

TOWN OF UNDERHILL, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2010

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



143 BARRE STREET, MONTPELIER, VERMONT 05602
802-223-6261
FAX: 802-223-1550
www.fsv-cpas.com

TOWN OF UNDERHILL, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2010

TABLE OF CONTENTS

	<u>Page #</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Fund	Exhibit A 3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund	Exhibit B 4
Statement of Revenues, Expenditures and Changes in Fund Balance – Compared to Budget - General Fund	Exhibit C 5
NOTES TO FINANCIAL STATEMENTS	6 - 14
SUPPLEMENTARY SCHEDULE	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Compared to Budget – General Fund	Schedule 1 15 - 18
INTERNAL CONTROL AND COMPLIANCE REPORT	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 - 20

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Jane M. Burroughs, CPA
Donald J. Murray, CPA

INDEPENDENT AUDITOR'S REPORT

November 30, 2010

To the Selectboard
Town of Underhill
Underhill, Vermont

We have audited the accompanying financial statements of the major fund of the Town of Underhill, Vermont as of and for the year ended June 30, 2010, which is a portion of the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America, specifically GASB 34 and GASB 37, require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements resulting from transactions for the Town's governmental activities are not reasonably determinable.

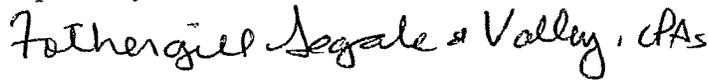
In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Underhill, Vermont, as of June 30, 2010, and the respective changes in financial position thereof and the budget comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing on 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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Town's financial statements as a whole. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Compared to Budget – General Fund is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,



Fothergill Segale & Valley, CPAs

FOTHERGILL SEGALE & VALLEY, CPAs
Vermont Public Accountancy License #110

TOWN OF UNDERHILL, VERMONT
 BALANCE SHEET
 GOVERNMENTAL FUND
 JUNE 30, 2010

EXHIBIT A

	Major Fund	
	General Fund	
ASSETS		
Cash	\$ 525,533	
Receivables		
Property taxes	49,117	
Grant receivable	7,320	
Inventory	116,000	
Prepaid expenses	7,477	
Total assets		\$ 705,447
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 58,953	
Deferred tax revenue	33,138	
Accrued payroll and payroll taxes	11,310	
Total liabilities		103,401
 FUND BALANCES		
Reserved for inventory		116,000
Reserved for reappraisal		50,346
Reserved for matching grant		15,000
Reserved for conservation		2,543
Reserved for recreation		2,315
Reserve for records restoration		2,555
Unreserved		413,287
Total fund balances		602,046
Total liabilities and fund balances		\$ 705,447

TOWN OF UNDERHILL, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2010

EXHIBIT B

	Major Fund General Fund	
REVENUES		
Property taxes	\$ 1,612,848	
Licenses and permits	50,894	
Intergovernmental	213,568	
Charges for services	39,690	
Interest Income	1,273	
Miscellaneous	34,564	
Total revenues		1,952,837
EXPENDITURES		
Current Expenditures		
Selectboard	476,680	
Grant projects	30,005	
Highway	493,580	
Land well monitoring	10,463	
Recreation	1,923	
Reappraisal	24,000	
Voter appropriations	387,530	
Capital Outlays	371,551	
Debt Service		
Principal	95,047	
Interest	24,593	
Total expenditures		1,915,371
EXCESS REVENUES		37,466
OTHER FINANCING SOURCES		
Proceeds from long-term debt		170,000
NET CHANGE IN FUND BLANCE		207,466
FUND BALANCE - JULY 1, 2009		394,580
FUND BALANCE - JUNE 30, 2010		\$ 602,046

TOWN OF UNDERHILL, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2010

EXHIBIT C

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 1,586,994	\$ 1,612,848	\$ 25,854
Licenses and permits	17,000	50,894	33,894
Intergovernmental	147,000	213,568	66,568
Charges for services	19,650	39,690	20,040
Interest Income	3,000	1,273	(1,727)
Miscellaneous	20,950	34,564	13,614
Total revenues	1,794,594	1,952,837	158,243
EXPENDITURES			
Current Expenditures			
General Government			
Selectboard	472,363	476,680	(4,317)
Grant projects	0	30,005	(30,005)
Highway	634,100	493,580	140,520
Land well monitoring	14,000	10,463	3,537
Recreation	2,450	1,923	527
Reappraisal	0	24,000	(24,000)
Voter appropriations	387,461	387,530	(69)
Capital Outlays	157,909	371,551	(213,642)
Debt Service			
Principal	95,047	95,047	0
Interest	31,264	24,593	6,671
Total expenditures	1,794,594	1,915,371	(120,777)
EXCESS REVENUES	0	37,466	37,466
OTHER FINANCING SOURCES			
Proceeds from long-term debt	0	170,000	170,000
NET CHANGE IN FUND BALANCE	\$ 0	207,466	\$ 207,466
FUND BALANCE - JULY 1, 2009		394,580	
FUND BALANCE - JUNE 30, 2010		\$ 602,046	

TOWN OF UNDERHILL, VERMONT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

The Town of Underhill, Vermont was chartered in 1761. The Town of Underhill is managed by a three member legislative body elected during the annual March Town Meeting and serving for three-year staggered terms. The Town provides the following services as authorized by its charter: highways and streets, waste disposal, health and welfare, and general government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are not prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations).

The Governmental Accounting Standards Board (GASB) unanimously approved Statements No. 34 and No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- The financial statements would include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Town’s overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Town’s activities.

- A change in the fund financial statements to focus on the major funds.

GASB Statement No. 37 establishes and modifies certain financial statement note disclosure requirements to make the financial statements more useful in the context of GASB Statement No. 34 reporting model. The Statement had an impact on the presentation of the notes to the financial statements, but no impact on net assets.

The Town’s management has elected to present only the financial statements of the major fund which is not in conformity with generally accepted accounting principles, specifically GASB 34 and GASB 37. Therefore, government-wide financial statements that include accounting for capital assets, lease payables and notes payable are not included in the financial statements.

TOWN OF UNDERHILL, VERMONT
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity are set forth in GASB 14 as amended by GASB 39 and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Based on the aforementioned criteria, the Town has no component units.

Basic Financial Statements, Measurement and Basis of Accounting

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenue and expenditures. The various funds are reported by major funds within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental category or enterprise type. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category/type or the governmental and enterprise funds combined) for the determination of major funds. The General Fund is shown as a major fund.

The Town reports on the following major governmental fund:

General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

Equity is classified in the following categories:

Reserved – Indicates the portion of equity that has been legally segregated or encumbered for specific future uses or not available for appropriation.

Unreserved – Indicated the portion of the fund equity that is available for appropriation and expenditure in future periods.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted first, then unrestricted resources as they are needed.

TOWN OF UNDERHILL, VERMONT
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or 60 days for property taxes, related items and all other revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budgetary Accounting

The Town approves the budget for the General Fund at an annual Town Meeting and the Selectboard determines the tax rate based on the budget and the Grand List. Formal budgetary accounting is employed as a management control device during the year. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The presentation 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property Taxes

Property taxes are recognized as revenue in the year for which taxes have been levied. Delinquent property taxes not collected within 60 days of year end are reflected as deferred tax revenue.

TOWN OF UNDERHILL, VERMONT
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

General capital assets should be capitalized and recorded when all of the following criteria are met:

- (1) The asset is tangible and complete,
- (2) The asset is used in the operation of the Town's activities, and
- (3) The asset has a value of \$3,000 or greater and a useful life over one year at the date of acquisition.

Capital assets are not currently recorded in the Town records. The Town plans to bring the financial records into conformance with GAAP during the next 18 to 24 months and record all assets, including infrastructure, in the financial records of the Town.

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts is an estimate for the potential losses that will be incurred in the collection of receivables. Management has decided not to enter an allowance for uncollectible accounts.

Compensated Absences

Vested or accumulated vacation leave and compensatory time that has matured is reported as expenditures and fund liabilities of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave and compensatory time that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these accounts.

NOTE 2 – DELINQUENT TAXES RECEIVABLE

Delinquent taxes receivable consist of:

	<u>General Fund</u>
Delinquent property taxes	\$ 42,592
Penalties on taxes receivable	3,203
Interest on taxes receivable	<u>3,322</u>
Total delinquent taxes	<u>\$ 49,117</u>

TOWN OF UNDERHILL, VERMONT
 NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 – DELINQUENT TAXES RECEIVABLE (Continued)

The Town levies its property tax based upon the assessed value as of April 1, for all real and personal property, with exemptions to qualifying veterans and excludes assessments on municipal, school and church properties. The tax is payable in four installments due August 15, November 15, February 15, and May 15. Interest of 1% per month is charged for overdue taxes from the due date of each installment. Any tax levies still delinquent after the due dates are charged an 8% penalty.

The Town is responsible for assessing and collecting taxes for itself and for the Town School District. Town property tax revenues are recognized when levied to the extent they result in current receivables. Current receivables are defined as receivables which are due or past due and receivable within the current period and collected no later than 60 days after the close of the current period.

NOTE 3 – PROPERTY TAXES

The tax rate for fiscal year 2010 was:

	<u>Residential</u>	<u>Non-Residential</u>
General Fund	\$ 0.4526	\$ 0.4526
School	<u>1.2803</u>	<u>1.4211</u>
Total Tax Rate	<u>\$ 1.7329</u>	<u>\$ 1.8737</u>

NOTE 4 – DEPOSITS

The Treasurer invests excess cash according to policies established by the Selectboard.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2010, the Town is not exposed to custodial credit risk.

Due to cash flows during certain times of the year, the Town's uninsured deposits in banks may be substantially higher than at year end.

The bank balances at year end were:

Insured by the FDIC	\$ 52,844
Uninsured - collateralized	<u>581,042</u>
Total deposits	<u>\$ 633,886</u>

TOWN OF UNDERHILL, VERMONT
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 5 – LONG TERM LIABILITIES

Long-term liabilities at June 30, 2010 consist of the following:

Vermont Municipal Bond Bank – building improvements, variable interest rate (4.344% - 5.644%), maturing December 1, 2020, principal payments of \$35,000 due annually, with interest payments due semiannually beginning December 1, 2000.	\$ 385,000
People’s United Bank – 2008 International dump truck note, interest 4.35%, maturing December 30, 2010, principal payments of \$14,000 plus interest, due annually beginning December 31, 2008.	14,000
People’s United Bank – 2011 International dump truck note, interest 3.5%, maturing May 28, 2016, principal payments of \$30,000 (five years 2011 – 2015) and a final payment of \$20,000 due 2016, plus interest, due annually beginning May 28, 2011.	<u>170,000</u>
Total long-term debt	569,000
Accrued vacation payable	<u>7,066</u>
Total long-term liabilities	<u>\$ 576,066</u>

On July 14, 2010, the Vermont Municipal Bond Bank issued and sold \$40,750,000 of 2010 Series 4 refunding bonds for the purpose of providing debt service reductions to a number of Vermont Municipalities, including the Town of Underhill. As a result of this debt restructure, the Town will save \$38,149 in future interest payments.

TOWN OF UNDERHILL, VERMONT
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 5 – LONG TERM LIABILITIES (Continued)

Maturities for long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 79,000	\$ 21,461	\$ 100,461
2012	65,000	19,097	84,097
2013	65,000	17,311	82,311
2014	65,000	15,491	80,491
2015	65,000	13,638	78,638
2016 – 2020	195,000	33,965	228,965
2021 – 2025	<u>35,000</u>	<u>1,975</u>	<u>36,975</u>
Totals	<u>\$ 569,000</u>	<u>\$ 122,938</u>	<u>\$ 691,938</u>

The following is a summary of changes in long term liabilities:

	Balance			Balance	Due in
	June 30, 2009	Additions	Reductions	June 30, 2010	One Year
Bonds and notes payable:					
Bond payable	\$ 420,000	\$ 0	\$ (35,000)	\$ 385,000	\$ 35,000
People's United Bank notes payable	74,047	170,000	(60,047)	184,000	44,000
Total bond and notes payable	<u>494,047</u>	<u>170,000</u>	<u>(95,047)</u>	<u>569,000</u>	<u>79,000</u>
Other liabilities:					
Accrued compensated absences	1,132	5,956	(22)	7,066	0
Total long-term liabilities	<u>\$ 495,179</u>	<u>\$ 175,956</u>	<u>\$ (95,069)</u>	<u>\$ 576,066</u>	<u>\$ 79,000</u>

Interest paid on long-term debt for the year ended June 30, 2010 was \$24,593.

NOTE 6 – RESERVED AND DESIGNATED FUND BALANCES

Fund balances are reserved as follows:

Reserved

Inventory	\$ 116,000
Reappraisal	50,346
Matching grant	15,000
Conservation	2,543
Recreation	2,315
Records restoration	<u>2,555</u>
Total reserved fund balances	<u>\$ 188,759</u>

Designated for construction	<u>\$ 120,901</u>
-----------------------------	-------------------

TOWN OF UNDERHILL, VERMONT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 7 – COMMITMENTS

The Town entered into a twenty year agreement with the Underhill-Jericho Fire Department, Inc. on February 5, 1997 where the Town will designate the Fire Department as the primary provider of emergency response, fire fighting, fire prevention, fire protection and fire suppression services. The Town shall appropriate annually out of the General Fund a sum of money to be paid over to the Fire Department in anticipation of the costs incurred by the Fire Department. Such appropriation shall be included in the Town's annual budget for voter approval. Payments shall be made quarterly.

The Town entered into an agreement with a former employee. The agreement consists of the Town paying benefit costs for the former employee and spouse including Medicare premium, Medicare supplemental plan, dental and vision at 100% until July 1, 2013. From July 1, 2013 until the end of the former employee's life, the Town will pay 25% of health insurance premiums, with the former employee reimbursing the Town for other benefits at cost. If the former employee dies, the spouse may continue his benefits at 100% payback to Town.

NOTE 8 – RETIREMENT BENEFIT PLAN

All eligible employees of the Town are enrolled for coverage by the Vermont Municipal Employees' Retirement System (VMERS) immediately upon employment. VMERS has a defined benefit plan and a defined contribution plan that the Town participates in as follows:

Defined Benefit Plan

VMERS defined benefit plan is a cost sharing multiple-employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Town and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

There are four levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. The Town participates only in Group C. For Group C employee contributions are 9.0% of gross pay and employer contributions are 6.0% of gross pay.

Of the Town's total payroll of \$365,151, \$316,445 was covered under the VMERS defined benefit plan. Total employer contributions to this plan were \$18,987 for fiscal year 2010.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

Effective July 1, 2010, the State increased the required contribution for employer and employees to 6.5% and 9.25% respectively.

TOWN OF UNDERHILL, VERMONT
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2010, expenditures exceeded appropriations in the General Fund by \$120,779. The excess expenditures were funded by proceeds from long-term debt.

NOTE 10 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund Inc., covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

NOTE 11 – LEASE AGREEMENT

In January 2009, the Town entered into a 62-month lease for one copier with SymQuest. The lease calls for monthly payments of \$227.10. The lease expense for 2010 was \$2,725. The remaining minimum lease payments are as follows:

2011	\$	2,724
2012		2,724
2013		2,724
2014		2,043
Total	\$	<u>10,215</u>

NOTE 12 – SUBSEQUENT EVENT

Management has evaluated subsequent events through November 30, 2010, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND

YEAR ENDED JUNE 30, 2010

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes			
Property taxes	\$ 1,568,994	\$ 1,577,113	\$ 8,119
Delinquent interest	3,000	4,264	1,264
Delinquent penalty	15,000	14,434	(566)
Payment in lieu of taxes	0	17,037	17,037
Total property taxes	<u>1,586,994</u>	<u>1,612,848</u>	<u>25,854</u>
Licenses and Permits			
Dog licenses	4,000	4,219	219
Zoning	8,000	33,504	25,504
Traffic control	3,000	6,677	3,677
Certified copies	0	1,085	1,085
Other fees	2,000	5,409	3,409
Total licenses and permits	<u>17,000</u>	<u>50,894</u>	<u>33,894</u>
Intergovernmental			
State aid	90,000	98,978	8,978
Current Use	40,000	42,412	2,412
Highway grant	5,000	25,921	20,921
Conservation	0	951	951
Regional Planning Commission	0	2,250	2,250
Roads grants	0	5,338	5,338
Planning grant	0	12,548	12,548
Climate grant	12,000	12,000	0
Reappraisal	0	13,170	13,170
Total intergovernmental	<u>147,000</u>	<u>213,568</u>	<u>66,568</u>
Charges for Services			
Animal control	150	762	612
Copier usage	2,500	3,425	925
Town Hall rent	1,000	500	(500)
Recording fees	16,000	35,003	19,003
Total charges for services	<u>19,650</u>	<u>39,690</u>	<u>20,040</u>
Miscellaneous Income			
Interest income	3,000	1,273	(1,727)
Rental - Post Office	9,000	8,347	(653)
School contribution	7,500	5,758	(1,742)
Insurance reimbursements	0	9,986	9,986
Other miscellaneous income	4,450	10,473	6,023
Total miscellaneous income	<u>23,950</u>	<u>35,837</u>	<u>11,887</u>
Total revenues	<u>1,794,594</u>	<u>1,952,837</u>	<u>158,243</u>

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND

YEAR ENDED JUNE 30, 2010

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
Current Expenditures			
General Government			
Selectboard			
Salaries	237,474	208,794	28,680
Outside labor	0	34,165	(34,165)
Insurance	35,168	36,861	(1,693)
Animal control	1,500	1,039	461
Traffic control	15,000	18,162	(3,162)
Regional Planning Commission	2,358	2,358	0
VLCT dues	3,199	3,199	0
CCMPO dues	2,233	2,233	0
Zoning	7,400	7,939	(539)
Land record restoration	1,500	9,243	(7,743)
Audit	1,000	640	360
Computer support	4,070	6,986	(2,916)
Legal	7,000	12,562	(5,562)
Travel	3,000	2,546	454
Municipal workshops	2,000	1,840	160
Elections	5,000	7,757	(2,757)
Electricity	3,500	2,913	587
Street lights	2,500	2,457	43
Fuel oil	5,300	4,643	657
Telephone	4,000	4,729	(729)
Mapping	7,000	800	6,200
Office supplies	10,500	10,425	75
Copier lease	4,000	2,632	1,368
Postage	4,500	3,475	1,025
Town building maintenance	9,000	7,710	1,290
Parks	3,000	2,579	421
Postage	750	415	335
Energy study	0	500	(500)
Contingency	20,000	14,521	5,479
Total selectboard	<u>401,952</u>	<u>414,123</u>	<u>(12,171)</u>
Employee benefits			
Payroll taxes	18,167	17,291	876
Retirement	11,011	10,251	760
Health	38,754	32,926	5,828
Dental	1,924	1,272	652
Vision	555	817	(262)
Total employee benefits	<u>70,411</u>	<u>62,557</u>	<u>7,854</u>
Grant Projects			
Municipal planning expenditures	0	12,548	(12,548)
Municipal education grant expenditures	0	800	(800)
Roads grants expenditures	0	16,657	(16,657)
Total grant projects	<u>0</u>	<u>30,005</u>	<u>(30,005)</u>

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND

YEAR ENDED JUNE 30, 2010

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Highway			
Salaries	201,660	155,865	45,795
Outside labor	6,000	22,270	(16,270)
Payroll taxes	15,427	10,114	5,313
Retirement	11,740	8,736	3,004
Clothing	2,200	1,867	333
Health insurance	42,580	26,084	16,496
Vision	376	0	376
Dental	3,296	1,776	1,520
Town shed - fuel	6,000	5,839	161
Town shed - telephone	2,000	1,881	119
Town shed - electricity	4,000	2,587	1,413
Town shed - supplies	4,500	3,034	1,466
Roadside maintenance	7,575	1,165	6,410
Reconstruction	50,000	8,401	41,599
Gravel	65,000	61,447	3,553
Chloride	10,000	9,778	222
Salt	35,000	31,855	3,145
Sand	45,000	45,203	(203)
Culverts and bridges	745	628	117
Gas, oil and grease	70,000	42,369	27,631
Equipment repairs/parts	41,501	48,290	(6,789)
VOSHA requirements	2,500	1,590	910
Road signs	3,000	246	2,754
Equipment rental	4,000	2,555	1,445
Total highway	<u>634,100</u>	<u>493,580</u>	<u>140,520</u>
Land Well Monitoring	<u>14,000</u>	<u>10,463</u>	<u>3,537</u>
Recreation	<u>2,450</u>	<u>1,923</u>	<u>527</u>
Reappraisal	<u>0</u>	<u>24,000</u>	<u>(24,000)</u>
Voter Appropriations			
Battered Women Services	400	400	0
Emergency Food Shelf	500	500	0
CSUI	1,500	1,500	0
Essex Rescue	4,200	4,200	0
Visiting Nurse Association	6,330	6,330	0
Howard Mental Health	700	700	0
Senior Citizens	1,250	1,250	0
C.V.A. on Aging	700	700	0
Jericho/Underhill Park	9,067	9,067	0
Fire Department	162,854	162,854	0
Underhill/Jericho Library	87,844	87,844	0
Cemetery Fund	500	200	300
Memorial Day	500	515	(15)
Chittenden County Tax	18,041	18,395	(354)
Land Contracts	93,000	93,000	0
NVRDC	75	75	0
Total voted appropriations	<u>387,461</u>	<u>387,530</u>	<u>(69)</u>
Total current expenditures	<u>1,510,374</u>	<u>1,424,181</u>	<u>86,193</u>

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND

YEAR ENDED JUNE 30, 2010

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Debt Service			
Principal	95,047	95,047	0
Interest	31,264	24,593	6,671
Total debt service	<u>126,311</u>	<u>119,640</u>	<u>6,671</u>
Capital Outlay			
Tennis court paving grant expense	5,000	9,795	(4,795)
Computer equipment	5,230	5,230	0
Culverts and rails	9,255	9,255	0
Power washer	11,749	11,749	0
Weatherization grant expense	0	19,105	(19,105)
Chipper	23,100	23,100	0
Retreatment - roads	103,575	98,840	4,735
2011 International truck	0	170,000	(170,000)
Pleasant Valley Road construction	0	24,477	(24,477)
Total capital outlay	<u>157,909</u>	<u>371,551</u>	<u>(213,642)</u>
Total expenditures	<u>1,794,594</u>	<u>1,915,371</u>	<u>(120,777)</u>
EXCESS REVENUES	<u>0</u>	<u>37,466</u>	<u>37,466</u>
OTHER FINANCING SOURCES			
Proceeds from long-term debt	<u>0</u>	<u>170,000</u>	<u>170,000</u>
Total other financing sources	<u>0</u>	<u>170,000</u>	<u>170,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>207,466</u>	<u>\$ 207,466</u>
FUND BALANCE - JULY 1, 2009		<u>394,580</u>	
FUND BALANCE - JUNE 30, 2010		<u>\$ 602,046</u>	

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Jane M. Burroughs, CPA
Donald J. Murray, CPA

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

November 30, 2010

Selectboard Members
Town of Underhill
Underhill, VT

We have audited the financial statements of the major fund of the Town of Underhill, as of and for the year ended June 30, 2010, which is a portion of the Town's basic financial statements and have issued our report thereon dated November 30, 2010. The report on the financial statements of the major fund was adverse because Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America, specifically GASB 34 and GASB 37, require the presentation of government-wide financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Town in a separate letter dated November 30, 2010.

This report is intended solely for the information and use of management, the Selectboard, others within the entity, and legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



FOTHERGILL SEGALE & VALLEY, CPAs

Vermont Public Accountancy License #110