield, Vermont's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Jeffrey R. Bradley CPA, P.C.
Mendon, Vermont
May 7, 2014
VT License 92-0000515

TOWN OF WAITSFIELD, VERMONT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

<i>Name of Agency or Department</i>	<i>CFDA Number</i>	<i>Name of Grant</i>	<i>Grant I.D. Number</i>	<i>Award Amount</i>	<i>Total Expended</i>
Federal Agency of Transportation	20.205	Highway Planning & Construction Grant	Waitsfield STP BIKE(24)S	800,523	663,376
Federal Emergency Management Agency	97.039	Hazard Mitigation Grant	2011-RCG-3-10	121,972	114,640
				<u>\$ 922,495</u>	<u>\$ 778,016</u>

**TOWN OF WAITSFIELD, VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2013**

SUMMARY OF PRIOR AUDIT FINDINGS

No findings or reportable conditions were noted for the fiscal year ended December 31, 2012.

SUMMARY OF AUDIT RESULTS

Financial Statements

Audit Report Opinion: Unqualified.

Federal Awards

Internal Control Over Financial Reporting:

Material Weaknesses: None noted.

Reportable Conditions: None noted.

Noncompliance material to financial statements: None noted.

Compliance with Requirements for Each Major Program:

Material Weaknesses: None noted.

Reportable Conditions: None noted.

Noncompliance material to financial statements: None noted.

Type of opinion issued: Unqualified.

Major Program:

<u>Program</u>	<u>CFDA #</u>
Highway Planning & Construction Grant	20.205

Dollar threshold to determine between Type A and Type B programs was \$300,000.

TOWN OF WAITSFIELD, VERMONT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<i>Original/Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Revenues:</i>			
Property Taxes - Current Year	\$ 1,213,456	\$ 1,126,968	\$ (86,488)
Property Taxes - Delinquent	-	88,411	88,411
Interest & Penalties on Delinquent Taxes	34,000	34,845	845
State Payments in Lieu of Taxes	90,500	78,776	(11,724)
Traffic & Other Ordinance Fines	10,000	4,306	(5,694)
State and Federal Grants	394,964	329,678	(65,286)
Licenses, Permits & Fees for Services	8,300	13,172	4,872
Recording Fees	32,000	26,805	(5,195)
Miscellaneous Reimbursements	416	214,105	213,690
Interest Income	2,000	3,145	1,145
Total Revenues	1,785,636	1,920,211	134,575
<i>Expenditures:</i>			
<i>Public Schools:</i>			
Payments to/on behalf Waitsfield School District	56,006	56,006	-
<i>Public Safety:</i>			
Law Enforcement	34,230	28,591	5,639
Fire Protection	85,356	90,390	(5,034)
Total Public Safety	119,586	118,981	605
<i>Community & Municipal Infrastructure:</i>			
Road, Highway & Bridge Infrastructure	758,813	644,937	113,876
Joslin Library	45,582	45,040	542
Parks	1,200	250	950
Taxes & Assessments to Regional Organizations	80,910	95,497	(14,587)
Appropriated Funds to Local Nonprofit Organizations	23,918	23,943	(25)
Total Community & Municipal Infrastructure	910,423	809,667	100,756
<i>Administration:</i>			
Selectboard & Town Administrator	69,412	72,654	(3,242)
Town Clerk & Treasurer's Office	126,255	120,909	5,346
Listers	1,200	315	885

The accompanying notes are an integral part of these financial statements.

TOWN OF WAITSFIELD, VERMONT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<i>Original/Final</i>		<i>Variance</i>
	<i>Budget</i>	<i>Actual</i>	<i>Favorable</i>
			<i>(Unfavorable)</i>
<i>Administration (continued):</i>			
Elections	900	651	249
Legal & Professional Fees	34,950	75,315	(40,365)
Municipal Buildings Operating Costs	51,236	154,281	(103,045)
Planning & Zoning	51,937	40,460	11,477
Employee Benefits	130,202	128,838	1,364
Total Administration	<u>466,092</u>	<u>593,423</u>	<u>(127,331)</u>
<i>Debt Service:</i>			
Interest & Principal	90,461	90,461	-
Total Expenditures	<u>1,642,568</u>	<u>1,668,537</u>	<u>(25,970)</u>
Excess (Deficiency) of Revenues Over Expenditures	143,068	251,674	108,606
<i>Other Financing Sources (Uses):</i>			
Operating Transfers	-	-	-
<i>Fund Transfers to Reserve (Other Governmental) Funds:</i>			
Fire Department Building & Equipment Fund	(33,000)	(33,000)	-
Highway Equipment Fund	(60,000)	(60,000)	-
Town Office Reserve	(10,000)	(10,000)	-
Agricultural Support Fund	(5,000)	(5,000)	-
Culvert Repair Fund	(50,000)	(50,000)	-
Covered Bridge Fund	(10,000)	(10,000)	-
Street Tree Reserve	(3,500)	(3,500)	-
Route 100 Transportation Path	(20,000)	(20,000)	-
Conservation & Recreation Fund	(10,000)	(10,000)	-
Reappraisal Fund	(5,000)	(5,000)	-
Total Designated Fund Transfers	<u>(206,500)</u>	<u>(206,500)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	<u>\$ (63,432)</u>	<u>\$ 45,174</u>	<u>\$ 108,606</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAITSFIELD, VERMONT
STATEMENT OF EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<i>Original/Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Public Schools:</i>			
Payments to/on behalf Waitsfield School District	\$ 56,006	\$ 4,446,093	\$ (4,390,087)
Less: Related Property Taxes Assessed	-	(4,390,087)	4,390,087
Total Public Schools	56,006	56,006	-
<i>Public Safety:</i>			
<i>Law Enforcement</i>			
Contracted Service	33,130	27,316	5,814
Animal Control	1,100	1,275	(175)
Total Law Enforcement	34,230	28,591	5,639
<i>Fire Protection</i>			
Salaries & Wages	18,000	16,819	1,181
Social Security	1,377	1,266	111
Dues & Subscriptions	450	391	59
Gas & Oil	3,600	3,525	75
Vehicle Repairs	5,500	5,047	453
Communications	20,000	28,282	(8,282)
Physical Examinations	2,000	1,250	750
Building Repairs	2,300	2,425	(125)
Equipment Repairs	11,970	10,559	1,411
Training	3,250	3,544	(294)
Fire Prevention	400	393	7
Insurance	7,859	9,057	(1,198)
Heat	5,000	5,041	(41)
Electricity & Water	3,150	2,374	776
Miscellaneous	500	419	81
Total Fire Protection	85,356	90,390	(5,034)
<i>Road, Highway & Bridge Infrastructure</i>			
Salaries & Wages	135,890	138,784	(2,894)
Contracted Services	20,375	9,481	10,894
Sand, Salt & Other Road Materials	119,400	114,152	5,248
Operating Supplies	4,500	5,176	(676)
Gas, Oil & Diesel	30,000	33,717	(3,717)
Insurance	7,926	7,806	120
Vehicle Repairs	35,080	49,347	(14,267)
Garage Repairs	8,000	10,284	(2,284)
Highway Improvements	378,602	248,122	130,480
Tools, Equipment	2,340	1,780	560
Plow Blades & Shoes	9,600	8,067	1,533
Town Garage Improvements	-	10,284	(10,284)
Uniforms	1,500	1,782	(282)
Heat	3,000	3,416	(416)
Electricity	1,500	1,604	(104)
Telephone	1,100	1,135	(35)
Total Road, Highway & Bridge Infrastructure	758,813	644,937	113,876
<i>Joslin Library</i>	45,582	45,040	542
<i>Parks</i>			
Park Maintenance & Conservation	1,200	250	950
Total Parks	1,200	250	950

**TOWN OF WAITSFIELD, VERMONT
STATEMENT OF EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Taxes & Assessments to Regional Organizations</i>			
Vermont League of Cities & Towns	3,303	2,528	775
Regional Planning Commission	1,805	1,805	-
Mad River Valley Planning District	23,842	23,842	-
Mad River Valley Resource Management	3,438	3,438	-
Mad River Valley Recreation District	12,500	-	12,500
Affordable Housing Coalition	10,000	37,862	(27,862)
Washington County Tax	26,022	26,022	-
	80,910	95,497	(14,587)
<i>Appropriated Funds to Local Community Organizations</i>			
Circle	350	350	-
Central Vermont Adult Education	600	600	-
Central Vermont Community Action	300	300	-
Central Vermont Community Land Trust	1,000	1,000	-
Central Vermont Council On Aging	1,200	1,200	-
Central Vermont Economic Development	800	800	-
Central Vermont Home Health & Hospice	3,350	3,350	-
Family Center of Washington County	500	500	-
Good Beginnings of Central Vermont	300	300	-
Green Up Vermont	100	100	-
Green Mountain Transit Agency	923	923	-
Mad River Valley Health Center	5,000	5,000	-
Mad River Valley Seniors	7,000	7,000	-
Northern VT Regional Conservation Council	75	100	(25)
Peoples Health & Wellness	500	500	-
Retired Senior Volunteer Program	300	300	-
Sexual Assault Crisis Team	250	250	-
CTR Independent Living	620	620	-
Washington County Youth Services	750	750	-
	23,918	23,943	(25)
<i>Selectboard & Town Administrator</i>			
Salaries - Selectboard	\$ 3,250	\$ 6,500	(3,250)
Salaries - Town Administrator	62,022	62,024	(2)
Minute Taker	2,700	3,171	(471)
Training	640	574	66
Website	800	384	416
Mad River Television Coverage	-	-	-
<i>Selectboard & Town Administrator</i>	69,412	72,654	(3,242)
<i>Town Clerk & Treasurer's Office</i>			
Salaries	78,645	79,174	(529)
Public Notices	3,500	5,093	(1,593)
Cleaning	2,300	2,253	47
Office Supplies	8,000	6,749	1,251
Postage & Envelopes	3,950	4,135	(185)
Telephone	2,600	2,541	59
Training	1,000	595	405
Town Report	2,800	2,576	224

**TOWN OF WAITSFIELD, VERMONT
STATEMENT OF EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Town Clerk & Treasurer's Office (continued)</i>			
Computer & Equipment Service	11,775	5,746	6,029
Dues & Publications	1,500	1,500	-
Town Office Task Force	10,000	10,284	(284)
Miscellaneous	185	264	(79)
<i>Town Clerk & Treasurer's Office</i>	<u>126,255</u>	<u>120,909</u>	<u>5,346</u>
<i>Listers</i>			
Contracted Services	1,000	195	805
Computer Service	200	120	80
<i>Listers</i>	<u>1,200</u>	<u>315</u>	<u>885</u>
<i>Elections</i>	<u>900</u>	<u>651</u>	<u>249</u>
<i>Legal & Professional Fees</i>			
Tax Collector Fees	19,000	14,461	4,539
Audit	5,950	6,950	(1,000)
Legal	10,000	53,904	(43,904)
<i>Legal & Professional Fees</i>	<u>34,950</u>	<u>75,315</u>	<u>(40,365)</u>
<i>Municipal Buildings Operating Cost</i>			
Rent	23,183	23,719	(536)
Generator	-	250	(250)
Insurance	14,468	14,323	145
Conservation Commission	12,585	11,306	1,279
Town Office Construction	-	104,578	(104,578)
Building Maintenance	1,000	106	894
<i>Municipal Building Operating Cost</i>	<u>51,236</u>	<u>154,281</u>	<u>(103,045)</u>
<i>Planning & Zoning</i>			
Zoning Administrator	700	60	640
Training & Travel	960	-	960
Computer Service	250	214	36
Town Plan & Associated Projects	47,527	38,568	8,959
Conservation Commission	1,500	1,500	-
Minute Taker	1,000	117	883
<i>Planning & Zoning</i>	<u>51,937</u>	<u>40,460</u>	<u>11,477</u>
<i>Debt Service:</i>			
Interest & Principal	90,461	90,461	-
<i>Employee Benefits:</i>			
Health Related Insurance & Benefits	80,990	79,313	1,677
Payroll Taxes	27,158	26,915	243
Municipal Retirement	16,276	16,920	(644)
Workmans' Compensation Insurance	5,778	5,691	87
<i>Total Employee Benefits</i>	<u>130,202</u>	<u>128,838</u>	<u>1,364</u>
<i>Total Expenditures</i>	<u>\$ 1,642,568</u>	<u>\$ 1,668,537</u>	<u>\$ (25,970)</u>

TOWN OF WAITSFIELD, VERMONT
 STATEMENT OF EXPENDITURES -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Fund Transfers to Reserve (Other Governmental) Funds:</i>			
Fire Department Building & Equipment Fund	33,000	33,000	-
Highway Equipment Fund	60,000	60,000	-
Town Office Reserve	10,000	10,000	-
Agricultural Support Fund	5,000	5,000	-
Culvert Repair Fund	50,000	50,000	-
Covered Bridge Fund	10,000	10,000	-
Street Tree Reserve	3,500	3,500	-
Route 100 Transportation Path	20,000	20,000	-
Conservation & Recreation Fund	10,000	10,000	-
Reappraisal Fund	5,000	5,000	-
Total Designated Fund Transfers	<u>206,500</u>	<u>206,500</u>	-
 TOTAL GENERAL FUND EXPENDITURES	 <u>\$ 1,849,068</u>	 <u>\$ 1,875,037</u>	 <u>\$ (25,970)</u>

TOWN OF WAITSFIELD, VERMONT
 COMBINING BALANCE SHEET -
 OTHER GOVERNMENTAL FUNDS
 DECEMBER 31, 2013 and 2012

	Reappraisal Reserve	Fire Dept Reserves	Library & Cemetery Reserves	Highway & Transportation Reserves	Capital Improvement Funds	Town Park, Forest Conservation & Energy Efficiency Reserves	Covered Bridge, Clock & Town Office Reserves	Wait House & Ancient Roads Reserves	Vault Preservation Reserves	December 31, 2013 Totals	December 31, 2012 Totals
ASSETS											
Cash and Investments	\$ 41,729	\$ 22,531	\$ 36,003	\$ 286,420	\$ 1,058	\$ 72,091	\$ 93,287	\$ 1,338	\$ -	\$ 554,456	\$ 603,566
Grants Receivable	-	-	-	-	265,000	-	-	-	-	265,000	265,000
Due From Other Funds	-	-	362	-	-	22,953	11,681	726	\$ 22,243	57,965	36,263
TOTAL ASSETS	\$ 41,729	\$ 22,531	\$ 36,364	\$ 286,420	\$ 266,058	\$ 95,044	\$ 104,968	\$ 2,064	\$ 22,243	\$ 877,421	\$ 904,829
LIABILITIES AND FUND BALANCES											
<i>Liabilities:</i>											
Due To Other Funds	\$ 6,493	\$ -	\$ -	\$ 260,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 266,806	\$ 164,869
Deferred Revenue	-	-	-	-	265,000	-	-	-	-	265,000	265,000
Total Liabilities	6,493	-	-	260,314	265,000	-	-	-	-	531,806	429,869
<i>Fund Balances:</i>											
Restricted for Specific Purposes	35,237	22,531	36,364	26,106	1,058	95,044	104,968	2,064	22,243	345,615	474,960
TOTAL LIABILITIES & FUND BALANCES	\$ 41,729	\$ 22,531	\$ 36,364	\$ 286,420	\$ 266,058	\$ 95,044	\$ 104,968	\$ 2,064	\$ 22,243	\$ 877,421	\$ 904,829

TOWN OF WAITSFIELD, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND -
 CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2013 and 2012

	Reappraisal Reserve	Fire Dept Reserves	Library & Cemetery Reserves	Highway & Transportation Reserves	Capital Improvement Funds	Town Park, Forest Conservation & Energy Efficiency Reserves	Covered Bridge, Clock & Town Office Reserves	Tree, Wait House, and FSA Reserves	Vault Reserves	December 31, 2013 Totals	December 31, 2012 Totals
<i>Revenues:</i>											
Investment Income	\$ 32	\$ 115	\$ 3,624	\$ 250	\$ 1	\$ 56	\$ 54	\$ -	\$ -	\$ 4,132	\$ 2,576
Donations	-	-	24,250	-	-	20,000	25,232	-	-	69,482	81,237
Federal & State Reimbursements	-	-	-	448,342	-	-	-	-	-	448,342	283,825
Fees for Goods & Services	-	-	-	-	-	-	-	19,092	4,734	23,826	36,302
Total Revenue	32	115	27,874	448,592	1	20,056	25,286	19,092	4,734	545,782	403,940
<i>Expenditures:</i>											
Salaries & Related Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Items	-	162,066	-	727,179	-	-	47,900	-	-	937,145	338,076
Operations & Maintenance	-	-	31,398	-	-	2,966	-	19,330	1,999	55,693	118,559
Total Expenditures	-	162,066	31,398	727,179	-	2,966	47,900	19,330	1,999	992,837	456,635
Excess (Deficiency) of Revenues Over Expenditures	32	(161,950)	(3,524)	(278,587)	1	17,091	(22,615)	(238)	2,735	(447,056)	(52,695)
<i>Other Financing Sources (Uses):</i>											
Operating Transfers In (Out)	5,000	33,000	-	133,500	-	15,000	20,000	-	-	206,500	191,500
Excess (Deficiency) of Revenues Over Expenditures	5,032	(128,950)	(3,524)	(145,087)	1	32,091	(2,615)	(238)	2,735	(240,556)	138,805
Fund Balances - Beginning (As adjusted)	30,205	151,481	39,888	171,193	1,057	62,954	107,583	2,302	19,508	586,171	447,361
Fund Balances - Ending	\$ 35,237	\$ 22,531	\$ 36,364	\$ 26,106	\$ 1,058	\$ 95,044	\$ 104,968	\$ 2,064	\$ 22,243	\$ 345,615	\$ 586,166