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

Board of Selectmen  
Town of Waitsfield, Vermont  
Waitsfield, Vermont 05673

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Waitsfield, Vermont as of and for the year ended December 31, 2006, which collectively comprise the Town of Waitsfield, Vermont basic financial statements, and have issued my report thereon dated January 11, 2007. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether the Town of Waitsfield, Vermont financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Waitsfield, Vermont internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Selectmen, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

William Yacavoni  
Certified Public Accountant  
License # 92-0000153  
January 11, 2007

TOWN OF WAITSFIELD, VERMONT  
ANNUAL FINANCIAL REPORT  
DECMEBER 31, 2006

TOWN OF WAITSFIELD, VERMONT  
ANNUAL FINANCIAL REPORT  
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INDEPENDENT AUDITOR'S REPORT

Board of Selectmen  
Town of Waitsfield, Vermont  
Waitsfield, Vermont 05673

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Waitsfield, Vermont, as of and for the year ended December 31, 2006, which collectively comprise the Town of Waitsfield, Vermont basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Waitsfield, Vermont management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Selectmen  
Town of Waitsfield, Vermont

In accordance with Government Auditing Standards, I have also issued my report dated January 11, 2007, on my consideration of the Town of Waitsfield, Vermont internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

William Yacavoni  
Certified Public Accountant  
License # 92-0000153  
January 11, 2007

TOWN OF WAITSFIELD, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006

This section of the Town of Waitsfield, Vermont annual financial report presents our discussion and analysis of the Town of Waitsfield, Vermont financial performance during the fiscal year ended December 31, 2006. Please read this in conjunction with the Town of Waitsfield, Vermont financial statements which follow this section.

Financial Highlights

The Town of Waitsfield, Vermont assets exceeded its liabilities by \$1,364,472 (net assets) for the year ended December 31, 2006. This compares to the previous year when assets exceeded liabilities by \$1,799,746.

	Governmental Activities	
	December 31, 2006	December 31, 2005
 <u>ASSETS</u>		
Current and Other Assets	\$1,224,811	\$1,195,883
Capital and Non-Current Assets	<u>2,137,022</u>	<u>1,822,514</u>
 TOTAL ASSETS	 <u>\$3,361,833</u>	 <u>\$3,018,397</u>
 <u>LIABILITIES</u>		
Current Liabilities	\$ 699,077	\$ 692,833
Long-Term Liabilities	<u>1,298,284</u>	<u>525,818</u>
 TOTAL LIABILITIES	 <u>\$1,997,361</u>	 <u>\$1,218,651</u>
 <u>NET ASSETS</u>		
Invested in Capital Assets Net of Related Debt	\$1,572,022	\$1,536,514
Restricted	89,072	51,880
Unrestricted	<u>(296,622)</u>	<u>211,352</u>
 TOTAL NET ASSETS	 <u>\$1,364,472</u>	 <u>\$1,799,746</u>

TOWN OF WAITSFIELD, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006

Total net assets at December 31, 2006 are comprised of the following:

- 1) Capital assets, net of related debt of \$1,572,022, include property, and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- 2) Net assets of \$89,072 are restricted by constraints imposed from outside the Town, such as grantors, taxpayers, and laws or regulations.
- 3) The Town ended the year with an unrestricted deficit of \$296,622. The deficit will be covered over the next five years as the Town repays a loan used on a paving project.

During the year ended December 31, 2006, the net assets of the Town of Waitsfield, Vermont decreased by \$435,274.

	Governmental Activities		
	<u>December 31, 2006</u>	<u>December 31, 2005</u>	<u>% Change</u>
Revenue:			
Program Revenue:			
Charges for Services	\$ 19,454	\$ 19,530	0.0
Operating Grants and Contributions	216,373	119,345	81.3
General Revenue:			
Property Taxes	1,020,530	929,446	9.8
Intergovernmental	178,197	303,801	(41.3)
Interest on Investments	22,504	24,308	(7.4)
Licenses and Permits	44,241	51,631	(14.3)
Other	<u>144,417</u>	<u>122,270</u>	18.1
Total Revenue	<u>1,645,716</u>	<u>1,570,331</u>	4.8
Expenses:			
General Government	530,546	517,068	2.6
Highways	1,031,671	455,244	126.6
Public Safety	101,649	118,816	(14.4)
Employee Benefits	93,052	89,340	4.1
Debt Service	5,398	4,083	32.2
Payments to Subrecipients	55,362	203,638	(72.8)
Other	<u>263,312</u>	<u>94,027</u>	180.0
Total Expenses	<u>2,080,990</u>	<u>1,482,216</u>	40.4
Increase/(Decrease) in Net Assets	(435,274)	88,115	
Net Assets - Beginning	<u>1,799,746</u>	<u>1,711,631</u>	
Net Assets - Ending	<u>\$1,364,472</u>	<u>\$1,799,746</u>	

TOWN OF WAITSFIELD, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006

The Town revenue was up 4.8% over the prior year. The Town expenses were up 40.4% over the prior year. The major cause of the increase in expenses over the prior year was a large paving project (\$475,000) and continuing expenses for a water and wastewater project (\$217,737). A portion of these expenses were offset by a grant from the State of Vermont (\$150,000).

#### Overview of the Financial Statements

Management's Discussion and Analysis introduces the Town of Waitsfield, Vermont basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

#### Government-wide Financial Statements

The Town annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Town-wide statement of financial position presenting information that includes all of the Town assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the Town would extend to other nonfinancial factors such as diversification of the taxpayer base in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the Town net assets changed during the current fiscal year. All current year revenue and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the Town distinct activities or functions on revenue provided by the Town taxpayers.

#### Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

TOWN OF WAITSFIELD, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006

The Town has one kind of fund:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenue, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

#### Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

#### Financial Analysis of the Town Funds

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$472,845. Of this total, \$80,438 was unreserved and undesignated indicating availability for continuing Town service requirements.

#### Major Government Funds

The General Fund is the Town primary operating fund. The fund balance of the General Fund increased by \$11,263.

TOWN OF WAITSFIELD, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006

General Fund Budgetary Highlights

For the year ended December 31, 2006, the taxpayers approved the budget for the General Fund of \$1,289,416. This was up 5.3% over the previous year budget of \$1,224,051. Actual expenditures for the year ended December 31, 2006 were more than the budgeted expenditures by \$47,481.

Capital Assets

The Town investment in capital assets net of accumulated depreciation as of December 31, 2006 was \$1,872,022. The Board of Selectmen has set a cost of \$5,000 as the minimum amount of an item to be classified as a capital asset of the Town. The Town had two purchases meeting that level during the year ended December 31, 2006.

Long-Term Debt

At the end of the fiscal year, the Town had total long-term debt outstanding of \$1,298,284. This debt is expected to reach maturity in October, 2017.

Contacting the Town Financing Management

This financial report is designed to provide a general overview of the Town finances and demonstrate the Town commitment to public accountability. If you have questions about this report, or would like to request additional information, contact the Town finance department at 9 Bridge Street, Waitsfield, Vermont 05673.

TOWN OF WAITSFIELD, VERMONT  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 915,063
Accounts Receivable	197,135
Prepaid Expenses	7,361
Delinquent Taxes Receivable	<u>105,252</u>
Total Current Assets	<u>1,224,811</u>
Non-Current Assets:	
Land, Buildings, and Equipment - Net of Accumulated Depreciation of \$695,953	1,872,022
Loans Receivable	<u>265,000</u>
Total Non-Current Assets	<u>2,137,022</u>
TOTAL ASSETS	<u>\$3,361,833</u>
 <u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	<u>\$ 699,077</u>
Non-Current Liabilities:	
Notes and Bonds Payable	<u>1,298,284</u>
TOTAL LIABILITIES	<u>\$1,997,361</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets - Net of Related Debt	\$1,097,022
Restricted for:	
Special Projects	(175,928)
Loans to Community	265,000
Unrestricted	<u>178,378</u>
TOTAL NET ASSETS	<u>\$1,364,472</u>

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

TOWN OF WAITSFIELD, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u> Charges for Services	<u>Operating Grant and Contributions</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
Governmental Activities:				
General Government	\$ 530,546	\$ 0	\$ 0	\$ (530,546)
Highways	1,031,671	0	215,122	(816,549)
Public Safety	101,649	19,454	1,251	(80,944)
Employee Benefits	93,052	0	0	(93,052)
Debt Service	5,398	0	0	(5,398)
Payments to Subrecipients	55,362	0	0	(55,362)
Other	<u>263,312</u>	<u>0</u>	<u>0</u>	<u>(263,312)</u>
Total Governmental Activities	<u>\$2,080,990</u>	<u>\$ 19,454</u>	<u>\$216,373</u>	<u>(1,845,163)</u>
General Revenue:				
Property Taxes				1,020,530
Intergovernmental				178,197
Interest on Investments				22,504
Licenses, Permits and Fees				44,241
Other				<u>144,417</u>
Total General Revenue				<u>1,409,889</u>
Change in Net Assets				(435,274)
Net Assets - Beginning				<u>1,799,746</u>
Net Assets - Ending				<u>\$ 1,364,472</u>

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

TOWN OF WAITSFIELD, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006

	General Fund	CDBG Fund	Gravel Pit Fund	Equipment Reserve Fund	Paving Fund	Other Funds	Total Governmental Funds
<u>ASSETS</u>							
Cash	\$463,887	\$ 0	\$ 40,752	\$205,295	\$ 0	\$205,129	\$ 915,063
Accounts Receivable	29,674	0	0	0	150,000	17,461	197,135
Due from Other Funds	227,138	0	0	0	0	0	227,138
Delinquent Taxes Receivable	105,252	0	0	0	0	0	105,252
Prepaid Expenses	6,453	0	0	0	0	908	7,361
Loans Receivable	<u>0</u>	<u>265,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>265,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$832,404</u></b>	<b><u>\$265,000</u></b>	<b><u>\$ 40,752</u></b>	<b><u>\$205,295</u></b>	<b><u>\$150,000</u></b>	<b><u>\$223,498</u></b>	<b><u>\$1,716,949</u></b>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts Payable	\$699,077	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 699,077
Due to Other Funds	0	0	0	0	0	227,138	227,138
Deferred Revenue	<u>52,889</u>	<u>265,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>317,889</u>
<b>Total Liabilities</b>	<b><u>751,966</u></b>	<b><u>265,000</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>227,138</u></b>	<b><u>1,244,104</u></b>

Fund Balances:

Reserved	0	0	0	205,295	150,000	(7,939)	347,356
Unreserved - Designated	0	0	40,752	0	0	4,299	45,051
Unreserved - Undesignated	<u>80,438</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>80,438</u>
Total Fund Balances	<u>80,438</u>	<u>0</u>	<u>40,752</u>	<u>205,295</u>	<u>150,000</u>	<u>(3,640)</u>	<u>472,845</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$832,404</u>	<u>\$265,000</u>	<u>\$ 40,752</u>	<u>\$205,295</u>	<u>\$150,000</u>	<u>\$223,498</u>	<u>\$1,716,949</u>

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

TOWN OF WAITSFIELD, VERMONT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2006

Total Fund Balances - Governmental Funds	\$ 472,845
1. Capital assets used in Governmental Funds are not financial resources and, therefore, are not reported in the Governmental Funds financial statements net of accumulated depreciation.	1,872,022
2. Notes and Bonds payable not requiring current financial resources have not been included in the Governmental Funds financial statements.	(1,298,284)
3. Deferred Revenue:	
a. Property taxes not collected within 60 days of balance sheet date, therefore, not recorded as current financial resources in the Governmental Funds financial statements.	52,889
b. Loans receivable from community not recorded as current financial resources in the Governmental Funds financial statements.	<u>265,000</u>
Net Assets of Governmental Activities	<u>\$ 1,364,472</u>

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

TOWN OF WAITSFIELD, VERMONT  
 STATEMENT OF REVENUE, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General Fund</u>	<u>CDBG Fund</u>	<u>Gravel Pit Fund</u>	<u>Equipment Reserve Fund</u>	<u>Paving Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
<b>Revenue:</b>							
Property Taxes	\$1,020,772	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$1,020,772
Intergovernmental	152,509	55,362	0	0	150,000	36,699	394,570
Licenses, Permits and Fees	41,355	0	0	0	0	2,886	44,241
Interest on Investments	12,472	0	1,111	3,900	0	5,021	22,504
Charges for Services	19,454	0	0	0	0	0	19,454
Other	101,598	0	0	0	0	42,819	144,417
<b>Total Revenue</b>	<u>1,348,160</u>	<u>55,362</u>	<u>1,111</u>	<u>3,900</u>	<u>150,000</u>	<u>87,425</u>	<u>1,645,958</u>
<b>Expenditures:</b>							
General Government	504,052	0	0	0	0	15,611	519,663
Highways	494,991	0	0	0	475,000	47,665	1,017,656
Public Safety	85,904	0	0	0	0	1,251	87,155
Debt Service	26,398	0	0	0	0	0	26,398
Employee Benefits	93,052	0	0	0	0	0	93,052
Payments to Subrecipients	0	55,362	0	0	0	0	55,362
Land Purchase	25,000	0	328,900	0	0	0	353,900
Other	0	0	0	0	0	263,312	263,312
<b>Total Expenditures</b>	<u>1,229,397</u>	<u>55,362</u>	<u>328,900</u>	<u>0</u>	<u>475,000</u>	<u>327,839</u>	<u>2,416,498</u>
<b>Excess/(Deficiency) of Revenue Over/(Under) Expenditures</b>	<u>118,763</u>	<u>0</u>	<u>(327,789)</u>	<u>3,900</u>	<u>(325,000)</u>	<u>(240,414)</u>	<u>(770,540)</u>

Other Financing Sources/(Uses):							
Transfers In	0	0	0	55,000	0	52,500	107,500
Transfers Out	(107,500)	0	0	0	0	0	(107,500)
Proceeds of Long-Term Debt	<u>0</u>	<u>0</u>	<u>300,000</u>	<u>0</u>	<u>475,000</u>	<u>18,466</u>	<u>793,466</u>
Total Other Financing Sources/(Uses)	<u>(107,500)</u>	<u>0</u>	<u>300,000</u>	<u>55,000</u>	<u>475,000</u>	<u>70,966</u>	<u>793,466</u>
Net Changes in Fund Balances	11,263	0	(27,789)	58,900	150,000	(169,448)	22,926
Fund Balances - Beginning	<u>69,175</u>	<u>0</u>	<u>68,541</u>	<u>146,395</u>	<u>0</u>	<u>165,808</u>	<u>449,919</u>
Fund Balances - Ending	<u>\$ 80,438</u>	<u>\$ 0</u>	<u>\$ 40,752</u>	<u>\$205,295</u>	<u>\$ 150,000</u>	<u>\$ (3,640)</u>	<u>\$ 472,845</u>

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

TOWN OF WAITSFIELD, VERMONT  
RECONCILIATION OF THE GOVERNMENTAL FUND S  
STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006

Total Net Changes in Fund Balances - Governmental Funds	\$ 22,926
1. Current year long-term debt principal payments reported as expenditures in the Governmental Funds financial statements are shown as a reduction in long-term debt in the government-wide financial statements.	21,000
2. Depreciation is not recognized as an expense in the Governmental Funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net assets.	(78,263)
3. Current year capital outlays are expenditures in the Governmental Funds financial statements, but they are shown as increases in capital assets in the government-wide financial statements.	392,771
4. The change in deferred revenue, excluding deferred revenue relating to grants, is eliminated within the government-wide financial statements.	(242)
5. Proceeds of long-term debt recorded as revenue in the Governmental Funds financial statements are shown as an increase in long-term liabilities in the government-wide financial statements.	(793,466)
Change in Net Assets of Governmental Activities	<u>\$ (435,274)</u>

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

TOWN OF WAITSFIELD, VERMONT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Waitsfield, Vermont (the "Town") is a public entity operating under the applicable laws and regulations of the State of Vermont. It is governed by a five member Board of Selectmen (the "Board") elected by registered voters of the Town. The Town prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in the Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants.

During 2004, the Town implemented GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB Statement No. 34), GASB Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, Certain Financial Statement Disclosures which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, district-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that district-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and district-wide financial reporting as complementary components of a single comprehensive financial reporting model.

**Reporting Entity**

The Board of Selectmen (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. There are no component units included within the reporting entity.

TOWN OF WAITSFIELD, VERMONT  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue:</b>			
Property Taxes	\$ 990,067	\$1,020,772	\$ 30,705
Interest and Penalty - Delinquent Taxes	32,000	29,425	(2,575)
Fire Department - Fayston	21,882	19,454	(2,428)
State Aid - Highways	68,000	97,476	29,476
Ordinance Fines	30,000	24,023	(5,977)
Licenses, Permits and Fees	40,400	41,355	955
Interest on Investments	11,000	12,472	1,472
Intergovernmental	46,100	55,033	8,933
Other	<u>1,200</u>	<u>48,150</u>	<u>46,950</u>
Total Revenue	<u>1,240,649</u>	<u>1,348,160</u>	<u>107,511</u>
<b>Expenditures:</b>			
General Government:			
Town Meeting	4,120	3,554	566
Legal and Auditing	40,000	76,549	(36,549)
Town Office Operations	63,169	67,974	(4,805)
Clerk/Treasurer	69,050	65,565	3,485
Selectboard	58,025	54,110	3,915
Planning and Zoning	63,800	46,854	16,946
Board of Listers	16,050	12,878	3,172
Delinquent Tax Collector	19,000	18,078	922
Voted Appropriations	18,293	18,293	0
Dues and Assessments	75,325	75,206	119
Other	<u>58,580</u>	<u>64,991</u>	<u>(6,411)</u>
Total General Government	<u>485,412</u>	<u>504,052</u>	<u>(18,640)</u>
<b>Roads:</b>			
Labor	126,000	118,806	7,194
Equipment Operations and Repairs	61,664	63,616	(1,952)
Hired Equipment and Labor	22,500	19,618	2,882
Materials	133,300	142,367	(9,067)
Paving	100,000	105,245	(5,245)
Gravel Pit Purchase	0	25,000	(25,000)
Other	<u>16,800</u>	<u>45,339</u>	<u>(28,539)</u>
Total Roads	<u>460,264</u>	<u>519,991</u>	<u>(59,727)</u>

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

TOWN OF WAITSFIELD, VERMONT  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Debt Service:			
Paving Note	\$ 25,750	\$ 746	\$ 25,004
Sugarbush/Munn Site Note	21,756	21,754	2
Tax Anticipation Note Interest	<u>3,500</u>	<u>3,898</u>	<u>(398)</u>
Total Debt Service	<u>51,006</u>	<u>26,398</u>	<u>24,608</u>
Employee Benefits	<u>103,079</u>	<u>93,052</u>	<u>10,027</u>
Public Safety:			
Fire Department	54,705	57,708	(3,003)
Police Program	26,200	27,148	(948)
Dog Warden and Fees	<u>1,250</u>	<u>1,048</u>	<u>202</u>
Total Public Safety	<u>82,155</u>	<u>85,904</u>	<u>(3,749)</u>
Total Expenditures	<u>1,181,916</u>	<u>1,229,397</u>	<u>(47,481)</u>
Excess of Revenue Over Expenditures	58,733	118,763	60,030
Other Financing Sources/(Uses):			
Transfers Out	<u>(107,500)</u>	<u>(107,500)</u>	<u>0</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures and Other Financing Uses	<u>\$ (48,767)</u>	11,263	<u>\$ 60,030</u>
Fund Balance - Beginning		<u>69,175</u>	
Fund Balance - Ending		<u>\$ 80,438</u>	

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

TOWN OF WAITSFIELD, VERMONT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006

Town-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities are Town-wide financial statements. They report information on all of the Town of Waitsfield, Vermont nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenue. The Town has no business type activities that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Town-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

TOWN OF WAITSFIELD, VERMONT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006

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

Revenue from local sources consist primarily of property taxes. Property tax revenue and revenue received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenue is recorded as revenue when received in cash because it is generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

#### Fund Accounting

The Town reports the following major governmental funds:

1. General Fund - The General Fund is the Town primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. CDBG Fund - This Fund accounts for monies the Town received from the federal government and then loaned to businesses in the community. When these monies are received the Town can loan them to additional businesses.
3. Equipment Reserve Fund - This Fund was established to account for monies appropriated annually for upgrade and replacement of Town equipment.
4. Gravel Pit Fund - This Fund was established to account for monies designated for the Town to purchase a gravel pit.
5. Paving Fund - This Fund was established to account for monies borrowed to pave numerous roads in the Town.

TOWN OF WAITSFIELD, VERMONT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006

### Investments

All investments are reported at fair value as of the end of the fiscal year.

### Capital Assets

Capital assets which include land, buildings, furniture, and equipment are reported in the applicable governmental activities column in the Town-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

All assets that meet the above criteria have been reported in the financial statements except for infrastructure assets. The Town is reporting infrastructure assets beginning with those acquired during the year ended December 31, 2005. Infrastructure assets acquired in prior years are not reported in these financial statements.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

- Infrastructure and Bridges - 50 Years
- Buildings - 40 Years
- Highway Equipment and Dump Trucks - 10 Years
- Fire Trucks - 15 Years

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Budgets

The administration and finance office of the Town are responsible for preparing the annual revenue and expenditures budgets. This budget is presented to the Board of Selectmen and once the Board has adopted the budget, it is sent to the voters of the Town. The budget is voted on annually in March.

TOWN OF WAITSFIELD, VERMONT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006

Net Assets and Fund Balance

Town-Wide Financial Statements

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

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

Restricted - The component of net assets that is legally restricted for specific purposes.

Unrestricted - The difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt, or Net Assets Restricted.

Governmental Fund Financial Statements

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

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

Unreserved Fund Balance - Composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods. Designated fund balance represents tentative plans for future use of financial resources.

TOWN OF WAITSFIELD, VERMONT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2006

Liability for Compensated Absences

Employees of the Town of Waitsfield, Vermont are granted sick leave and vacation leave in varying amounts. Employees can only utilize sick leave when sick and are not compensated for unused sick days. Employees are reimbursed for unused vacation days when terminating employment with the Town. All vacation leave is used or lost if not taken each year. Vacation pay is charged to operations when taken by the employee.

Note 2: CASH AND CASH EQUIVALENTS

The Town of Waitsfield, Vermont invests its funds in interest-bearing accounts. The Town does not require the depository bank to collateralize funds in excess of amounts covered by the Federal Deposit Insurance Corporation (FDIC).

At December 31, 2006, the carrying amount of the Town deposits (cash, certificate of deposits and savings accounts) was \$915,063 and the bank balance was \$945,161. These amounts were covered by FDIC, collateralized, or uncollateralized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$363,272	\$363,272
Uninsured - Collateralized	544,939	575,037
Uninsured - Uncollateralized	<u>6,852</u>	<u>6,852</u>
Total	<u>\$915,063</u>	<u>\$945,161</u>

Note 3: INTERFUND RECEIVABLES/PAYABLES

As of December 31, 2006, interfund receivables and payables that resulted from interfund transactions were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$227,138	\$ 0
Other Funds:		
Septic/Water Planning Project	<u>0</u>	<u>227,138</u>
Total	<u>\$227,138</u>	<u>\$227,138</u>

TOWN OF WAITSFIELD, VERMONT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2006

Note 4: CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>
Land	\$ 467,560	\$353,900	\$ 0	\$ 821,460
Buildings and Improvements	525,144	0	0	525,144
Equipment and Trucks	754,159	0	0	754,159
Infrastructure	<u>428,341</u>	<u>38,871</u>	<u>0</u>	<u>467,212</u>
Total	2,175,204	392,771	0	2,567,975
Less: Accumulated Depreciation	<u>617,690</u>	<u>78,263</u>	<u>0</u>	<u>695,953</u>
Capital Assets - Net	<u>\$1,557,514</u>	<u>\$314,508</u>	<u>\$ 0</u>	<u>\$1,872,022</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 10,883
Highways	52,886
Public Safety	<u>14,494</u>
Total	<u>\$ 78,263</u>

Note 5: LONG-TERM DEBT

At December 31, 2006, the Town of Waitsfield, Vermont had the following long-term debt outstanding:

Notes Payable:

Gravel Pit Acquisition Note Payable to the Chittenden Bank, Interest at 3.95%, Matures June, 2011	\$ 125,000
Gravel Pit Acquisition Note Payable to Seller, Interest at 3.95%, Matures June 2011	175,000
Paving Note Payable to the Chittenden Bank, Interest at 3.80%, Matures December 2011	475,000

TOWN OF WAITSFIELD, VERMONT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2006

Water Study Note Payable to the State of Vermont Revolving Loan Fund, Non-Interest-Bearing, Matures January 1, 2017	\$ 195,784
Septic Study Note Payable to the State of Vermont Revolving Loan Fund, Non-Interest-Bearing, Matures October 1, 2017	<u>327,500</u>
Total Notes Payable	<u>\$1,298,284</u>

The annual requirements to amortize all the long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 207,328	\$ 29,899	\$ 237,227
2008	207,328	23,921	231,249
2009	207,328	17,943	225,271
2010	207,328	11,965	219,293
2011	207,328	5,987	213,315
2012-2017	<u>261,644</u>	<u>0</u>	<u>261,644</u>
Total	<u>\$1,298,284</u>	<u>\$ 89,715</u>	<u>\$1,387,999</u>

The following represents the long-term debt transactions for the year ended December 31, 2006:

Long-Term Debt Outstanding - January 1, 2006	\$ 525,818
Additions of New Debt	793,466
Retirements and Repayments	<u>(21,000)</u>
Long-Term Debt Outstanding - December 31, 2006	<u>\$1,298,284</u>

Note 6: ACCOUNTS RECEIVABLE

Accounts receivable represents monies owed to the Town at December 31, 2006 and consisted of the following:

State of Vermont	<u>\$197,135</u>
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TOWN OF WAITSFIELD, VERMONT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006

Note 7: RISK MANAGEMENT

The Town is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

Note 8: CLAIMS AND JUDGMENTS

The Town of Waitsfield, Vermont participates in a number of federal and state programs that are fully or partially funded by grants. Expenditures financed by these grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government.

At December 31, 2006, significant amounts of grant expenditures have not been audited but the Town believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Town.

Note 9: BUDGETED DEFICIT

The Board of Selectmen of the Town of Waitsfield, Vermont budgeted a deficit of \$48,767 in the General Fund for the year ended December 31, 2006. It was the Board of Selectmen intent to reduce its tax request and utilize a portion of the fund balance being carried forward from the year ended December 31, 2005.

Note 10: RETIREMENT EXPENSE

All Town of Waitsfield, Vermont employees who are considered full-time and have completed one year of service are covered under the Vermont Municipal Employee Retirement System. This system requires that both the Town and employee contribute to the plan, which provides retirement, disability and death benefits.

TOWN OF WAITSFIELD, VERMONT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006

There are three plans available to members. Plan A requires employee contributions of 2.5% and employer contributions of 4.0%. Plan B requires employee contributions of 4.5% and employer contributions of 5.0%, and Plan C requires employee contributions of 9.0% and employer contributions of 6.0%. Employees are eligible for normal retirement after reaching age 65 under Plan A, provided they have completed five (5) years of services. Employees are eligible for normal retirement under Plan B and Plan C after reaching age 62, provided they have completed five (5) years of service.

Early retirement at a reduced payment is available as early as age 55, provided the employee has completed the five (5) years of service.

All employees of the Town of Waitsfield, Vermont are covered under Plan B. Covered wages paid under the plan were \$278,324. Contributions by employees were \$12,524 and contributions by the Town of Waitsfield, Vermont were \$13,916.

The law requires the retirement fund to remain in actuarial balance. This guarantees to the members the availability of funds to pay their benefits when they retire.

Note 11: PROPERTY TAXES

The Town is responsible for assessing and collecting property taxes for the Town School District, as well as for the Town itself. Property taxes are assessed based on property valuations as of April 1, annually. Property taxes are payable in two (2) equal installments on September 1 and November 15. Payments received after these due dates are assessed interest at a rate of 1.0% for the first three months, and 1.5% thereafter. Property taxes become delinquent if not paid by November 15, and are then subject to an 8.0% penalty.

For the year ended December 31, 2006, property taxes were assessed and accounted for as follows:

Grand List Valuation:		
Municipal Grand List Valuation	\$3,524,805	
Tax Rate	X <u>          .29</u>	
		\$1,022,193

TOWN OF WAITSFIELD, VERMONT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2006

Education Grand List Valuation	\$1,668,663	
Tax Rate	X <u>1.1190</u>	
		\$ 1,867,234
Education Non-Residential Valuation	1,860,017	
Tax Rate	X <u>1.1662</u>	
		<u>2,169,152</u>
Total		5,058,579
Add: Delinquent Taxes Receivable - January 1, 2006		<u>107,336</u>
Total to be Accounted For		<u>\$ 5,165,915</u>
Accounted For As Follows:		
Property Taxes Collected		\$ 5,058,354
Abatements/Adjustments		2,309
Delinquent Taxes Receivable - December 31, 2006		<u>105,252</u>
Total Accounted For		<u>\$ 5,165,915</u>
Recognition of Property Taxes:		
Property Taxes Billed		\$ 5,058,579
Add: Deferred Revenue - January 1, 2006		53,131
Less: Deferred Revenue - December 31, 2006		(52,889)
Less: Taxes Collected for Town School District		(2,878,038)
Less: Taxes Collected - Vermont Education Fund		(1,157,702)
Less: Abatements/Adjustments		<u>(2,309)</u>
Property Taxes Recognized		<u>\$ 1,020,772</u>

Note 12: DEFERRED REVENUE

Deferred revenue at December 31, 2006 is comprised of the following:

General Fund:

Property Taxes Not Collected Within 60 Days of the Balance Sheet Date (NCGA Interpretation - 3)	\$ 52,889
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CDBG Fund:

Loans Receivable to Community Which Will Not be Repaid Within the Next Fiscal Year	265,000
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Total Deferred Revenue	<u>\$317,889</u>
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TOWN OF WAITSFIELD, VERMONT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006

Note 13: FUND BALANCES - OTHER FUNDS

The fund balances of Other Funds consisted of the following at December 31, 2006:

Transportation Path Reserve	\$106,225
Conservation Fund	47,963
Lareau Park	7,682
Joslin Library Repair Fund	7,649
Tree Planting Fund	892
Records Preservation Fund	10,895
Town Clock Fund	1,724
Water/Septic Planning Project	(227,138)
TIF District Fund	15,714
Wait House Fund	4,299
Cemetery Fund	15,453
Emergency Generator	<u>5,002</u>
Total	\$ <u>(3,640)</u>

Note 14: FUND DEFICITS

The Town of Waitsfield, Vermont maintained one fund that had a deficit at December 31, 2006. The Board of Selectmen intends to cover this deficit as follows:

Water/Septic Planning Project - The Town is expending money for this project then receives loan proceeds to cover the expenditures paid. Once the request for the loan drawdowns occur, the deficit will be covered.

