

TOWN OF WAITSFIELD, VERMONT
ANNUAL FINANCIAL REPORT
DECMEBER 31, 2010

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, the business-type 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, 2010, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waitsfield, Vermont, as of December 31, 2010, 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 September 27, 2011, 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, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be 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.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waitsfield, Vermont financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

William Yacavoni
Certified Public Accountant
License # 92-0000153
September 27, 2011

TOWN OF WAITSFIELD, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010

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, 2010. Please read this in conjunction with the Town of Waitsfield, Vermont financial statements which follow this section.

Financial Highlights

During the year ended December 31, 2010, the Town of Waitsfield, Vermont commenced the construction of a water system. Beginning in 2010, the Town began treating this fund as a proprietary fund as ultimately the expenses of the fund will be covered by user fees. Prior to January 1, 2010, this fund was treated as a governmental fund. Therefore, the data from the prior year has been adjusted to reflect this change.

The Town of Waitsfield, Vermont assets exceeded its liabilities by \$2,192,424 (net assets) for the year ended December 31, 2010. This compares to the previous year when assets exceeded liabilities by \$1,945,993.

	Governmental Activities	
	December 31, 2010	December 31, 2009
<u>ASSETS</u>		
Current and Other Assets	\$1,325,734	\$1,326,239
Capital and Non-Current Assets	<u>2,431,178</u>	<u>2,290,355</u>
TOTAL ASSETS	<u>\$3,756,912</u>	<u>\$3,616,594</u>
<u>LIABILITIES</u>		
Current Liabilities	\$ 528,900	\$ 558,752
Long-Term Liabilities	<u>1,035,588</u>	<u>1,111,849</u>
TOTAL LIABILITIES	<u>\$1,564,488</u>	<u>\$1,670,601</u>
<u>NET ASSETS</u>		
Invested in Capital Assets Net of Related Debt	\$1,803,360	\$1,586,276
Restricted	817,272	630,911
Unrestricted	<u>(428,208)</u>	<u>(271,194)</u>
TOTAL NET ASSETS	<u>\$2,192,424</u>	<u>\$1,945,993</u>

TOWN OF WAITSFIELD, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010

Total net assets at December 31, 2010 are comprised of the following:

- 1) Capital assets, net of related debt of \$1,803,360, include property, and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- 2) The Town ended the year with restricted net assets of \$817,272.
- 3) The Town ended the year with an unrestricted deficit of \$428,208. The deficit will be covered over the next fiscal years as the Town repays loans for the planning and design of a municipal water system.

During the year ended December 31, 2010, the net assets of the Town of Waitsfield, Vermont increased by \$246,431.

	Governmental Activities		
	December 31, 2010	December 31, 2009	%
			Change
Revenue:			
Program Revenue:			
Charges for Services	\$ 25,942	\$ 26,221	(1.1)
Operating Grants and Contributions	10,475	50,472	(79.2)
General Revenue:			
Property Taxes	1,076,745	1,189,631	(9.5)
Intergovernmental	250,085	157,544	58.7
Interest on Investments	3,131	2,993	4.6
Licenses and Permits	46,087	47,507	(3.0)
Other	198,441	133,005	49.2
Total Revenue	<u>1,610,906</u>	<u>1,607,373</u>	0.2
Expenses:			
General Government	577,519	507,798	13.7
Highways	437,704	402,238	8.8
Public Safety	116,750	116,623	0.1
Employee Benefits	120,320	105,981	13.5
Debt Service	11,166	14,827	(24.7)
Other	101,016	192,514	(47.5)
Total Expenses	<u>1,364,475</u>	<u>1,339,981</u>	1.8
Increase in Net Assets	246,431	267,392	
Net Assets - Beginning	<u>1,945,993</u>	<u>1,678,601</u>	
Net Assets - Ending	<u>\$2,192,424</u>	<u>\$1,945,993</u>	

TOWN OF WAITSFIELD, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010

The Town revenue was up 0.2% and expenses were up 1.8% over the prior year.

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, 2010

The Town has two kinds of funds:

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.

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. The Town of Bristol, Vermont financial statements include enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the activities in the government-wide financial statements. Services are provided to customers external to the Town organization.

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 \$721,895. There was \$552,272 of reserved funds and \$16,878 of funds that were designated for specific purposes. The Town had a \$152,745 balance of unreserved and undesignated funds available for continuing Town service requirements.

TOWN OF WAITSFIELD, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010

Major Government Funds

The General Fund is the Town primary operating fund. The fund balance of the General Fund decreased by \$34,079.

General Fund Budgetary Highlights

For the year ended December 31, 2010, the taxpayers approved the budget for the General Fund of \$1,674,904. This was up .8.2% over the previous year budget of \$1,548,346. Actual expenditures for the year ended December 31, 2010 were less than the budgeted expenditures by \$90,489.

Capital Assets

The Town investment in capital assets net of accumulated depreciation as of December 31, 2010 was \$2,166,178. 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 six purchases meeting that level during the year ended December 31, 2010.

Long-Term Debt

At the end of the fiscal year, the Town had total long-term debt outstanding of \$1,339,550. This debt is expected to reach maturity in December, 2026.

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, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash	\$1,161,493	\$1,443,004	\$2,604,497
Accounts Receivable	43,372	0	43,372
Delinquent Taxes Receivable	<u>120,869</u>	<u>0</u>	<u>120,869</u>
Total Current Assets	<u>1,325,734</u>	<u>1,443,004</u>	<u>2,768,738</u>
Non-Current Assets:			
Loans Receivable	265,000	0	265,000
Construction in Progress	0	1,676,091	1,676,091
Capital Assets - Net of Accumulated Depreciation	<u>2,166,178</u>	<u>0</u>	<u>2,166,178</u>
Total Non-Current Assets	<u>2,431,178</u>	<u>1,676,091</u>	<u>4,107,269</u>
TOTAL ASSETS	<u>\$3,756,912</u>	<u>\$3,119,095</u>	<u>\$6,876,007</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 528,900	\$ 63,048	\$ 591,948
Bond Anticipation Note Payable	<u>0</u>	<u>3,500,000</u>	<u>3,500,000</u>
Total Current Liabilities	<u>528,900</u>	<u>3,563,048</u>	<u>4,091,948</u>
Non-Current Liabilities:			
Notes Payable	<u>1,035,588</u>	<u>303,962</u>	<u>1,339,550</u>
TOTAL LIABILITIES	<u>\$1,564,488</u>	<u>\$3,867,010</u>	<u>\$5,431,498</u>
<u>NET ASSETS</u>			
Invested in Capital Assets Net of Related Debt	\$1,803,360	\$ (747,915)	\$1,055,445
Restricted For:			
Loans to Community	265,000	0	265,000
Other	552,272	0	552,272
Unrestricted	<u>(428,208)</u>	<u>0</u>	<u>(428,208)</u>
TOTAL NET ASSETS	<u>\$2,192,424</u>	<u>\$ (747,915)</u>	<u>\$1,444,509</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, 2010

	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Governmental Activities:				
General Government	\$ 577,519	\$ 0	\$ 10,475	\$ (567,044)
Highways	437,704	0	0	(437,704)
Public Safety	116,750	25,942	0	(90,808)
Employee Benefits	120,320	0	0	(120,320)
Debt Service - Interest	11,166	0	0	(11,166)
Other	<u>101,016</u>	<u>0</u>	<u>0</u>	<u>(101,016)</u>
Total Governmental Activities	<u>\$1,364,475</u>	<u>\$ 25,942</u>	<u>\$ 10,475</u>	<u>\$(1,328,058)</u>
Business-Type Activities:				
Debt Service - Interest	<u>\$ 8,425</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$(8,425)</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net (Expense) Revenue	<u>\$(1,328,058)</u>	<u>\$ (8,425)</u>	<u>\$(1,336,483)</u>
General Revenue:			
Property Taxes	1,076,745	0	1,076,745
Intergovernmental	250,085	0	250,085
Licenses, Fees and Fines	46,087	0	46,087
Interest on Investments	3,131	19,078	22,209
Other	<u>198,441</u>	<u>90,340</u>	<u>288,781</u>
Total General Revenue	<u>1,574,489</u>	<u>109,418</u>	<u>1,683,907</u>
Change in Net Assets	246,431	100,993	347,424
Net Assets - Beginning	<u>1,945,993</u>	<u>(848,908)</u>	<u>1,097,085</u>
Net Assets - Ending	<u>\$ 2,192,424</u>	<u>\$(747,915)</u>	<u>\$ 1,444,509</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, 2010

	<u>General Fund</u>	<u>CDBG Fund</u>	<u>Transportation Path Fund</u>	<u>Equipment Reserve Fund</u>	<u>Tax Stabilization Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>							
Cash	\$591,069	\$ 0	\$137,778	\$219,396	\$ 50,000	\$163,250	\$1,161,493
Accounts Receivable	38,013	0	5,359	0	0	0	43,372
Due from Other Funds	4,775	0	0	0	0	0	4,775
Delinquent Taxes Receivable	120,869	0	0	0	0	0	120,869
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>
TOTAL ASSETS	<u>\$754,726</u>	<u>\$265,000</u>	<u>\$143,137</u>	<u>\$219,396</u>	<u>\$ 50,000</u>	<u>\$163,250</u>	<u>\$1,595,509</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts Payable	\$527,042	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,858	\$ 528,900
Due to Other Funds	0	0	0	0	0	4,775	4,775
Deferred Revenue	<u>74,939</u>	<u>265,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>339,939</u>
Total Liabilities	<u>601,981</u>	<u>265,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,633</u>	<u>873,614</u>

Fund Balances:							
Reserved	0	0	143,137	219,396	50,000	139,739	552,272
Unreserved - Designated	0	0	0	0	0	16,878	16,878
Unreserved - Undesignated	<u>152,745</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>152,745</u>
Total Fund Balances	<u>152,745</u>	<u>0</u>	<u>143,137</u>	<u>219,396</u>	<u>50,000</u>	<u>156,617</u>	<u>721,895</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$754,726</u>	<u>\$265,000</u>	<u>\$143,137</u>	<u>\$219,396</u>	<u>\$ 50,000</u>	<u>\$163,250</u>	<u>\$1,595,509</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, 2010

Total Fund Balances - Governmental Funds	\$ 721,895
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.	2,166,178
2. Notes payable not requiring current financial resources have not been included in the Governmental Funds financial statements.	(1,035,588)
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.	74,939
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>\$ 2,192,424</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, 2010

	General Fund	CDBG Fund	Transportation Path Fund	Equipment Reserve Fund	Tax Stabilization Fund	Other Funds	Total Governmental Funds
Revenue:							
Property Taxes	\$1,093,024	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$1,093,024
Intergovernmental	255,201	0	5,359	0	0	5,940	260,560
Licenses, Permits and Fees	40,147	0	0	0	0	722	46,087
Interest on Investments	1,762	0	369	278	0	0	3,131
Charges for Services	25,942	0	0	0	0	0	25,942
Other	134,260	0	0	0	0	64,181	198,441
Total Revenue	1,550,336	0	5,728	278	0	70,843	1,627,185
Expenditures:							
General Government	563,158	0	0	0	0	21,873	585,031
Highways	423,246	0	0	115,078	0	23,043	561,367
Public Safety	103,489	0	0	0	0	22,909	126,398
Debt Service	203,202	0	0	0	0	0	203,202
Employee Benefits	120,320	0	0	0	0	0	120,320
Other	0	0	7,757	0	0	93,259	101,016
Total Expenditures	1,413,415	0	7,757	115,078	0	161,084	1,697,334
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	136,921	0	(2,029)	(114,800)	0	(90,241)	(70,149)

Other Financing Sources/(Uses):							
Transfers In	0	0	5,000	85,000	50,000	31,000	171,000
Transfers Out	(171,000)	0	0	0	0	0	(171,000)
Proceeds of Long-Term Debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>95,775</u>	<u>0</u>	<u>20,000</u>	<u>115,775</u>
Total Other Financing Sources/(Uses)	<u>(171,000)</u>	<u>0</u>	<u>5,000</u>	<u>180,775</u>	<u>50,000</u>	<u>51,000</u>	<u>115,775</u>
Net Changes in Fund Balances	(34,079)	0	2,971	65,975	50,000	(39,241)	45,626
Fund Balances - Beginning	<u>186,824</u>	<u>0</u>	<u>140,166</u>	<u>153,421</u>	<u>0</u>	<u>195,858</u>	<u>676,269</u>
Fund Balances - Ending	<u>\$ 152,745</u>	<u>\$ 0</u>	<u>\$143,137</u>	<u>\$ 219,396</u>	<u>\$ 50,000</u>	<u>\$156,617</u>	<u>\$ 721,895</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
 STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2010

Total Net Changes in Fund Balances - Governmental Funds	\$ 45,626
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.	192,036
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.	(113,514)
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.	254,337
4. The change in deferred revenue, excluding deferred revenue relating to grants, is eliminated within the government-wide financial statements.	(16,279)
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.	(115,775)
Change in Net Assets of Governmental Activities	<u>\$ 246,431</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, 2010

	<u>Budget</u> <u>Original</u> <u>and Final</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenue:			
Property Taxes	\$1,068,438	\$1,093,024	\$ 24,586
Interest and Penalty -			
Delinquent Taxes	31,000	40,516	9,516
Fire Department - Fayston	29,008	25,942	(3,066)
State Aid - Highways	172,547	150,593	(21,954)
Ordinance Fines	23,000	18,315	(4,685)
Licenses, Permits and Fees	48,700	40,147	(8,553)
Interest on Investments	8,000	1,762	(6,238)
Intergovernmental	67,600	104,608	37,008
Other	29,750	75,429	45,679
Total Revenue	<u>1,478,043</u>	<u>1,550,336</u>	<u>72,293</u>
Expenditures:			
General Government:			
Town Meeting	3,300	3,028	272
Legal and Auditing	19,075	24,159	(5,084)
Town Office Operations	61,210	64,832	(3,622)
Clerk/Treasurer	78,066	76,877	1,189
Selectboard	65,749	63,557	2,192
Planning and Zoning	56,436	50,695	5,741
Board of Listers	12,000	13,026	(1,026)
Delinquent Tax Collector	19,000	21,534	(2,534)
Voted Appropriations	22,743	22,743	0
Dues and Assessments	94,839	94,785	54
Other	149,366	127,922	21,444
Total General Government	<u>581,784</u>	<u>563,158</u>	<u>18,626</u>
Roads:			
Labor	119,286	113,113	6,173
Equipment Operations and Repairs	85,983	74,717	11,266
Hired Equipment and Labor	25,200	20,773	4,427
Materials	101,000	94,681	6,319
Other	165,886	119,962	45,924
Total Roads	<u>497,355</u>	<u>423,246</u>	<u>74,109</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, 2010

	<u>Budget</u> <u>Original</u> <u>and Final</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Debt Service:			
Paving Note	\$ 99,465	\$ 99,453	\$ 12
Gravel Pit Note	51,240	51,231	9
2009 Dump Truck Note	44,848	44,844	4
Police Cruiser Note	<u>7,674</u>	<u>7,674</u>	<u>0</u>
Total Debt Service	<u>203,227</u>	<u>203,202</u>	<u>25</u>
Employee Benefits	<u>119,586</u>	<u>120,320</u>	<u>(734)</u>
Public Safety:			
Fire Department	70,519	74,702	(4,183)
Police Program	30,183	28,012	2,171
Dog Warden and Fees	<u>1,250</u>	<u>775</u>	<u>475</u>
Total Public Safety	<u>101,952</u>	<u>103,489</u>	<u>(1,537)</u>
Total Expenditures	<u>1,503,904</u>	<u>1,413,415</u>	<u>90,489</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>(25,861)</u>	<u>136,921</u>	<u>162,782</u>
Other Financing Sources/(Uses):			
Transfers Out	(171,000)	(171,000)	0
Proceeds of Long-Term Debt	<u>10,000</u>	<u>0</u>	<u>(10,000)</u>
Total Other Financing Sources/(Uses)	<u>(161,000)</u>	<u>(171,000)</u>	<u>(10,000)</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>\$ (186,861)</u>	<u>(34,079)</u>	<u>\$152,782</u>
Fund Balance - Beginning		<u>186,824</u>	
Fund Balance - Ending		<u>\$ 152,745</u>	

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

TOWN OF WAITSFIELD, VERMONT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

	<u>Water Fund</u>
 <u>ASSETS</u>	
Current Assets:	
Cash	\$1,443,004
Non-Current Assets:	
Construction in Progress	1,676,091
TOTAL ASSETS	<u>\$3,119,095</u>
 <u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 63,048
Bond Anticipation Note Payable	3,500,000
Total Current Liabilities	<u>3,563,048</u>
Non-Current Liabilities:	
Notes Payable	<u>303,962</u>
TOTAL LIABILITIES	<u>\$3,867,010</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	<u>\$ (747,915)</u>

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

TOWN OF WAITSFIELD, VERMONT
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Water Fund</u>
Operating Revenue:	
Other	\$ <u>90,340</u>
Operating Expenses	<u>0</u>
Operating Income	<u>90,340</u>
Non-Operating Revenue/(Expenses):	
Interest on Investments	19,078
Interest on Loans	<u>(8,425)</u>
Total Non-Operating Revenue/(Expenses)	<u>10,653</u>
Income	100,993
Net Assets - Beginning	<u>(848,908)</u>
Net Assets - Ending	<u>\$(747,915)</u>

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

TOWN OF WAITSFIELD, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Water Fund</u>
Cash Flow from Operating Activities:	
Cash Received from Customers	<u>\$ 56,313</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	\$(1,613,043)
Interest Paid on Notes	(8,425)
Principal Paid on Notes	(436,764)
Increase in Proceeds of Notes Payable	<u>3,500,000</u>
Cash Flows from Capital and Related Financing Activities	<u>1,441,768</u>
Cash Flows from Investing Activities:	
Interest on Investments	<u>19,078</u>
Net Increase in Cash	1,517,159
Cash Balance - Beginning	<u>(74,155)</u>
Cash Balance - Ending	<u>\$1,443,004</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 90,340
Adjustments of Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase/(Decrease) in Customer Deposits Payable	<u>(34,027)</u>
Net Cash Provided by Operating Activities	<u>\$ 56,313</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, 2010

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.

The government-wide financial statements follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the Town of Waitsfield, Vermont has elected not to apply FASB Standards issued after November 30, 1989.

TOWN OF WAITSFIELD, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

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-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, 2010

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 consists 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

Governmental Funds

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.

TOWN OF WAITSFIELD, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

4. Transportation Path Fund - This Fund was established to account for monies designated for the Town to design and construct a transportation path.
5. Tax Stabilization Fund - This Fund was approved by the taxpayers to account for monies to be set aside and utilized when necessary to maintain a stable tax rate.

Proprietary Funds

The Town reports the following major enterprise funds:

1. Water Fund - This fund was established to account for user fees charged to customers to provide them a water source.

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, 2008. 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

TOWN OF WAITSFIELD, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

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.

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.

TOWN OF WAITSFIELD, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

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.

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.

Note 2: DEPOSITIS AND INVESEMENTS

The Town of Waitsfield, Vermont invests its funds in interest-bearing accounts. The depository bank places approved pledged securities in a collateral pool sufficient to cover the Town deposits in excess of the amount of deposits insured by the Federal Deposit Insurance Corporation (FDIC).

At December 31, 2010, the carrying amount of the Town deposits (cash, certificate of deposits and savings accounts) was \$2,604,497 and the bank balance was \$3,230,589. These amounts were covered by FDIC or collateralized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 676,808	\$ 677,523
◆ Uninsured - Collateralized	<u>1,927,689</u>	<u>2,553,066</u>
Total	<u>\$2,604,497</u>	<u>\$3,230,589</u>

◆ Uninsured and collateralized by pledging bank's trust department, not in the Town of Waitsfield, Vermont name.

The cash deposits during the fiscal year were entirely covered by FDIC or by pledged securities.

TOWN OF WAITSFIELD, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

Deposits and investments at December 31, 2010 consisted of the following:

Certificate of Deposits	\$ 12,642
Demand Deposits with Financial Institutions	<u>2,591,855</u>
Total	<u>\$2,604,497</u>

Note 3: INTERFUND RECEIVABLES/PAYABLES

As of December 31, 2010, interfund receivables and payables that resulted from interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 4,775	\$ 0
Sewer Project Fund	<u>0</u>	<u>4,775</u>
Total	<u>\$ 4,775</u>	<u>\$ 4,775</u>

Note 4: CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions	Retirement	Ending Balance
Land	\$ 821,460	\$ 0	\$ 0	\$ 821,460
Buildings and Improvements	525,144	19,300	0	544,444
Equipment, Vehicles, and Trucks	1,146,285	159,705	0	1,224,277
Infrastructure	<u>467,212</u>	<u>87,591</u>	<u>81,713</u>	<u>554,803</u>
Total	2,960,101	266,596	(81,713)	3,144,984
Less: Accumulated Depreciation	<u>934,746</u>	<u>113,514</u>	<u>69,454</u>	<u>978,806</u>
Capital Assets - Net	<u>\$2,025,355</u>	<u>\$153,082</u>	<u>\$(12,259)</u>	<u>\$2,166,178</u>

TOWN OF WAITSFIELD, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 12,563
Highways	79,003
Public Safety	<u>21,948</u>
Total	<u>\$113,514</u>

Note 5: LONG-TERM DEBT

At December 31, 2010, the Town of Waitsfield, Vermont had the following long-term debt outstanding:

Governmental Activities

Gravel Pit Acquisition Note Payable to the People's Bank, Interest at 2.20%, Matures June, 2011	\$ 96,000
Paving Note Payable to the People's Bank, Interest at 2.35%, Matures December 2011	95,000
Wait House Capital Improvement Note Payable to the People's Bank, Interest at 3.05%, Annual Principal Payments of \$4,000, Matures September 2015	20,000
Dump Truck Note Payable to the Vermont State Treasurer, Interest at 2.00%, Five Annual Principal Payments of \$19,155, Matures June 30, 2015	95,775
Police Cruiser Note Payable to the Ford Credit Corp., Interest at 5.95%, Annual Payments of \$7,674, Matures August 13, 2011	7,243
Septic Study Note Payable to the State of Vermont Revolving Loan Fund, Non-Interest-Bearing, Matures October 1, 2017	672,770
Loader Note Payable to the People's Bank, Interest at 3.00%, Matures June 3, 2014	<u>48,800</u>
Total Governmental Activities	<u>1,035,588</u>

TOWN OF WAITSFIELD, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

Business-Type Activities

Water Study Note Payable to the State of Vermont Revolving Loan Fund, Non-Interest-Bearing, Matures January 1, 2017	\$ <u>303,962</u>
Total Long-Term Debt	\$ <u>1,339,550</u>

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

Governmental Activities

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 186,598	\$ 9,147	\$ 195,745
2012	129,206	4,143	133,349
2013	81,206	2,185	83,391
2014	81,206	1,283	82,489
2015	64,006	383	64,389
2016-2020	224,257	0	224,257
2021-2025	224,257	0	224,257
2026	44,852	0	44,852
Total	<u>\$1,035,588</u>	<u>\$ 17,141</u>	<u>\$1,052,729</u>

Business-Type Activities

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 0	\$ 0	\$ 0
2012	60,792	0	60,792
2013	60,792	0	60,792
2014	60,792	0	60,792
2015	60,793	0	60,793
2016	60,793	0	60,793
Total	<u>\$ 303,962</u>	<u>\$ 0</u>	<u>\$ 303,962</u>

TOWN OF WAITSFIELD, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

The following represents the long-term debt transactions for the year ended December 31, 2010:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Long-Term Debt Outstanding - January 1, 2010	\$1,111,849	\$ 740,726	\$1,852,575
Additions of New Debt	115,775	0	115,775
Retirements and Repayments	<u>(192,036)</u>	<u>(436,764)</u>	<u>(628,800)</u>
Long-Term Debt Outstanding - December 31, 2010	<u>\$1,035,588</u>	<u>\$ 303,962</u>	<u>\$1,339,550</u>

Note 6: ACCOUNTS RECEIVABLE

Accounts receivable represents monies owed to the Town at December 31, 2010 and consisted of the following:

State of Vermont	\$ 6,064
Other	<u>37,308</u>
Total	<u>\$ 43,372</u>

Note 7: 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, 2010, 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.

TOWN OF WAITSFIELD, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 8: 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 9: BUDGETED DEFICIT

The Board of Selectmen of the Town of Waitsfield, Vermont budgeted a deficit of \$186,861 in the General Fund for the year ended December 31, 2010. It was the Board of Selectmen intent to reduce its tax request and utilize the fund balance being carried forward from the year ended December 31, 2009.

Note 10: RETIREMENT EXPENSE

All Town of Waitsfield, Vermont employees who are considered full-time 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.

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 \$305,526. Contributions by employees were \$13,749 and contributions by the Town of Waitsfield, Vermont were \$15,276.

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.

TOWN OF WAITSFIELD, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

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, 2010, property taxes were assessed and accounted for as follows:

Grand List Valuation:			
Municipal Grand List Valuation		\$3,655,692	
Tax Rate		<u>X .2940</u>	\$ 1,074,773
Education Grand List Valuation		1,812,331	
Tax Rate		<u>X 1.3138</u>	2,381,041
Education Non-Residential Valuation		1,851,718	
Tax Rate		<u>X 1.3987</u>	2,589,998
HS-122 Late Filing Fees			<u>635</u>
Total			6,046,447
Add: Delinquent Taxes Receivable - January 1, 2010			<u>162,890</u>
Total to be Accounted For			<u>\$ 6,209,337</u>
Accounted For As Follows:			
Property Taxes Collected			\$ 6,087,831
Abatements/Adjustments			637
Delinquent Taxes Receivable - December 31, 2010			<u>120,869</u>
Total Accounted For			<u>\$ 6,209,337</u>

TOWN OF WAITSFIELD, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

Recognition of Property Taxes:	
Property Taxes Billed	\$ 6,046,447
Add: Deferred Revenue - January 1, 2010	91,218
Less: Deferred Revenue - December 31, 2010	(74,939)
Less: Taxes Collected for Town School District	(3,999,454)
Less: Taxes Collected - Vermont Education Fund	(969,611)
Less: Abatements/Adjustments	<u>(637)</u>
Property Taxes Recognized	<u>\$ 1,093,024</u>

Note 12: DEFERRED REVENUE

Deferred revenue at December 31, 2010 is comprised of the following:

General Fund:

Property Taxes Not Collected Within 60 Days of the Balance Sheet Date (NCGA Interpretation - 3)	\$ 74,939
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CDBG Fund:

Loans Receivable to Community Which Will Not be Repaid Within the Next Fiscal Year	<u>265,000</u>
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Total Deferred Revenue	<u>\$339,939</u>
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Note 13: FUND DEFICITS

The Town of Waitsfield, Vermont maintained two funds that had deficits at December 31, 2010

Water Fund - The taxpayers of the Town approved the construction of a water system at December 31, 2010. This fund was operating in a deficit financial position. The Board of Selectmen believes this deficit will be covered through grants and proceeds of long-term debt.

Sewer Project Fund - This fund had a fund deficit of \$4,775. This deficit will be covered through issuance of additional long-term debt.

TOWN OF WAITSFIELD, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

Note 14: FUND BALANCES - OTHER FUNDS

The fund balances of Other Funds consisted of the following at December 31, 2010:

	<u>Reserved</u>	<u>Unreserved - Designated</u>
Gravel Pit Fund	\$ 9,012	\$ 0
Ancient Road Fund	726	0
Conservation Fund	32,738	0
Lareau Park	5,443	0
Joslin Library Repair Fund	11,144	0
Tree Planting Fund	2,968	0
Records Preservation Fund	12,771	0
Town Clock Fund	1,822	0
TIF District Fund	0	14,372
Wait House Fund	0	2,316
Cemetery Fund	18,990	0
Fire Department Roof Fund	4,173	0
Reappraisal Fund	0	190
Forest Stewardship Fund	5,019	0
Bridge Fund	38,063	0
Sewer Project Fund	(4,775)	0
FSA Fund	<u>1,645</u>	<u>0</u>
Total	<u>\$139,739</u>	<u>\$ 16,878</u>

The revenue and expenditures for the above funds for the year ended December 31, 2010, were as follows.

TOWN OF WAITSFIELD, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

	<u>Fund Balance</u> <u>January 1, 2010</u>	<u>Revenue</u>	<u>Transfers In</u>	<u>Expenditures</u>	<u>Fund Balance</u> <u>December 31, 2010</u>
Gravel Pit Fund	\$ 9,422	\$ 554	\$ 0	\$ 964	\$ 9,012
Ancient Road Fund	726	0	0	0	726
Conservation Fund	43,268	92	10,000	20,622	32,738
Lareau Park	5,570	10	0	137	5,443
Joslin Library Repair Fund	10,735	6,534	2,500	8,625	11,144
Tree Planting Fund	1,836	7	2,500	1,375	2,968
Records Preservation Fund	18,704	5,940	0	11,873	12,771
Town Clock Fund	1,793	29	0	0	1,822
TIF District Fund	14,347	25	0	0	14,372
Wait House Fund	827	38,056	0	36,567	2,316
Cemetery Fund	17,119	34,890	0	33,019	18,990
Fire Department Roof Fund	21,045	37	6,000	22,909	4,173
Reappraisal Fund	177	13	0	0	190
Forest Stewardship Fund	5,010	9	0	0	5,019
Bridge Fund	50,054	88	10,000	22,079	38,063
Sewer Project Fund	(4,775)	0	0	0	(4,775)
FSA Fund	<u>0</u>	<u>4,559</u>	<u>0</u>	<u>2,914</u>	<u>1,645</u>
Total	<u>\$195,858</u>	<u>\$ 90,843</u>	<u>\$ 31,000</u>	<u>\$161,084</u>	<u>\$156,617</u>

TOWN OF WAITSFIELD, VERMONT
NOTES TO THE BASIC FINNICAL STATEMENTS
DECEMBER 31, 2010

Note 15: BOND ANTICIPATION NOTE PAYABLE

The Town of Waitsfield, Vermont issued a bond anticipation note payable to the People's Bank (\$3,500,000) to construct a water system in the Town. This note will be repaid with the issuance of bonds at the completion of the project.

TOWN OF WAITSFIELD, VERMONT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Grant Title Federal Grantor/Program Title or Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Agency Or Pass- Through Number</u>	<u>Program or Award Amount</u>	<u>(Accrued) Deferred Balance January 1, 2010</u>	<u>Receipts</u>	<u>Federal Expenditures</u>	<u>(Accrued) Deferred Balance December 31, 2010</u>
<u>United States Department of Agriculture:</u>							
* Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$5,514,000	\$ 0	\$ 0	\$1,165,767	\$(1,165,767)
<u>United States Environmental Protection Agency Passed Through the Vermont Agency of Natural Resources Department of Environmental Compliance:</u>							
Congressionally Mandated Projects	66.202	N/A	1,976,000	0	0	410,323	(410,323)
<u>United States Department of Transportation Passed Through the State of Vermont Agency of Transportation:</u>							
Highway Planning and Construction	20.205	CA-0062	1,247,400	0	0	5,359	(5,359)

United States Department of
Energy Passed Through the
Vermont Public Service
Department:

Energy Efficiency and
 Conservation Block Grant

81.128

AEECBG
 MUN-089

49,999

0

0

27,950

(27,950)

Total

\$8,787,399

\$ 0

\$ 0

\$1,609,399

\$(1,609,399)

* Denotes Major Federal Program

See Accompanying Notes to Schedule of Expenditures of Federal Awards

TOWN OF WAITSFIELD, VERMONT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2010

Note 1: SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting.

WILLIAM YACAVONI
CERTIFIED PUBLIC ACCOUNTANT
301 North Main Street
Barre, VT 05641

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Fax 476-7785

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, the business-type 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, 2010, which collectively comprise the Town of Waitsfield, Vermont basic financial statements and have issued my report thereon dated September 27, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Waitsfield, Vermont internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Waitsfield, Vermont internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Waitsfield, Vermont internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Waitsfield, Vermont ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Waitsfield, Vermont financial statements that is more than inconsequential will not be prevented or detected by the Town of Waitsfield, Vermont internal control.

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

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

Compliance and Other Matters

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 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain other matters that I reported to management of the Town of Waitsfield, Vermont in a separate letter dated September 27, 2011.

This report is intended solely for the information and use of management, the audit committee, the Board of Selectmen, 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.

William Yacavoni
Certified Public Accountant
License # 92-0000153
September 27, 2011

WILLIAM YACAVONI
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

I have audited the compliance of the Town of Waitsfield, Vermont with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2010. The Town of Waitsfield, Vermont major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Waitsfield, Vermont management. My responsibility is to express an opinion on the Town of Waitsfield, Vermont compliance based on my audit.

I conducted my 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 I 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 the Town of Waitsfield, Vermont compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Town of Waitsfield, Vermont compliance with those requirements.

In my opinion, the Town of Waitsfield, Vermont complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010. Also, the results of my auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the Town of Waitsfield, Vermont is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Town of Waitsfield, Vermont internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town of Waitsfield, Vermont internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended for the information of management, the audit committee, the Board of Selectmen, 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.

William Yacavoni
Certified Public Accountant
License # 92-0000153
September 27, 2011

TOWN OF WAITSFIELD, VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

SUMMARY OF AUDIT RESULTS

- 1) The Auditor's Report expresses an unqualified opinion on the basic financial statements of the Town of Waitsfield, Vermont.
- 2) There were no reportable conditions disclosed during the audit of the financial statements.
- 3) No instances of noncompliance material to the financial statements of the Town of Waitsfield, Vermont were disclosed during the audit.
- 4) There were no reportable conditions disclosed during the audit of the major federal award programs.
- 5) The Auditor's Report on compliance for the major federal awards of the Town of Waitsfield, Vermont expresses an unqualified opinion on all major federal programs.
- 6) There are no audit findings relative to the major federal award programs for the Town of Waitsfield, Vermont.
- 7) The programs tested as major programs included:
 Water and Waste Disposal Systems
 for Rural Communities - 10.760
- 8) The threshold for distinguishing Type A and B programs was \$500,000.
- 9) The Town of Waitsfield, Vermont was not determined to be a low-risk auditee.