

TOWN OF UNDERHILL
FINANCIAL STATEMENTS

June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Underhill
Underhill, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Underhill as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Underhill, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Underhill's basic financial statements. The schedule of revenues, expenditures and changes in fund balance - budget and actual - general fund is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying schedule of revenues, expenditures and changes in fund balance - budget and actual - general fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2014, on our consideration of the Town of Underhill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Underhill's internal control over financial reporting and compliance.

St. Albans, Vermont
January 23, 2014
VT Reg. No. 92-0000102

C. M. Pease & Company, LLP

**TOWN OF UNDERHILL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

As management of the Town of Underhill (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. The discussion and analysis presents the highlights of financial activities and financial position for the Town of Underhill. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Town.

Financial Highlights

- The net assets of the Town exceeded its liability by \$803,143 as of June 30, 2013. Of this amount, \$751,829 (unrestricted fund balance) may be used to meet the government's ongoing obligations.
- The Town of Underhill's total long-term debt, excluding compensated absences and accrued post employment benefits, increased by \$75,668 (17.8%) during the 2013 fiscal year. The increase was due to a net of scheduled payments and \$175,835 in new debt which represents a bank note for the purchase of a 2013 International Dump Truck.
- The General Fund ended the year with a balance of \$803,143, compared to a fund balance of \$770,362 in FY2012.
- The Town experienced major road damage caused by a storm and flood situation in May 2013. The incident was declared a major disaster by the federal government and the Town worked with the Federal Emergency Management Agency (FEMA) and the State of Vermont Emergency Management Agency to obtain funding for a large portion of the repairs. During the fiscal year, the Town had expenses of \$234,066 which was partially funded in the amount of \$180,031.

Overview of the Financial Statements

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Underhill's finances in a manner similar to a private-sector business.

The statement of net position presents information on all the Town's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned by unused vacation and compensatory time off).

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities: Government activities which are typically supported by taxes, grants and intergovernmental revenues and business-type activities which are supported by fees and charges.

- Governmental activities – All of the Town's basic services are reported here, including protection of person and property, highways, recreation, health, and general government.
- Business-type activities – The Town has no business type activities.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Underhill, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Funds are divided into three categories: governmental fund, proprietary funds, and fiduciary funds. The Town has only a governmental fund.

Governmental Fund

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund

statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Underhill has one governmental fund.

The Town adopts an annual budget for its General Fund. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with the budget on pages 30 through 35 of this report.

Notes to the Financial Statement

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 28.

Government-Wide Financial Analysis

As financial information is accumulated from year-to-year, changes in net position may serve as a useful indicator of a government's financial position. In the case of the Town of Underhill, assets exceeded liabilities by \$2,854,378 as of June 30, 2013.

The largest portion of the Town of Underhill's net position (73.1%) reflects its investment in capital assets (land, buildings, improvements, equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The Town of Underhill uses these assets to provide services to citizens.

The following provides a summary of the Town's net assets:

Town of Underhill Net Position

Capital assets	2,588,473	2,287,302
Total assets	<u>3,622,915</u>	<u>3,170,152</u>
Long term liabilities	467,555	431,725
Other liabilities	300,982	56,336
Total liabilities	<u>768,537</u>	<u>488,061</u>
Net position:		
Net investment in capital assets	2,087,805	1,862,302
Unrestricted	715,259	760,720
Restricted	51,314	59,067
Total net assets	<u>\$ 2,854,378</u>	<u>\$ 2,682,089</u>

Changes in Net Position

As of June 30, 2013, total net position of the Town of Underhill amounted to \$2,854,378, which is an increase of \$172,287 compared to the 2012 fiscal year end. The major item attributing to this increase is \$121,067 in grants received plus \$87,566 growth in property taxes. In addition, miscellaneous revenues increased due to the receipt of insurance claim proceeds and the sale of unusable highway plastic culvert inventory.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is \$715,259 for fiscal year 2013 as compared to \$760,720 in 2012.

The following schedule highlights the key elements of the Town’s revenues and expenses for the 2013 and 2012 fiscal year ends. These main components are subtracted to yield the change in net position and are summarized as follows.

Changes in Net Position		
	2013	2012
REVENUES		
Program revenues:		
Charges for services	\$ 90,795	\$ 86,830
Operating grants and contributions	166,186	185,084
Capital grants	139,965	0
General revenues:		
Property taxes	1,726,849	1,639,283
Investment income	2,016	1,701
Gain on sale of asset	22,000	0
Miscellaneous income	46,715	6,700
Total revenues	<u>2,194,526</u>	<u>1,919,598</u>
PROGRAM EXPENSES		
General government	582,654	542,673
Public safety	238,838	188,143
Culture and recreation	99,112	101,494
Highway and streets	884,688	731,613
Appropriations	138,358	120,395
Interest on long term debt	24,554	22,947
Total program expenses	<u>1,968,204</u>	<u>1,707,265</u>
(Loss) Gain from extraordinary item	<u>(54,035)</u>	<u>11,145</u>
Increase in net position	<u>\$ 172,287</u>	<u>\$ 223,478</u>

Governmental Activities

The Town's tax rate increased from \$.4200 per \$100 or assessed value to \$.4442 for the general expenses, or an increase of 2.42 cents on the tax rate. There was an increase of \$30,927 overall in the Town's tax revenue in fiscal year 2013. The actual tax rate for fiscal year 2014 increased to \$.4629.

The table below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs. The net of services column shows how much of the total amount is not covered by program revenue and must be covered by local taxes or other general revenue or transfers. Major activities that are detailed in 2013 but not in 2012 were included in the general government category during 2012.

Governmental Activities

	Total Cost of Services	Total Cost of Services	Net (Expense) of Services	Net (Expense) of Services
	2013	2012	2013	2012
General government	\$ 479,446	\$ 663,068	\$ (331,762)	\$ (510,095)
Public safety	238,838	188,143	(238,838)	(188,143)
Recreation	5,059		(5,059)	
Planning and zoning	97,858		(97,858)	
Conservation	427		(427)	
Energy	102		(102)	
Cultural services	94,053	101,494	(94,053)	(101,494)
Appropriations	138,358		(138,358)	
Highways and streets	884,688	740,290	(639,568)	(621,349)
Town planning	4,821		(679)	
Interest on long term debt	24,554	22,947	(24,554)	(22,947)
Totals	\$ 1,968,204	\$ 1,715,942	\$ (1,571,258)	\$ (1,444,028)

The major change in the total cost of services was reflected in the highways and streets function which increased \$144,398 which is primarily the result of the purchase of a new town plow.

The net cost of services is 80% of the total cost of services in 2013. This reflects a continued reliance on taxes to fund the cost of services.

Financial Analysis of the Government's Fund

The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental fund reported an ending balance of \$803,143, an increase of \$32,781 in comparison to last year. Of the total balance, 43% is classified as committed or assigned and 38% is unassigned. The balance is non-spendable or restricted.

Committed funds include \$185,000 capital reserve, \$44,240 contingency or rainy day reserve, \$77,500 reserved to be used for 2014 expenditures, \$1,536 conservation reserve, and \$1,451 for recreation reserve.

General Fund Budgetary Highlights

The 2013 final budget was \$2,212,040. During the year, revenues were more than budgeted and expenditures were more than budgeted. The major variance was in the additional spending on infrastructure projects.

Capital Assets

At June 30, 2013, the Town had \$2,588,473 invested in a broad range of capital assets that includes land, buildings and improvements, equipment, infrastructure, and construction in process, net of accumulated depreciation. This amount represents a net increase of \$301,172 over the prior year.

Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities	
	2013	2012
Land	\$ 289,326	\$ 289,326
Construction in progress	2,063	498,022
Buildings and improvements	908,430	908,430
Vehicle and equipment	1,150,520	1,043,487
Infrastructure	1,545,152	780,096
Office equipment	16,595	16,595
Accumulated depreciation	(1,323,613)	(1,248,654)
Totals	<u>\$ 2,588,473</u>	<u>\$ 2,287,302</u>

Long-term Debt

At year-end, the Town had \$500,668 in bonds and notes payable versus \$425,000 last year. In the current year, the Town paid \$100,167 in principal which includes an early payment on a debt payment due July 1, 2013, plus \$20,111 in interest.

Outstanding Debt at Year-End

	Governmental Activities		Increase
	2013	2012	(Decrease)
Bonds and notes payable	<u>\$ 500,668</u>	<u>\$ 425,000</u>	<u>\$ 75,668</u>

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the Fiscal Year 2014 budget for town operations. Factors included were the economic climate and unemployment in the region, property values, and the impact of the budget on property tax rates.

For fiscal year 2014 the combined homestead property tax rate for the Town increased by 4.2% and the combined non-residential tax rate increased by 3.7%.

The Town's general fund balance is expected to remain relatively unchanged as the result of adhering to the budget.

Requests for Information

This financial report is designed to provide a general overview of the Town of Underhill's finances for all those with an interest in the government's finances. Readers having questions about any of the information in this report or needing additional information should contact the Finance Officer, Town of Underhill, P O Box 32, Underhill Center, VT 05490, direct contact at (802) 899-4434 Ext 102 or email underhillfinance@comcast.net.

TOWN OF UNDERHILL

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 733,933
Receivables:	
Delinquent taxes	47,539
Delinquent tax interest	2,147
Delinquent tax penalties	3,709
Grants receivable	182,477
Prepaid expenses	44,923
Inventory	19,714
Capital assets:	
Land	289,326
Property and equipment, net of depreciation	2,297,084
Work in progress	2,063
Total assets	<u>3,622,915</u>
LIABILITIES	
Accounts payable	208,893
Accrued wages	18,065
Deferred revenue	7,867
Long-term liabilities	
Due within one year	66,157
Due in more than one year	467,555
Total liabilities	<u>768,537</u>
NET POSITION	
Net investment in capital assets	2,087,805
Restricted for:	
Reappraisal	18,302
Matching grant	15,000
Restoration reserve	15,540
Listers education	2,472
Unrestricted	715,259
Total net position	<u>\$ 2,854,378</u>

See accompanying notes.

TOWN OF UNDERHILL

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

<u>Funds/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
Governmental Activities:					
General government	\$ 479,446	\$ 89,935	\$ 57,749	\$ -	\$ (331,762)
Public Safety	238,838	-	-	-	(238,838)
Recreation	5,059	-	-	-	(5,059)
Planning and zoning	97,858	-	-	-	(97,858)
Conservation	427	-	-	-	(427)
Energy	102	-	-	-	(102)
Cultural services	94,053	-	-	-	(94,053)
Appropriations	138,358	-	-	-	(138,358)
Highways and streets	884,688	860	104,295	139,965	(639,568)
Town planning	4,821	-	4,142	-	(679)
Interest on long-term debt	24,554	-	-	-	(24,554)
Total governmental activities	\$ 1,968,204	\$ 90,795	\$ 166,186	\$ 139,965	(1,571,258)
 General revenues:					
Property taxes, penalties and interest					1,726,849
Earnings on investments					2,016
Gain on sale of asset					22,000
Miscellaneous					46,715
Total general revenues					1,797,580
 Extraordinary items:					
Grant revenues - Flood					180,031
Flood expenses					(234,066)
Total extraordinary items					(54,035)
Change in net position					172,287
Net position - July 1, 2012					2,682,091
Net position - June 30, 2013					\$ 2,854,378

See accompanying notes.

TOWN OF UNDERHILL

**BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2013**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 733,933
Receivables:	
Delinquent taxes	47,539
Delinquent tax interest	2,147
Delinquent tax penalties	3,709
Grants receivable	182,477
Prepaid expenses	84,533
Inventory	19,714
Total assets	\$ 1,074,052
 LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	\$ 208,893
Accrued wages	18,065
Deferred revenue	7,867
Deferred property taxes	36,084
Total liabilities	270,909
 FUND EQUITY	
Nonspendable	
Inventory	19,714
Prepaid expenses	84,533
Restricted	
Listers education	2,472
Matching grant	15,000
Reappraisal	18,302
Restoration reserve	15,540
Committed	
Building reserve	35,000
Conservation	1,536
Contingency	22,741
FY 14 expenditures	7,500
General capital reserve	20,000
Highway-Capital reserve	165,000
Highway-Contingency reserve	21,499
Highway-FY 14 expenditures	35,000
Recreation	1,451
Assigned	
Highway	28,774
Morgan donation	5,000
Unassigned	304,081
Total fund balances	803,143
Total liabilities and fund equity	\$ 1,074,052

See accompanying notes.

TOWN OF UNDERHILL
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2013

Total fund balances - governmental funds		\$ 803,143
Amount reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$3,912,086, and the accumulated depreciation is \$1,323,613.		2,588,473
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.		36,084
A long term debt payment was made before it was due and was included as prepaid expenses in the governmental funds but is recorded as a reduction in long term liabilities in the statement of net position.		(39,610)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and notes payable	\$ 500,668	
Accrued compensated absences	14,918	
Accrued post employment benefits	18,126	(533,712)
Total net position - governmental activities		\$ 2,854,378

See accompanying notes.

TOWN OF UNDERHILL

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2013**

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 1,746,917
Licenses and permits	42,853
Intergovernmental	306,151
Charges for services	47,942
Investment income	2,016
Miscellaneous income	46,715
Total revenues	<u>2,192,594</u>
EXPENDITURES	
Current:	
General government	443,379
Public safety	238,838
Recreation	5,059
Planning and zoning	96,798
Conservation	427
Energy	102
Cultural services	94,053
Appropriations	138,358
Highway	699,389
Town planning	4,821
Debt service	85,111
Capital outlay	497,278
Total expenditures	<u>2,303,613</u>
Excess (deficiency) of revenues over expenditures	<u>(111,019)</u>
OTHER FINANCING SOURCES	
Proceeds from issuance of debt	175,835
Proceeds from sale of asset	22,000
Total other financing sources	<u>197,835</u>
EXTRAORDINARY ITEMS	
Grant revenue - Flood relief	180,031
Flood expenses	<u>(234,066)</u>
Total extraordinary items	<u>(54,035)</u>
Net change in fund balance	32,781
Fund balance - July 1, 2012	<u>770,362</u>
Fund balance - June 30, 2013	<u>\$ 803,143</u>

See accompanying notes.

TOWN OF UNDERHILL

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

Total net change in fund balances - governmental fund	\$ 32,781
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$497,278 exceeds depreciation expense of \$196,107 in the period	301,171
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis. The deferred property taxes increased \$20,068.	(20,068)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	65,000
Proceeds of long term debt issued is recorded as revenue in the governmental funds and as a long-term liabilities in the statement of net position.	(175,835)
In the statement of activities, accrued compensated absences payable are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences earned exceeded the amounts used by \$8,193.	(8,193)
In the statement of activities, accrued post employment benefits are measured by the amounts due in the future as of the end of the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, post employment benefits accrued exceeded the amounts used by \$18,126.	(18,126)
In the statement of activities, interest on long term debt differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when due. In the the statement of activities, interest is recognized as it accrues, regardless of when it is due.	(4,443)
Change in net position of governmental activities	<u>\$ 172,287</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Town of Underhill have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are described below.

A. 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 61 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.

B. Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the Town's activities are classified as governmental activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. Program revenues must be directly associated with the function (highway, public safety, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs by function are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.). The Town does not allocate indirect costs.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

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, fund equity, revenues and expenditures.

The emphasis in fund financial statements is on the major funds in the governmental activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets for the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental combined) for the determination of major funds. The Town may electively add funds, as

Note 1. Summary of Significant Accounting Policies (Continued)

major funds, which either had debt outstanding or specific community focus. The Town does not report any nonmajor funds.

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Town reports the following major governmental fund:

- The general fund is the Town's primary operating fund. It accounts for all financial resources of the Town.

The activities reported in this fund is reported as governmental activities in the government-wide financial statements.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements are presented on the economic resources measurement focus and the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for property taxes and six months for other revenues. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The exception to this general rule includes principal and interest on general obligation long term debt which is recognized when due.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- The Finance Officer prepares a budget for the upcoming fiscal year during December. The operating budget includes proposed expenditures and means of financing them and encompasses the Capital Improvement Plan.
- The budget and any revisions are approved by the Selectboard.
- The legal voters of the Town of Underhill meet on the first Tuesday in March to review, discuss and vote on the budget.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- The General Fund budgetary comparison schedule presents comparisons of the legally adopted budget with actual data on a budgetary basis which conforms with the modified accrual basis of accounting. For the Town, the accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles.

F. Equity Classification

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets -- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by remaining balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position -- Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position -- All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Statements

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - Amounts that are not in a spendable form (such as prepaid expenses or inventory) or are legally or contractually required to remain intact (such as the principal of an endowment fund).

Note 1. Summary of Significant Accounting Policies (Continued)

The spendable portion of the fund balances are categorized based on a hierarchy of spending constraints.

- a. Restricted fund balance - Amounts constrained to specific purposes by external parties (such as grantors, bondholders, and higher levels of government), constitutional provisions, or enabling legislation.
- b. Committed fund balance – Fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. These amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- c. Assigned fund balance - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- d. Unassigned fund balance - Amounts that are available for any purpose; positive amounts are reported only in the general fund.

G. Use of Restricted Resources

When an expense is incurred that can be paid from either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then to unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other less-restrictive classifications – committed then assigned fund balances before using unassigned fund balances.

H. Deposits

The Town's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

I. Receivables

The Town utilizes the allowance method for uncollectible accounts. They have determined that all accounts are collectible and the allowance is zero.

J. Inventory

Inventory consists of road materials held for the Town's use and is carried at cost.

K. 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 revenue.

L. Capital Assets

Infrastructure assets purchased or acquired with an original cost of \$25,000 and capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received.

Note 1. Summary of Significant Accounting Policies (Continued)

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15-30 years
Machinery and equipment	3-10 years
Infrastructure	30-45 years

GASB No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of fiscal year 2004 and is not required to report these assets retroactively. General infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

M. 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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the period. Accordingly, actual results could differ from those estimates.

N. Accrued Compensated Absences

Government-Wide Financial Statements - All vested or accumulated vacation leave and compensatory time is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

Fund Financial Statements - Vested or accumulated vacation leave and compensatory time that has matured and 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.

O. Accrued Post Employment Benefits

Government-Wide Financial Statements – Accrued post employment benefits based on the value of the discounted cash flows related to the anticipated cost of the agreement is reported as a liability on the government-wide financial statements.

Fund Financial Statements – Actual post employment benefits paid are reported as expenditures in the governmental fund that will pay it. Amounts of post employment benefits that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements.

P. Implementation of New Accounting Principles

For the year ending June 30, 2013, the Town implemented the following statement of financial accounting standards issued by the Governmental Accounting Standards Board:

Note 1. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

The objective of this standard is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The effect of the Town's implementation of this standard is to change the terminology for the *Statement of Net Assets* to *Statement of Net Position* and to rename one component of Net Position. *Invested in Capital Assets, Net of Related Debt* becomes *Net Investment in Capital Assets*.

Additionally, the Town reviewed the following GASB Statements for possible implementation and determined that they have no effect on the Town's financial reporting.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – and amendment of GASB Statements No. 14 and No. 34*
GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

In March 2012, the Governmental Accounting Standards Board issued Statement No. 65 *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). Management plans to adopt this standard for the fiscal year ending June 30, 2014.

In June 2012, the Governmental Accounting Standards Board issued Statement No. 67 *Financial Reporting for Pension Plans* and Statement No. 68 *Accounting and Financial Reporting for Pensions*. The objective of Statement No. 67 is to improve financial reporting by state and local governmental pension plans. The objective of Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. Management is currently evaluating the impact of adoption of these statements on the Town's financial statements.

Note 2. Cash and Custodial Credit Risk - Deposits in Financial Institutions

Cash belonging to the Town is placed in the custody of the Town Treasurer who is elected. The Town 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 government's deposits may not be returned to it. At June 30, 2013, the Town of Underhill's bank balance of \$755,570 was exposed to custodial credit risk as follows:

Insured	\$	234,442
Uninsured and collateral held by pledging institution's trust department not in the government's name		521,128
Total	\$	<u>755,570</u>

Due to cash flows, the Town's uninsured deposits may be higher during certain times of the year. Management considers this a normal business risk.

Note 3. Delinquent Taxes Receivable

Delinquent taxes receivable consist of:

	<u>General Fund</u>
Delinquent property taxes	\$ 47,539
Penalties on taxes receivable	3,709
Interest on taxes receivable	<u>2,147</u>
 Total delinquent taxes	 <u><u>\$ 53,395</u></u>

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. 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.

Note 4. Property Taxes

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. Elected listers establish a Grand List of all property and the Selectboard sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Department of Education.

The tax rate for fiscal year 2013 was:

	<u>Residential</u>	<u>Non-Residential</u>
Municipal	\$ 0.4442	\$ 0.4442
Local agreement	0.0276	0.0276
Education	<u>1.2496</u>	<u>1.4036</u>
 Total tax rate	 <u><u>\$ 1.7214</u></u>	 <u><u>\$ 1.8754</u></u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 289,326	\$ -	\$ -	\$ 289,326
Work in progress	498,022	2,063	(498,022)	2,063
Total capital assets not depreciated	<u>787,348</u>	<u>2,063</u>	<u>(498,022)</u>	<u>291,389</u>
Capital assets, being depreciated				
Infrastructure	780,096	765,056	-	1,545,152
Building and improvements	908,430	-	-	908,430
Vehicles and equipment	1,043,487	228,181	(121,148)	1,150,520
Office equipment	16,595	-	-	16,595
Total capital assets being depreciated	<u>2,748,608</u>	<u>993,237</u>	<u>(121,148)</u>	<u>3,620,697</u>
Less accumulated depreciation for:				
Infrastructure	(125,541)	(69,243)	-	(194,784)
Building and improvements	(368,083)	(36,689)	-	(404,772)
Vehicles and equipment	(741,574)	(89,128)	121,148	(709,554)
Office equipment	(13,457)	(1,046)	-	(14,503)
Total accumulated depreciation	<u>(1,248,655)</u>	<u>(196,106)</u>	<u>121,148</u>	<u>(1,323,613)</u>
Total capital assets, being depreciated, net	<u>1,499,953</u>	<u>797,131</u>	<u>-</u>	<u>2,297,084</u>
Governmental activities capital assets, net	<u>\$ 2,287,301</u>	<u>\$ 799,194</u>	<u>\$ (498,022)</u>	<u>\$ 2,588,473</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 17,595
Highways and streets	<u>178,511</u>
Total depreciation expense - Governmental activities	<u>\$ 196,106</u>

Note 6. Long-Term Liabilities

Below is a summary of long-term liabilities for the year ended June 30, 2013:

	Beginning Balance	Additions	Principal Payments	Ending Balance	Due Within One Year
Bonds and Notes Payable:					
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	\$ 315,000	\$ -	\$ 35,000	\$ 280,000	\$ 35,000
Peoples 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.	110,000	-	30,000	80,000	30,000
Merchants Bank - 2013 International dump truck note, interest 2.44%, maturing July 15, 2017, principal payments of \$35,167 plus interest due annually beginning July 15, 2013.	-	175,835	35,167	140,668	-
Total bonds and notes payable	425,000	175,835	100,167	500,668	65,000
Other Liabilities:					
Accrued compensated absences	6,725	8,193	-	14,918	-
Accrued post employment benefits	-	18,126	-	18,126	1,157
Total long-term liabilities	<u>\$ 431,725</u>	<u>\$ 202,154</u>	<u>\$ 100,167</u>	<u>\$ 533,712</u>	<u>\$ 66,157</u>

Maturities for long term debt including interest are as follows:

Years Ending	Principal	Interest	Total
2014	\$ 65,000	\$ 17,241	\$ 82,241
2015	100,167	17,896	118,063
2016	90,167	14,231	104,398
2017	70,167	10,892	81,059
2018	70,167	8,230	78,397
2019-2021	105,000	8,869	113,869
	<u>\$ 500,668</u>	<u>\$ 77,359</u>	<u>\$ 578,027</u>

Interest paid on long-term debt for the year ended June 30, 2013 was \$24,554.

Note 7. Line of Credit

The Town has \$250,000 of available borrowing capacity under a line of credit. The line of credit was unused during year end. Interest on the line of credit is at 1.78% and matures June 2014. The line of credit is unsecured.

Subsequent to year end, the line of credit was increased to \$500,000.

Note 8. 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.

Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and rate-setting policies have been established after consultations with actuaries. Fund members are subject to supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

The Town is a member of Vermont Leagues of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

Note 9. Lease Agreement

The Town has entered into a 62-month lease for a copier that expires March 2014. The lease calls for monthly payments of \$227. The lease expense for 2013 was \$2,724. The remaining minimum lease payments are as follows:

2014	\$ 2,043
Thereafter	<u>-</u>
Total	<u>\$ 2,043</u>

Subsequent to year end, the Town initiated an early buy-out of the above lease and entered into a new lease for a new copier. The new lease has a term of 60 months and requires monthly payments of \$225.

Note 10. Municipal Employees' Retirement System

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:

Note 10. Municipal Employees' Retirement System (Continued)

Defined Benefit Plan

VMERS defined benefit plan is a cost sharing multiple employer 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 9.25% of gross pay and employer contributions are 6.5% of gross pay.

Of the Town's total payroll of \$434,078, \$385,233 was covered under the VMERS defined benefit plan. Total employer contributions to this plan were \$25,040 for fiscal year 2013, \$23,907 for fiscal year 2012 and \$33,189 for fiscal year 2011.

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.

Note 11. Accrued Post Employment Benefits

The Town entered into agreement with a former employee to provide for benefit costs. 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 June 30, 2013. From July 1, 2013 until the end of the former employee's life, the Town will pay 25% of health insurance premiums for the former employee only, with the former employee reimbursing the Town for other benefits at cost. A liability in the amount of \$18,126 has been recognized, based on the value of the discounted cash flows related to the anticipated cost of the agreement.

Note 12. Commitments and Contingencies

The Town has entered into an agreement with the Underhill-Jericho Fire Department Inc. on February 5, 1997 whereas the Town has designated the Fire Department as the primary provider of emergency response, firefighting, fire prevention, fire protection and fire suppression services. The Town appropriates annually, out of the General Fund, a sum of money to be paid to the Fire Department in anticipation of the costs incurred by the Fire Department. Such appropriations are included in the Town's annual budget for voter approval. Payments are made quarterly. The agreement can only be cancelled when the fire department has no mortgages outstanding.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the State of Vermont or the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Note 12. Commitments and Contingencies (Continued)

The Town is a party to various legal actions in the normal course of business, the aggregate effect of which, in management's opinion, would not be material to the financial condition of the Town of Underhill.

Note 13. Other Postemployment Benefits

The Town offered postemployment benefits for health insurance coverage for any employee who had attained age 65 and retired with a minimum of twenty years of service. Effective July 1, 2013, these benefits were rescinded by the select board. As of June 30, 2013, no former employees were receiving benefits under this plan.

Note 14. Excess of Expenditures over Appropriations

Expenditures in excess of budgeted amounts at the legal level of control are disclosed in the Budgetary Comparison Schedule

Note 15. Flood

During the week of May 22-26, 2013, excessive rain caused extensive damage to the Town roads. On June 13, 2013, the flood was declared a major disaster. The federal government issued a grant to help defer the costs of repairs in which the Town was named as one of the subgrantees. Under the terms of the grant, FEMA will reimburse the Town 75% of approved costs and the State will reimburse 15% of approved costs. The Town is responsible for the remaining costs.

As of January 23, 2014 approximately \$540,000 in costs have been incurred of which approximately \$200,000 were incurred in fiscal year 2013. A corresponding receivable has been recorded of approximately \$180,000 as of year end and is included in the financial statements as grants receivable.

Note 16. Subsequent Events

In July 2013, the Town was awarded a Town Highway Structures grant in the amount of \$175,000.

Subsequent to year end, the Town entered into a 60 month lands records computerized contract with payments of \$685 per month.

Management has evaluated subsequent events through January 23, 2014, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF UNDERHILL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2013

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 1,715,990	\$ 1,746,917	\$ 30,927
Licenses and permits	30,900	42,853	11,953
Intergovernmental	152,500	306,151	153,651
Charges for services	26,500	47,942	21,442
Investment income	1,000	2,016	1,016
Miscellaneous income	21,150	46,715	25,565
Total revenue	<u>1,948,040</u>	<u>2,192,594</u>	<u>244,554</u>
EXPENDITURES			
General government			
Select board	53,607	48,746	4,861
Elections	14,793	11,224	3,569
Administration	54,357	55,511	(1,154)
Town clerk and treasurer	91,684	89,594	2,090
Finance	93,234	97,667	(4,433)
Auditors	7,936	-	7,936
Listers	73,274	71,429	1,845
Town hall	67,460	66,115	1,345
Post office	2,750	1,051	1,699
School house	240	2,042	(1,802)
Public safety			
Animal control	4,377	2,896	1,481
Public safety	219,788	219,348	440
Health	17,158	16,594	564
Recreation	6,230	5,059	1,171
Planning and zoning	109,732	96,798	12,934
Conservation	-	427	(427)
Energy	500	102	398
Cultural services	94,053	94,053	-
Appropriations	139,639	138,358	1,281
Highway	726,067	699,389	26,678
Town planning grant	-	4,821	(4,821)
Debt service			
Principal	70,000	65,000	5,000
Interest	22,161	20,111	2,050
Capital outlay	343,000	497,278	(154,278)
Total expenditures	<u>2,212,040</u>	<u>2,303,613</u>	<u>(91,573)</u>
Excess (deficiency) of revenues over expenditures	<u>(264,000)</u>	<u>(111,019)</u>	<u>152,981</u>
OTHER FINANCING SOURCES			
Proceeds of issuance of debt	190,000	175,835	(14,165)
Proceeds from sale of assets	-	22,000	22,000
Total other financing sources	<u>190,000</u>	<u>197,835</u>	<u>7,835</u>
EXTRAORDINARY ITEMS			
Grant revenue - Flood relief	-	180,031	180,031
Flood expenses	-	(234,066)	(234,066)
Total extraordinary items	<u>-</u>	<u>(54,035)</u>	<u>(54,035)</u>
Net change in fund balance	<u>\$ (74,000)</u>	32,781	<u>\$ 106,781</u>
Fund balance - July 1, 2012		<u>770,362</u>	
Fund balance - June 30, 2013		<u>\$ 803,143</u>	

OTHER SUPPLEMENTARY INFORMATION

TOWN OF UNDERHILL
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2013

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes			
Property taxes	\$ 1,682,990	\$ 1,710,373	\$ 27,383
Delinquent interest	3,000	6,368	3,368
Delinquent penalties	15,000	13,490	(1,510)
Payment in lieu of taxes	15,000	16,686	1,686
Total property taxes	<u>1,715,990</u>	<u>1,746,917</u>	<u>30,927</u>
Licenses and permits			
Dog licenses	4,000	4,108	108
Zoning	20,700	26,615	5,915
Traffic control	3,000	6,306	3,306
Certified copies	700	962	262
Other fees	2,500	4,862	2,362
Total licenses and permits	<u>30,900</u>	<u>42,853</u>	<u>11,953</u>
Intergovernmental			
State aid	95,000	102,230	7,230
Current use	45,000	45,095	95
Road grants	-	142,030	142,030
Planning grant	-	4,142	4,142
Reappraisal	12,500	12,654	154
Total intergovernmental	<u>152,500</u>	<u>306,151</u>	<u>153,651</u>
Charges for services			
Animal control	500	25	(475)
Copier usage	2,500	3,459	959
Town hall rent	400	695	295
Recording fees	23,100	43,763	20,663
Total charges for services	<u>26,500</u>	<u>47,942</u>	<u>21,442</u>
Investment income			
Interest income	1,000	2,016	1,016
Miscellaneous income			
Rental - Post office	9,000	9,100	100
School contribution	7,500	7,500	-
School billback	2,500	5,534	3,034
Other miscellaneous income	2,150	24,581	22,431
Total miscellaneous income	<u>21,150</u>	<u>46,715</u>	<u>25,565</u>
Total revenues	<u>1,948,040</u>	<u>2,192,594</u>	<u>244,554</u>

TOWN OF UNDERHILL
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2013

EXPENDITURES	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
General government:			
Select board			
Stipend	4,500	4,500	-
Payroll taxes	344	344	-
Benefits	10,730	9,967	763
Training and development	200	295	(95)
Professional and technical services	14,000	18,502	(4,502)
Other purchased services	3,833	4,080	(247)
Supplies	-	39	(39)
Other expenses	20,000	11,019	8,981
Total select board	<u>53,607</u>	<u>48,746</u>	<u>4,861</u>
Elections			
Salaries	3,988	1,370	2,618
Payroll taxes	305	40	265
Other purchased services	-	3,987	(3,987)
Supplies	10,500	5,827	4,673
Total elections	<u>14,793</u>	<u>11,224</u>	<u>3,569</u>
Administration			
Salaries	25,958	25,444	514
Payroll taxes	1,986	1,795	191
Benefits	25,913	27,736	(1,823)
Training and development	300	190	110
Supplies	100	295	(195)
Other expenses	100	51	49
Total administration	<u>54,357</u>	<u>55,511</u>	<u>(1,154)</u>
Town clerk and treasurer			
Salaries	73,469	70,642	2,827
Payroll taxes	5,620	5,404	216
Benefits	6,645	7,111	(466)
Training and development	400	130	270
Professional and technical services	5,000	5,811	(811)
Supplies	250	382	(132)
Other expenses	300	114	186
Total town clerk and treasurer	<u>91,684</u>	<u>89,594</u>	<u>2,090</u>

TOWN OF UNDERHILL
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2013

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Finance			
Salaries	56,784	56,784	-
Payroll taxes	4,344	4,229	115
Benefits	21,006	22,760	(1,754)
Training and development	300	428	(128)
Professional and technical services	10,000	12,743	(2,743)
Supplies	400	454	(54)
Other expenses	400	269	131
Total finance	93,234	97,667	(4,433)
Auditors			
Salaries	7,093	-	7,093
Payroll taxes	543	-	543
Training and development	300	-	300
Total auditors	7,936	-	7,936
Listers			
Salaries	41,463	39,650	1,813
Payroll taxes	3,172	3,050	122
Benefits	2,359	1,071	1,288
Training and development	500	235	265
Professional and technical services	24,430	24,544	(114)
Supplies	500	1,838	(1,338)
Other expenses	850	1,041	(191)
Total listers	73,274	71,429	1,845
Town hall			
Salaries	-	900	(900)
Payroll taxes	-	69	(69)
Other purchased services	33,900	34,723	(823)
Supplies	22,500	19,630	2,870
Other expenses	11,060	10,793	267
Total town hall	67,460	66,115	1,345
Post office			
Other purchased services	2,000	538	1,462
Supplies	750	513	237
Total post office	2,750	1,051	1,699
School house			
Other purchased services	-	1,624	(1,624)
Other expenses	240	418	(178)
Total school house	240	2,042	(1,802)
Total general government	459,335	443,379	15,956

TOWN OF UNDERHILL
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2013

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public safety:			
Animal control			
Salaries	2,673	922	1,751
Payroll taxes	204	71	133
Benefits	-	16	(16)
Other purchased services	300	300	-
Supplies	1,000	1,518	(518)
Other expenses	200	69	131
Total animal control	<u>4,377</u>	<u>2,896</u>	<u>1,481</u>
Public safety			
Training and development	15,300	14,860	440
Appropriations	204,488	204,488	-
Total public safety	<u>219,788</u>	<u>219,348</u>	<u>440</u>
Health			
Salaries	624	-	624
Payroll taxes	48	-	48
Benefits	-	8	(8)
Professional and technical services	10,156	10,256	(100)
Appropriations	6,330	6,330	-
Total health	<u>17,158</u>	<u>16,594</u>	<u>564</u>
Total public safety	<u>241,323</u>	<u>238,838</u>	<u>2,485</u>
Recreation:			
Salaries	3,604	2,658	946
Payroll taxes	276	203	73
Benefits	-	32	(32)
Other purchased services	300	596	(296)
Supplies	2,050	1,570	480
Total recreation	<u>6,230</u>	<u>5,059</u>	<u>1,171</u>
Planning and zoning:			
Salaries	54,566	54,566	-
Payroll taxes	4,174	4,060	114
Benefits	21,210	22,720	(1,510)
Training and development	1,235	1,313	(78)
Professional and technical services	18,000	7,154	10,846
Other purchased services	4,647	4,380	267
Supplies	5,600	2,279	3,321
Other expenses	300	326	(26)
Total planning and zoning	<u>109,732</u>	<u>96,798</u>	<u>12,934</u>

TOWN OF UNDERHILL
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2013

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Conservation:			
Other expenses	-	427	(427)
Total conservation	-	427	(427)
Energy:			
Other expenses	500	102	398
Total energy	500	102	398
Cultural services:			
Town library	94,053	94,053	-
Total cultural services	94,053	94,053	-
Appropriations:			
General appropriations	104,525	103,589	936
Regional service appropriations	29,764	29,419	345
Social service appropriations	5,350	5,350	-
Total appropriations	139,639	138,358	1,281
Highway:			
Salaries	205,888	170,312	35,576
Payroll taxes	15,751	13,841	1,910
Benefits	66,928	51,328	15,600
Training and development	-	165	(165)
Professional and technical services	6,000	29,807	(23,807)
Other purchased services	72,500	133,449	(60,949)
Supplies	247,000	246,624	376
Other expenses	112,000	53,863	58,137
Total highway	726,067	699,389	26,678
Town planning:			
Other expenses	-	4,821	(4,821)
Total town planning	-	4,821	(4,821)
Debt service:			
Principal	70,000	65,000	5,000
Interest	22,161	20,111	2,050
Total debt service	92,161	85,111	7,050
Capital expenditures	343,000	497,278	(154,278)
Total expenditures	2,212,040	2,303,613	(91,573)
Excess (deficiency) of revenues over expenditures	(264,000)	(111,019)	152,981

TOWN OF UNDERHILL
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2013

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OTHER FINANCING SOURCES			
Proceeds of issuance of debt	190,000	175,835	(14,165)
Proceeds from sale of asset	<u>0</u>	<u>22,000</u>	<u>22,000</u>
Total other financing sources	<u>190,000</u>	<u>197,835</u>	<u>7,835</u>
EXTRAORDINARY ITEMS			
Grant revenue - Flood relief	-	180,031	180,031
Flood expenses	<u>-</u>	<u>(234,066)</u>	<u>(234,066)</u>
Total extraordinary items	<u>-</u>	<u>(54,035)</u>	<u>(54,035)</u>
 Net change in fund balance	 <u>\$ (74,000)</u>	 32,781	 <u>\$ 106,781</u>
 Fund balance - July 1, 2012		 <u>770,362</u>	
 Fund balance - June 30, 2013		 <u>\$ 803,143</u>	