

TOWN OF GREENSBORO, VERMONT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2013

TOWN OF GREENSBORO, VERMONT

JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

The Select Board
Town of Greensboro, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Greensboro, Vermont, 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 error or fraud.

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 from 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.

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

Opinions

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1 to the financial statements, management has not recorded certain general capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Greensboro, Vermont as of June 30, 2013, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and Capital Project Fund of the Town of Greensboro, VT, 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 budgetary comparison information on page 16 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.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 4, 2013, on our consideration of Town of Greensboro, VT’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 Town of Greensboro, VT’s internal control over financial reporting and compliance.

Pace & Hawley, LLC

Montpelier, Vermont
November 4, 2013

TOWN OF GREENSBORO, VERMONT
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash	\$ 872,005
Accounts receivable	<u>3,468</u>
Total current assets	<u>875,473</u>
Total assets	<u>875,473</u>
Liabilities	
Current liabilities:	
Accounts payable	8,608
Payroll liabilities	4,068
Prepaid property tax	4,700
Tax anticipation note	365,199
Note payable, current portion	<u>19,548</u>
Total current liabilities	<u>402,123</u>
Noncurrent liabilities:	
Accrued vacation	<u>10,170</u>
Total noncurrent liabilities	<u>10,170</u>
Total liabilities	<u>412,293</u>
Net position	
Restricted	136,689
Unrestricted	<u>326,491</u>
Total net position	\$ <u><u>463,180</u></u>

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

TOWN OF GREENSBORO, VERMONT
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
General government	\$ 415,721	\$ 22,087	\$ 113,354	\$ (280,280)
Highway	915,054	-	157,792	(757,262)
Public safety	220,813	7,322	-	(213,491)
Public works	5,478	-	-	(5,478)
Interest expense	5,151	-	-	(5,151)
Total governmental activities	\$ <u>1,562,217</u>	\$ <u>29,409</u>	\$ <u>271,146</u>	<u>(1,261,662)</u>
General revenues				
				1,117,947
				9,215
				<u>35,677</u>
				<u>1,162,839</u>
				(98,823)
				<u>562,003</u>
				\$ <u><u>463,180</u></u>

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

TOWN OF GREENSBORO, VERMONT
Balance Sheet - Governmental Funds
June 30, 2013

	General Fund	Capital Project Fund	Total Governmental Funds
Assets			
Cash	\$ 560,695	\$ 311,310	\$ 872,005
Accounts receivable	3,468	-	3,468
Due from other funds	-	12,464	12,464
Total assets	\$ 564,163	\$ 323,774	\$ 887,937
Liabilities and fund balance			
Liabilities:			
Accounts payable	\$ 8,608	\$ -	\$ 8,608
Payroll liabilities	4,068	-	4,068
Prepaid property tax	4,700	-	4,700
Due to other funds	12,464	-	12,464
Tax anticipation note	365,199	-	365,199
Total liabilities	395,039	-	395,039
Fund balance:			
Restricted	136,689	-	136,689
Committed	18,879	323,774	342,653
Assigned	13,556	-	13,556
Total fund balance	169,124	323,774	492,898
Total liabilities and fund balance	\$ 564,163	\$ 323,774	\$ 887,937

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

TOWN OF GREENSBORO, VERMONT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013

Total fund balances - governmental funds \$ 492,898

Amounts reported for governmental activities in the government-wide statement of net position are different because:

Liabilities not due and payable in the year are not reported in the governmental funds:

Accrued vacation	(10,170)
Note payable	<u>(19,548)</u>

Net position - governmental activities \$ 463,180

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

TOWN OF GREENSBORO, VERMONT
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 1,113,246	\$ -	\$ 1,113,246
Interest on delinquent taxes	4,701	-	4,701
Licenses and permits	1,178	-	1,178
Grants	13,468	-	13,468
Intergovernmental	257,680	-	257,680
Charges for services	25,896	-	25,896
Fines	2,335	-	2,335
Interest on investments	8,384	831	9,215
Miscellaneous	<u>35,677</u>	<u>-</u>	<u>35,677</u>
Total revenues	<u>1,462,565</u>	<u>831</u>	<u>1,463,396</u>
Expenditures			
General government	290,050	10,000	300,050
Highways, streets and bridges	700,504	4,050	704,554
Public safety	217,796	3,018	220,814
Public works	5,479	-	5,479
Appropriations	97,247	-	97,247
Grants and miscellaneous	15,803	-	15,803
Capital outlay	-	210,500	210,500
Debt service - principal	-	18,876	18,876
Debt service - interest	<u>3,708</u>	<u>1,443</u>	<u>5,151</u>
Total expenditures	<u>1,330,587</u>	<u>247,887</u>	<u>1,578,474</u>
Excess of revenues or (expenditures)	131,978	(247,056)	(115,078)
Other financing sources (uses)			
Transfers in (out)	<u>(176,000)</u>	<u>176,000</u>	<u>-</u>
Net change in fund balances	(44,022)	(71,056)	(115,078)
Fund balances, July 1, 2012	<u>213,145</u>	<u>394,831</u>	<u>607,976</u>
Fund balances, June 30, 2013	\$ <u>169,123</u>	\$ <u>323,775</u>	\$ <u>492,898</u>

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

TOWN OF GREENSBORO, VERMONT
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Net change in fund balances - governmental funds \$ (115,078)

Amounts reported for governmental activities in the government-wide statement of activities are different because:

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds:

Changes in accrued vacation	(2,621)
Principal payments on note payable	<u>18,876</u>

Change in net position - governmental activities \$ (98,823)

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

TOWN OF GREENSBORO, VERMONT
Notes to Financial Statements
June 30, 2013

1. Summary of significant accounting policies:

The Town of Greensboro, Vermont (the Town) was chartered in 1781 under the provisions of the State of Vermont. The Town operates under a Board of Selectmen form of government, and provides the following services as authorized by its charter: public safety, streets and highways, public improvements, planning and zoning, and general administrative services.

The Government Accounting and Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the Town have been prepared in conformity with generally accepted accounting principles as applied to governmental entities with the exception of certain general capital assets which have not been recorded in governmental activities of the government-wide statement. The following is a summary of the Town's more significant accounting policies:

A. Reporting entity - The Town is a primary unit of government under reporting criteria established by the GASB. Those criteria include separate legal standing, separate elected governing body, and fiscal independence from other governmental entities. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units and evaluated them against the criteria established by the GASB. Based on these criteria, there are no other entities that are considered to be component units of the Town that should be included in these financial statements.

B. Basis of presentation

Fund accounting: The accounts of the Town are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Government-wide statements: The Statement of Net Position and the Statement of Activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. The effect of interfund activity has been removed from these statements.

Fund financial statements: Fund financial statements are presented according to each fund category; governmental, proprietary and fiduciary. The Town does not report any proprietary or fiduciary funds. Major governmental are reported as separate columns in the fund financial statements.

Governmental funds:

General Fund - This fund is used to account for the primary activity of the Town. Property tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Capital Project Fund – This fund is used to account for assets and related revenues and expenditures that have been committed for capital equipment purchases through voter approval.

The Town also reports its fiduciary activities as an agent for the State of Vermont for the collection and disbursement of educational property taxes.

TOWN OF GREENSBORO, VERMONT
Notes to Financial Statements
June 30, 2013

1. Summary of significant accounting policies (continued):

- C. Measurement focus and basis of accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus refers to what items are reported on the financial statements. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this model revenues are recognized when both measurable and available for use. Expenditures are recorded when the liability has occurred, if measurable. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the fiscal year and other revenues to be available if they are collected within 6 months of the end of the fiscal year. Expenditures related to principal and interest on general long-term debt that has not matured, compensated absences, and claims and judgments are recorded only when payment is due.

- D. Governmental fund equity - In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – Resources which cannot be spent because they are either a) not in spendable form; or b) legally or contractually required to be maintained intact.

Restricted – Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – Resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner. For the purposes of defining the committed fund balance category, the Town considers the taxpayers, through voted Town Articles, its highest level of decision making authority.

Assigned – Resources neither restricted nor committed for which a government has a stated intended use as established by the Select Board or a body or official to which the Select Board has delegated the authority to assign amounts for specific purposes.

Unassigned – Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include any negative residual balance resulting from expenditures exceeded amounts restricted, committed or assigned for a specific purpose.

For the classification of governmental fund balances, the Town does not have a formal policy regarding which classification should be reduced first when more than one classification is available. However, the Town has generally considered an expenditure to be made from the most restrictive first when more than one classification is available.

TOWN OF GREENSBORO, VERMONT
Notes to Financial Statements
June 30, 2013

1. Summary of significant accounting policies (continued):

- E. Estimates - The preparation of the financial statements require 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, expenditures, or expenses, during the reported period. Actual results could differ from those estimates.
- F. Cash and cash equivalents - Cash and cash equivalents consists of cash and short-term investments with an original maturity of three months or less.
- G. Receivables - The Town has not recorded an allowance for doubtful accounts. Management estimates that all receivables are collectible.
- H. Interfund balances and transfers - Interfund receivables and payables represent transactions incurred within the fund for other funds. These transactions are in the form of receipts of revenues, payments of expenses, and operating transfers to and from other funds. These accounts are expected to be eliminated in the normal course of operations.
- I. Property tax calendar - Property taxes attach as an enforceable lien on property as of April 1st. Property taxes for fiscal year 2013 were payable in one installment due on October 18, 2012. Taxes not paid by the installment due date were declared delinquent and turned over to the Delinquent Tax Collector.
- J. Capital Assets – The Town has not recorded certain general capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets.

2. Cash:

As of June 30, 2013, the carrying amount of all Town deposits was \$872,005.

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposits might not be recovered. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2013, the Town’s bank balance was \$897,909. Of this amount, \$500,000 was covered by the Federal Deposit Insurance Cooperation (FDIC), the remaining amount, \$397,909, was uninsured and uncollateralized.

3. Short-term debt:

The Town utilizes promissory notes in order to coordinate its cash flow needs. Changes in short-term notes for the year ended June 30, 2013 were as follows:

		Balance July 1, <u>2012</u>		<u>Additions</u>		<u>Retirements</u>		Balance June 30, <u>2013</u>
Tax anticipation notes	\$	<u>344,053</u>	\$	<u>365,199</u>	\$	<u>344,053</u>	\$	<u>365,199</u>

TOWN OF GREENSBORO, VERMONT
Notes to Financial Statements
June 30, 2013

4. Long-term liabilities:

Long-term - Long-term liabilities consisted of the following at June 30, 2013:

Community National Bank, gravel pit note payable, interest at 3.82%, principal and interest of \$20,323 due annually until October 2013	\$ 19,548
Accrued vacation	<u>10,170</u>
	<u>\$ 29,718</u>

Changes in long-term liabilities for the year ended June 30, 2013 were as follows:

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30 <u>2013</u>	Due Within <u>One Year</u>
Governmental activities:					
Note payable	\$ 38,424	\$ -	\$ 18,876	\$ 19,548	\$ 19,548
Accrued vacation	<u>7,549</u>	<u>2,621</u>	<u>-</u>	<u>10,170</u>	<u>-</u>
	<u>\$ 45,973</u>	<u>\$ 2,621</u>	<u>\$ 18,876</u>	<u>\$ 29,718</u>	<u>\$ 19,548</u>

Annual maturities of long-term debt at June 30, 2013 were as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending June 30, 2014	\$ <u>19,548</u>	\$ <u>775</u>
	<u>\$ 19,548</u>	<u>\$ 775</u>

5. Interfund balances:

Interfund receivable and payables balances at June 30, 2013 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 12,464
Capital Project Fund	<u>12,464</u>	<u>-</u>
	<u>\$ 12,464</u>	<u>\$ 12,464</u>

The interfund payables from the General Fund to the Capital Project Fund represent amounts paid by the Capital Project Fund that have not yet been reimbursed by the General Fund.

TOWN OF GREENSBORO, VERMONT
Notes to Financial Statements
June 30, 2013

6. Interfund transfers:

Interfund transfers for the year ended June 30, 2013 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 176,000
Capital Project Fund	<u>176,000</u>	<u>-</u>
	<u>\$ 176,000</u>	<u>\$ 176,000</u>

Transfers out of the General Fund to the Capital Project Fund were due to voter approved articles and budget appropriations which committed amounts for acquisition or construction of capital facilities and other capital assets.

7. 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 for each of those risks of loss.

In addition, the Town is a member of the Vermont League of Cities and Towns Insurance Programs (VLCT). VLCT is a nonprofit corporation formed to provide insurance and risk management programs for Vermont municipalities and is owned by the participating towns.

To provide health insurance coverage, VLCT has established a self-funded fully insured program in conjunction with major health insurance providers. A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance, and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

To provide property and casualty coverage, VLCT has established a self-funded insurance program. A portion of member contributions is used to fund a risk management pool and to provide reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement allows for additional assessments to its members when a deficit exists.

The Town of Greensboro is also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Insurance Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities. Members of the Unemployment Insurance Trust pay an annual contribution and a membership fee. Unemployment claims charged against the Trust's members are paid by the Trust on the member's behalf.

8. Retirement plan:

Vermont Municipal Employees Retirement System: The Town contributes to the Vermont Municipal Retirement System (VMERS) a cost-sharing multiple-employer public employee retirement system with defined benefit and defined contributions plans, administered by the State of Vermont. VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The State statutory provisions, found in Title 24, V.S.A., Chapter 125, govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the operation of VMERS is vested in the Board of Trustees. VMERS issues annual financial information which is available at the VMERS' office, 133 State Street, Montpelier, Vermont 05602.

TOWN OF GREENSBORO, VERMONT
Notes to Financial Statements
June 30, 2013

8. Retirement plan (continued):

Employees meeting certain eligibility requirements are covered under the VMERS defined benefit plan. Town employees participating in this plan (Group C) are required to contribute 9.25% of gross wages and the Town contributes 6.5% of the employees' gross wages to the plan. Total payroll for the year ending June 30, 2013 was \$239,280, while covered payroll was \$166,140. The Town's contributions to VMERS for the year ended June 30, 2013, 2012, and 2011 were \$10,799, \$10,745, and \$11,585, respectively.

9. Agency funds:

The Town acts in an agency capacity for the State of Vermont for the purpose of collecting and distributing property taxes which are used to pay for public education. During the year ended June 30, 2013, the Town collected and distributed \$3,098,654 in educational property taxes as instructed by the State of Vermont.

10. Governmental fund equity:

As of June 30, 2013 governmental fund balances consisted of the following:

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Project</u> <u>Fund</u>	<u>Total</u> <u>Funds</u>
Restricted for:			
Lake Eligo milfoil	\$ 29,448	\$ -	\$ 29,448
Lake Caspian milfoil	2,328	-	2,328
Highway	19,455	-	19,455
Reappraisal	51,030	-	51,030
Restoration	34,428	-	34,428
	<u>136,689</u>	<u>-</u>	<u>136,689</u>
Committed for:			
Capital assets	-	301,366	301,366
Highway capital assets	-	22,408	22,408
Recreation	2,178	-	2,178
Conservation Commission	10,381	-	10,381
Energy Committee	6,320	-	6,320
	<u>18,879</u>	<u>323,774</u>	<u>342,653</u>
Assigned to:			
Fiscal Year 2014	<u>13,556</u>	<u>-</u>	<u>13,556</u>
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 169,124</u>	<u>\$ 323,774</u>	<u>\$ 492,898</u>

11. Commitments:

Police Services Contract - The Town has a contract with the Town of Hardwick, VT for the Hardwick Police Department to provide police service to Greensboro on a twenty-four hour, seven day a week basis through June 30, 2014, with an option to extend the contract for one additional year. The Town of Hardwick provides the equipment necessary for normal police function and provides all required insurance. Operations and scheduling are at the discretion of the Chief of Police of the Town of Hardwick. VT. The agreement provides for future payments not to exceed \$178,000 for the year ending June 30, 2014. The additional one year option provides for payments not to exceed \$188,370 for the year ending June 30, 2015. In compensation for providing police services, the Town has paid the Town of Hardwick \$159,936 for the year ending June 30, 2013.

TOWN OF GREENSBORO, VERMONT
Notes to Financial Statements
June 30, 2013

11. Commitments (continued):

Fire Station Building – The Town has a contract with E.F. Wall + Associates, Inc, to construct a new fire station building. The building is estimated to cost \$625,000 with additional capital expenditures for related water line improvements. On October 9, 2013, the Town obtained a note payable in the amount of \$815,000 at an interest rate of 3.15%, with annual principal and interest payments due through October 9, 2028 for the purpose of financing the construction of the fire station and related water line improvements.

12. Contingencies:

Grants - The Town receives significant financial assistance from the State of Vermont through grants and other forms of state aid. Entitlement to these resources is generally based on compliance with terms and conditions of grant agreements and applicable state regulations, including the expenditure of the resources for eligible purposes. These funds are subject to audit by the granting authority in order to ensure compliance. Any disallowance as a result of these audits becomes a liability of the Town. Management believes that there are no significant contingent liabilities relating to compliance with grant agreements and applicable state regulations.

TOWN OF GREENSBORO, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2013

Schedule 1

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 1,108,581	\$ 1,108,581	\$ 1,113,246	\$ 4,665
Interest on delinquent taxes	-	-	4,701	4,701
Licenses and permits	1,000	1,000	1,178	178
Grants	10,000	10,000	13,468	3,468
Intergovernmental	205,187	205,187	257,680	52,493
Charges for services	8,700	8,700	25,896	17,196
Fines	3,800	3,800	2,335	(1,465)
Interest on investments	8,000	8,000	8,384	384
Miscellaneous	-	-	35,677	35,677
Total revenues	<u>1,345,268</u>	<u>1,345,268</u>	<u>1,462,565</u>	<u>117,297</u>
Expenditures				
Administration	136,986	136,986	143,078	(6,092)
Appropriations	104,008	104,008	97,247	6,761
Finance and taxes	48,015	48,015	60,498	(12,483)
Fire department	49,220	49,220	46,070	3,150
Highway	616,113	616,113	601,116	14,997
Select Board	9,126	9,126	10,123	(997)
Services	264,618	264,618	264,528	90
Professional fees	26,450	26,450	19,916	6,534
Solid waste	6,550	6,550	5,478	1,072
Town Hall	65,600	65,600	46,596	19,004
Miscellaneous	-	-	35,933	(35,933)
Total expenditures	<u>1,326,686</u>	<u>1,326,686</u>	<u>1,330,583</u>	<u>(3,897)</u>
Excess of revenues or (expenditures)	<u>18,582</u>	<u>18,582</u>	<u>131,982</u>	<u>113,400</u>
Other financing sources (uses)				
Transfers in (out)	<u>(176,000)</u>	<u>(176,000)</u>	<u>(176,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(176,000)</u>	<u>(176,000)</u>	<u>(176,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ (157,418)</u>	<u>\$ (157,418)</u>	<u>\$ (44,018)</u>	<u>\$ 113,400</u>

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

**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**

The Select Board
Town of Greensboro, Vermont

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the Town of Greensboro, Vermont, 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, and have issued our report thereon dated November 4, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Greensboro, VT 's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 of Greensboro, VT's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Greensboro, VT's internal control.

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. A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of findings and responses* that we consider to be significant deficiencies: 2013-1, 2013-2, 2013-3, and 2013-4.

Compliance and Other Matters

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

Response to Findings

The Town of Greensboro, Vermont's responses to the findings identified in our audit are described in the accompanying *schedule of findings and responses*. The Town's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pace & Hawley, LLC

Montpelier, Vermont
November 4, 2013

TOWN OF GREENSBORO, VERMONT
Schedule of Findings
For the Year Ended June 30, 2013

2013-1 Financial Reporting:

Condition: The Town's system of internal control was not sufficient to enable the organization to complete year-end accounting adjustments and draft the financial statements and related notes in accordance with generally accepted accounting principles (GAAP) for state and local governments.

Criteria: Auditing standards generally accepted in the United States of America state that Management is responsible for the presentation and preparation of financial statements prepared in accordance with GAAP, including the accounting that is the basis for the annual financial statements as well as the form and content of the financial statements and related notes. Independent auditors cannot be considered part of an Organization's system of internal controls.

Cause: Town personnel have not received sufficient training in Governmental GAAP, as established by the Governmental Accounting Standards Board (GASB).

Effect: With the consent and approval of management, we have provided the Town with technical assistance by proposing accounting adjustments and preparing a draft of the financial statements and accompanying notes. Without these corrections, the Town's financial statements would not have been presented in accordance with GAAP.

Recommendation: We recommend that the Town implement an internal control system which will ensure that the Town's personnel has the time and knowledge to correctly post year-end adjusting journal entries and prepare a draft of the financial statements and related notes in accordance with GAAP.

Management's response: The Treasurer has implemented a number of changes (and hopefully improvements) which has delayed her taking classes. She does attend workshops and seeks help when needed. The Select Board continues to support the hiring of a financial consultant to work with the Treasurer.

2013-2 Capital Assets:

Condition: The Town does not have a system established to properly identify and record activity related to capital assets.

Criteria: As required by GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, properly identifying and recording capital assets is a fundamental requirement of governmental financial reporting.

Cause: The Town has not conducted an inventory of its capital assets and assembled the necessary data for proper financial statement presentation.

Effect: Financial statements are not presented in accordance with GAAP.

Criteria: We recommend that the Town establish a capital asset policy by formally identifying a dollar threshold which can be used to identify those assets which the Town deems necessary to capitalize. Next, the Town should create a listing of currently owned capital assets which identifies the asset type, date of acquisition, historical cost. Finally, the Town should calculate depreciation expense and accumulated depreciation on those assets as applicable.

Management's response: A list of capital assets has been completed. However, the depreciation portion has not.

TOWN OF GREENSBORO, VERMONT
Schedule of Findings
For the Year Ended June 30, 2013

2013-3 Fund Balance Reporting:

Condition: The Town's general ledger chart of accounts was not adjusted to the proper balance according to the applicable fund balance reporting classifications.

Criteria: Governmental Accounting Standards Board (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications: nonspendable, restricted, committed, assigned and unassigned.

Cause: Town personnel have not received sufficient training in financial reporting for governments, Governmental GAAP, as established by the Governmental Accounting Standards Board (GASB).

Effect: Without corrections, the Town's financial statements would not have been presented in accordance with GAAP.

Recommendation: We recommend that Town personnel adjust the fund balance accounts to properly represent restricted, committed and assigned fund balances.

Management's response: The Select Board supported purchasing new accounting software and for fiscal year 2014 the Town will start using a municipal accounting program and will establish fund balance accounts.

2013-4: Segregation of duties:

Condition: The Town Treasurer has primary responsibility for creating property bills, receiving payments, applying payments to accounts receivable, processing vendor invoices, signing checks and maintaining the general ledger accounting system. These are considered incompatible functions and ideally would be performed by several staff people.

Criteria: In general, authorization, accounting and treasury functions should be performed by separate individuals. Absent such segregation of duties, extensive mitigating controls are necessary to prevent and detect misstatements or misappropriation of assets.

Cause: Limited number of accounting personnel.

Effect: Without proper mitigating controls, the Town is at risk for misappropriation of Town assets.

Recommendation: While the Town has some mitigating controls, we recommend the Town review its internal controls and consider modifying current procedures and implementing additional controls. For example, while performing the bank reconciliation the internal auditors could review images of cleared checks and agree them to QuickBooks. Additionally, all cash and checks paid to the Town for fees, services and property taxes should be processed and controlled with sequentially pre-numbered cash receipts in a consistent manner.

Management's response: The Treasurer and Assistant Treasurer share the duties of receiving payments, applying payments to accounts receivables, processing vendor invoices, signing checks and maintaining the general ledger accounting system. Elected auditors or the financial consultant perform bank reconciliations. We have established a log in which the Select Board records check numbers and as of the beginning of fiscal year 2014 are now generating number receipts in the accounting software. Unfortunately, a small community such as ours does not have the staff numbers necessary to obtain total segregation of duties, but we do make an attempt to move responsibilities around.