

TOWN OF CABOT, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2008

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INDEPENDENT AUDITOR'S REPORT

June 3, 2009

To the Board of Selectmen
Town of Cabot
Cabot, Vermont

We have audited the accompanying modified cash basis financial statements of each major fund and the aggregate remaining fund information of the Town of Cabot, Vermont as of and for the year ended December 31, 2008, as listed in the Table of Contents, which collectively comprise a portion of the Town's basic financial statements as required by U.S. generally accepted accounting principles. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in the footnotes, the Town of Cabot, Vermont, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Management has not presented government-wide financial statements to display the modified cash basis financial position and changes in modified cash basis financial position of its governmental activities and business-type activities. U.S. generally accepted accounting principles, specifically GASB 34 and GASB 37, as applied to the Town's modified cash basis of accounting, require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements resulting from modified cash basis transactions for the Town's governmental activities and business-type activities are not reasonably determinable.

Management has not presented the loan from the UDAG Fund to the General Fund as a liability of the General Fund as required by U.S. generally accepted accounting principles, as applied to the Town's modified cash basis of accounting. The effect of this departure from generally accepted accounting principles results in an overstatement of the General Fund fund balance of \$124,115.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in the footnotes, the modified cash basis financial position of the Town of Cabot, Vermont, as of December 31, 2008, or the changes in its modified cash basis financial position thereof and the budgetary comparison for the General Fund, for the year then ended.

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

Our audit was made for the purpose of forming an opinion on the modified cash basis financial statements referred to above. The supplementary schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the modified cash basis financial statements referred to above of the Town of Cabot. Such information has not been subjected to the auditing procedures applied in the audit of the modified cash basis financial statements referred to above and, accordingly, we express no opinion on it.

Respectfully submitted,

Fothergill Segale Valley, CPAs

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

TOWN OF CABOT, VERMONT
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	Major Funds		Nonmajor Funds	Totals
	General Fund	UDAG	Other Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 215,818	\$ 245,538	\$ 37,970	\$ 499,326
Investments	0	1,080,082	21,768	1,101,850
Cash held by tax collector	29,662	0	0	29,662
Loans receivable	0	334,541	0	334,541
Due from Wastewater Fund	500	480,500	0	481,000
Total assets	\$ 245,980	\$2,140,661	\$ 59,738	\$ 2,446,379
 LIABILITIES AND FUND BALANCES				
Liabilities				
Payroll taxes payable	\$ 2,232	\$ 0	\$ 0	\$ 2,232
Due to School District	90,967	0	0	90,967
Deferred revenue	0	815,041	0	815,041
Total liabilities	93,199	815,041	0	908,240
Fund Balances				
Reserved	207,722	0	0	207,722
Unreserved	(54,941)	1,325,620	59,738	1,330,417
Total fund balances	152,781	1,325,620	59,738	1,538,139
Total liabilities and fund balances	\$ 245,980	\$2,140,661	\$ 59,738	\$ 2,446,379

TOWN OF CABOT, VERMONT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGE IN FUND BALANCES - MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2008

EXHIBIT B

	Major Funds		Nonmajor Funds	Totals
	General Fund	UDAG	Other Governmental Funds	
Revenues				
Property taxes	\$ 962,579	\$ 0	\$ 0	\$ 962,579
State aid highways	128,460	0	0	128,460
Delinquent tax penalties & interest	19,099	0	0	19,099
Licenses, fees & permits	19,355	0	0	19,355
Investment income (loss)	25,622	(187,688)	(21,229)	(183,295)
Loan repayments	0	34,112	0	34,112
Rental income	5,465	0	0	5,465
Diesel reimbursement	20,456	0	0	20,456
Other	21,760	0	9,955	31,715
Cabot Coalition	23,750	0	0	23,750
Reappraisal - Act 60	8,123	0	0	8,123
Paving grant	95,539	0	0	95,539
Public safety grant	12,947	0	0	12,947
River corridor grant proceeds	858	0	0	858
Total revenues	<u>1,344,013</u>	<u>(153,576)</u>	<u>(11,274)</u>	<u>1,179,163</u>
Expenditures				
Current:				
Selectmen	314,873	0	0	314,873
Highway	556,561	0	0	556,561
Willey Building	44,860	0	0	44,860
Cemetery	0	0	18,756	18,756
Community grants	0	38,267	0	38,267
Community loans	0	980	0	980
Scholarship grants	0	4,900	0	4,900
Cabot Coalition	35,981	0	0	35,981
Other	0	3,372	0	3,372
Total current	<u>952,275</u>	<u>47,519</u>	<u>18,756</u>	<u>1,018,550</u>
Debt service:				
Principal - Selectmen	10,000	0	0	10,000
Principal - Highway	75,000	0	0	75,000
Principal - Willey Building	8,000	0	0	8,000
Interest - Selectmen	2,010	0	0	2,010
Interest - Highway	12,513	0	0	12,513
Total debt service	<u>107,523</u>	<u>0</u>	<u>0</u>	<u>107,523</u>
Capital outlay				
Selectmen	162,175	0	0	162,175
Highway	250,748	0	0	250,748
Total capital outlay	<u>412,923</u>	<u>0</u>	<u>0</u>	<u>412,923</u>
Total expenditures	<u>1,472,721</u>	<u>47,519</u>	<u>18,756</u>	<u>1,538,996</u>
Excess Revenues (Expenditures)	<u>(128,708)</u>	<u>(201,095)</u>	<u>(30,030)</u>	<u>(359,833)</u>
Other Financing Sources (Uses)				
Bond proceeds	150,000	0	0	150,000
Transfers in (out)	(20,000)	0	20,000	0
Total other financing sources	<u>130,000</u>	<u>0</u>	<u>20,000</u>	<u>150,000</u>
Net Change in Fund Balances	1,292	(201,095)	(10,030)	(209,833)
Fund Balances - January 1, 2008	151,489	1,526,715	69,768	1,747,972
Fund Balances - December 31, 2008	<u>\$ 152,781</u>	<u>\$ 1,325,620</u>	<u>\$ 59,738</u>	<u>\$ 1,538,139</u>

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET - MODIFIED CASH BASIS

GENERAL FUND

YEAR ENDED DECEMBER 31, 2008

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 964,826	\$ 962,579	\$ (2,247)
State aid highway	129,000	128,460	(540)
Delinquent tax penalties & interest	0	19,099	19,099
Licenses, fees & permits	16,000	19,355	3,355
Interest & dividends	23,000	25,622	2,622
Rental income	3,500	5,465	1,965
Diesel reimbursement	18,000	20,456	2,456
Other	29,000	21,760	(7,240)
Cabot Coalition	0	23,750	23,750
Reappraisal - Act 60	0	8,123	8,123
Paving grant	0	95,539	95,539
Public safety grant	0	12,947	12,947
River corridor grant proceeds	0	858	858
Total revenues	<u>1,183,326</u>	<u>1,344,013</u>	<u>160,687</u>
Expenditures			
Current:			
Selectmen	335,233	314,873	20,360
Highway	543,200	556,561	(13,361)
Cabot Coalition	0	35,981	(35,981)
Willey Building	53,000	44,860	8,140
Total current	<u>931,433</u>	<u>952,275</u>	<u>(20,842)</u>
Debt service:			
Principal - Selectmen	10,000	10,000	0
Principal - Highway	75,000	75,000	0
Principal - Willey Building	8,000	8,000	0
Interest - Selectmen	3,080	2,010	1,070
Interest - Highway	15,000	12,513	2,487
Total debt service	<u>111,080</u>	<u>107,523</u>	<u>3,557</u>
Capital Outlay:			
Selectmen	158,313	162,175	(3,862)
Highway	99,500	250,748	(151,248)
Total capital outlay	<u>257,813</u>	<u>412,923</u>	<u>(155,110)</u>
Total expenditures	<u>1,300,326</u>	<u>1,472,721</u>	<u>(172,395)</u>
Excess Revenues (Expenditures)	<u>(117,000)</u>	<u>(128,708)</u>	<u>(11,708)</u>
Other Financing Sources (Uses)			
Bond proceeds	150,000	150,000	0
Transfers in (out)	(20,000)	(20,000)	0
Total other financing sources (uses)	<u>130,000</u>	<u>130,000</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ 13,000</u>	<u>1,292</u>	<u>\$ (11,708)</u>
Fund Balance - January 1, 2008		151,489	
Fund Balance - December 31, 2008		<u>\$ 152,781</u>	

See Notes to Financial Statements.

TOWN OF CABOT, VERMONT
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
DECEMBER 31, 2008

EXHIBIT D

		Wastewater Fund
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 15,426	
Investments	468,691	
Total current assets		484,117
Non-Current Assets		
Land	143,663	
Plant, net	4,142,466	
Total non-current assets		4,286,129
Total assets		4,770,246
LIABILITIES		
Current Liabilities		
Due to General Fund	500	
Bond and notes payable due within one year	15,808	
Total current liabilities		16,308
Noncurrent Liabilities		
Due to UDAG Fund	480,500	
Bonds and notes payable due after one year	544,829	
Total noncurrent liabilities		1,025,329
Total liabilities		1,041,637
NET ASSETS		
Unrestricted		483,617
Invested in capital assets, net of related debt		3,244,992
Total net assets		\$ 3,728,609

TOWN OF CABOT, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2008

EXHIBIT E

		Wastewater Fund
OPERATING REVENUES		
Charges for services	\$ 106,714	
Other fees and charges	3,018	
Total operating revenues		109,732
OPERATING EXPENSES		
Operation and maintenance	109,683	
Contracted services	4,113	
Administration fees	5,519	
Depreciation	96,392	
Total operating expenses		215,707
OPERATING LOSS		(105,975)
NONOPERATING REVENUES (EXPENSES)		
Unrealized gain on investments	31,220	
Interest expense	(24,867)	
Interest/dividend income	19,219	
Net nonoperating revenues		25,572
CHANGE IN NET ASSETS		(80,403)
NET ASSETS - JANUARY 1, 2008		3,809,012
NET ASSETS - DECEMBER 31, 2008		\$ 3,728,609

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

The Town of Cabot (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town is governed by a three member Select Board. The Town provides various services as authorized and funded by State government or Town voters.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements include all of the funds relevant to the Town and are prepared on the modified cash basis of accounting. The modified cash basis of accounting differs from U.S. generally accepted accounting principles (GAAP) as described on page 10. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements (including Statements and Interpretations). Proprietary funds apply Financial Accounting Standards Board (FASB) Statements and Interpretations and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, to the extent they are applicable to the modified cash basis of accounting, unless those Statements and Interpretations conflict with or contradict GASB pronouncements, in which case, GASB prevails. Although the Town has the option to apply FASB pronouncements issued after that date to its proprietary funds the Town has chosen not to do so.

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

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town's activities.
- A change in the fund financial statements to focus on major funds, as defined.

GASB Statement No. 38 establishes and modifies certain financial statement note disclosure requirements to make the financial statements more useful in the context of GASB Statement No. 34 reporting model. The Statement had an impact on the presentation of the notes to the financial statements, but no impact on net assets.

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

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity

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

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

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, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by major fund within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental category or enterprise type. GASB Nos. 34 and 37 set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category/type or the governmental and enterprise funds combined) for the determination of major funds. The Town's major funds consist of the General Fund, the UDAG Fund, and the Wastewater Fund. All other funds are nonmajor and are combined in a single column in each of the respective fund financial statements. The General Fund is the main operating fund of the Town. The UDAG Fund accounts for the money granted to the Town from the U.S. Department of Housing and Urban Development to be loaned or granted to community members or businesses to foster economic and social development of the Town. The Wastewater Fund accounts for the activity of the wastewater treatment plant.

The following fund classifications are used by the Town:

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 following is a description of the governmental funds of the Town:

General Fund is the main operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This fund classification consists of the UDAG Fund, the Community Development Fund, and the Cemetery Fund.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Town:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Wastewater Fund is an Enterprise Fund.

Basis of Accounting

In these financial statements, governmental and proprietary activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the proprietary fund statements. This basis is a comprehensive basis of accounting other than U. S. generally accepted accounting principles.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the financial statements for governmental activities would use the modified accrual basis of accounting, while the proprietary activities would use the accrual basis of accounting.

Investments

Investments are carried at fair value, (quoted market price, or the best available estimate).

Capital Assets

Capital assets acquired for proprietary funds are recorded at cost.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation of exhaustible fixed assets used by the proprietary fund is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated useful life for the sewer plant is 50 years.

Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed by their use by Town legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Fund Balances

Equity is classified in the following categories:

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

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

Budgetary Accounting

The Town employs a formal budgetary process as a management control device during the year for the General Fund. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual, presents comparisons of the budget with actual data. The budget numbers shown are on the same basis as the financial statements.

Use of Estimates

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

TOWN OF CABOT, VERMONT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS

The Treasurer is authorized to invest excess deposits and investments according to policies set by the Selectboard.

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of December 31, 2008, none of the government's bank balance of \$534,089 was exposed to custodial credit risk.

Investments

Investments at December 31, 2008 are as follows:

		<u>Maturity Date</u>	<u>Rating</u>
Mutual funds	\$ 20,654	n/a	
Certificates of deposits	168,372	5/2009-8/2026	
Common stocks	366,829	n/a	1 (S&P)
Corporate bonds	62,011	9/2037-12/2038	BAA1-AAA
Government bonds	952,675	5/2009-12/2038	
	<u>\$1,570,541</u>		

Credit Risk – Investments. The Town has an investment policy that limits its investment choices to policies set by the Selectboard.

Investment income is comprised of the following components for the year ended December 31, 2008:

	<u>Interest and Dividends</u>	<u>Realized and Unrealized Gains (Losses)</u>	<u>Total</u>
General Fund	\$ 25,622	\$ 0	\$ 25,622
UDAG	47,448	(235,136)	(187,688)
Other governmental	2,187	(23,416)	(21,229)
Wastewater Fund	19,219	31,220	50,439
Total	<u>\$ 94,476</u>	<u>\$ (227,332)</u>	<u>\$ (132,856)</u>

NOTE 3 - PROPERTY TAXES

Property taxes in the Town of Cabot support the School District, the Highway Fund and the General Fund. Taxes are assessed in July and are due in November. All late payments are subject to an 8% penalty, and interest is calculated at 1% per month for the first 3 months and 1.5% per month thereafter.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008
(Continued)

NOTE 4 - UDAG LOAN RECEIVABLES

The UDAG loan receivables are \$815,041 which are approved by the UDAG committee and are due from Cabot businesses and residents. There are ten loans outstanding. One of the ten loans is to the Wastewater Fund for \$480,500, interest free, for about 30 years. The other two largest loans total \$216,133, \$124,133 to the General Fund and \$92,000 to the Cabot Commons. The terms of the loans range from 1 year to 30 years with interest from 0% to 6%. One loan, comprised of less than 1% of the total loans outstanding, is in default and the Town has taken legal action to secure payment by obtaining a lien on a personal residence.

NOTE 5 - CAPITAL ASSETS - PROPRIETARY FUND

The following is a summary of the changes in capital assets of the Wastewater Fund for the year:

	Balance December 31, 2007	Additions (Depreciation)	Balance December 31, 2008
Capital assets not depreciated - land	\$ 143,663	\$ 0	\$ 143,663
Capital assets being depreciated - plant	\$ 4,814,138	\$ 0	\$ 4,814,138
Accum. depreciation - plant	(575,280)	(96,392)	(671,672)
Plant, net	\$ 4,238,858	\$ (96,392)	\$ 4,142,466

NOTE 6 - SHORT-TERM DEBT

In January 2008, the Town received a tax anticipation note from Chittenden Bank for \$540,000 with an interest rate of 3.39%. \$61,516 of the note was used to pay the \$61,490 balance and \$26 of interest due on a tax anticipation note received in 2007. \$540,000 principal plus \$18,205 of interest was paid on December 30, 2008.

In April 2008, the Town received a bond anticipation note from Chittenden Bank for \$150,000 with an interest rate of 2.4%. The note was paid in full plus interest of \$1,070 on August 15, 2008.

In August 2008, the Town received a tax anticipation note from Chittenden Bank for \$75,000. The note was paid in full plus \$223 of interest on October 1, 2008.

The following is a summary of changes in short-term debt for the year ended December 31, 2008 for the governmental activities.

Balance at January 1, 2008	\$ 61,490
Loan proceeds	765,000
Loan repayments	(826,490)
Balance at December 31, 2008	\$ 0

Total interest paid on short-term debt in 2008 was \$19,524.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008
(Continued)

NOTE 7 - LONG-TERM LIABILITIES

Long-term debt at December 31, 2008 consisted of the following:

Governmental

Note payable to UDAG with an average yearly principal reduction of \$8,400, due 11/15/23, interest at 0%.	\$ 124,115
Note payable to Vermont Bond Bank with yearly principal reduction of \$15,000, due 11/15/18, interest changing semi-annually with an interest rate of 1.9% (not to exceed 4.01%).	150,000
Note payable to Vermont Bond Bank with yearly principal reduction of \$45,000 until 12/01/10, \$40,000 to 12/01/13, interest changing semiannually with an initial rate of 3.835% (not to exceed 4.155%).	210,000
Note payable to Vermont Bond Bank with yearly principal reduction of \$30,000 until 12/1/08, \$25,000 to 12/01/10, interest changing semi-annually with an initial rate of 1.19% (not to exceed 3.14%).	<u>50,000</u>
Total	534,115
Amount due within one year	(93,400)
Amount due after one year	<u><u>\$ 440,715</u></u>

Proprietary

Note payable with UDAG, with a lump sum payment of \$405,500 due approximately in 2029, interest at 0%.	\$ 405,500
Note payable with UDAG, with a lump sum payment of \$75,000 due approximately in 2031, interest at 0%.	75,000
Bond payable with USDA, semi-annual payments of \$18,503 due starting 2002 until 2031, interest at 4.75%.	514,360
Note payable with Vermont Municipal Bond Bank, annual payments of \$3,085 starting June 2004 until 2023, interest at 0%.	<u>46,277</u>
Total	1,041,137
Amount due within one year	(15,808)
Amount due after one year	<u><u>\$ 1,025,329</u></u>

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008
(Continued)

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Long-term debt will mature approximately as follows:

	Governmental			Proprietary		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 93,400	\$ 14,998	\$ 108,398	\$ 15,808	\$ 24,283	\$ 40,091
2010	93,400	12,201	105,601	16,418	23,673	40,091
2011	63,400	9,207	72,607	17,061	23,030	40,091
2012	63,400	7,131	70,531	17,732	22,359	40,091
2013	63,400	4,998	68,398	18,436	21,655	40,091
2014-2018	117,000	8,663	125,663	103,986	96,469	200,455
2019-2023	40,115	0	40,115	127,418	73,039	200,457
2024-2028	0	0	0	141,618	43,412	185,030
2029-2033	0	0	0	582,660	8,646	591,306
Total	<u>\$ 534,115</u>	<u>\$ 57,198</u>	<u>\$ 591,313</u>	<u>\$ 1,041,137</u>	<u>\$ 336,566</u>	<u>\$ 1,377,703</u>

The following is a summary of changes of long-term liabilities for the year ended December 31, 2008:

	Governmental	Proprietary
Balance at December 31, 2007	\$ 477,133	\$ 1,056,362
Loan proceeds	150,000	0
Principal payments	(93,018)	(15,225)
Balance at December 31, 2008	<u>\$ 534,115</u>	<u>\$ 1,041,137</u>

NOTE 8 - DEFERRED REVENUE

Deferred revenue of \$815,041 in the UDAG fund represents loan repayments to be received in future years. The total amount of the loan receivable is recorded as deferred revenue and is recognized as revenue when received.

NOTE 9 - RESERVED FUND BALANCE

The reserved fund balance in the General Fund consists of the following:

	Balance 12/31/07	Increase	(Decrease)	Balance 12/31/08
Fire department - sinking fund	\$ 131,335	\$ 163,000	\$ (147,565)	\$ 146,770
Excess property taxes billed	0	30,149	0	30,149
Reappraisal	7,071	8,122	0	15,193
Cabot coalition	12,240	23,750	(35,981)	9
Listers education	782	391	0	1,173
River corridor grant	(5,965)	858	(1,297)	(6,404)
Land records	11,649	1,973	0	13,622
Cell tower legal	0	10,000	(2,790)	7,210
Total reserved fund balance	<u>\$ 157,112</u>	<u>\$ 238,243</u>	<u>\$ (187,633)</u>	<u>\$ 207,722</u>

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008
(Continued)

NOTE 10 - PENSION PLAN

All employees of the Town of Cabot are eligible for coverage by the Vermont Municipal Employees' Retirement System (VMERS). VMERS is a cost sharing multiple-employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Town and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

There are three levels of contributions and benefits in the System called Group A, Group B and Group C. Employee contributions are 2.5%, 4.5% and 9% of gross pay and employer contributions are 4%, 5% and 6% of gross pay for Group A, Group B, and Group C plan members, respectively.

All employees of the Town are covered under Plan A. Employees are eligible for normal retirement after reaching age 65, provided they have completed five (5) years of service. Early retirement at a reduced payment is available as early as age 55, provided the employee has completed the five (5) years of service.

Covered wages paid under the plan were \$197,155 out of total wages of \$281,870. Contributions by the Town of Cabot were \$7,886 in 2008, \$7,246 in 2007 and \$7,784 in 2006.

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

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 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2008, expenditures exceeded appropriations in the General Fund by \$172,395. The excess expenditures were funded by excess revenues and use of fund balance.

NOTE 12 - COMMITMENTS

In 1995, the UDAG committee agreed to grant the School \$250,000. These funds will be used to help remodel the School. The funds are to stay in the Town of Cabot UDAG name and be invested in U.S. government securities. The money will be disbursed to the School on an annual basis over a fourteen-year period according to the maturities of the various bonds purchased. During 2008, \$9,500 was disbursed.

From time to time the Town enters into finance and maintenance agreements with the State of Vermont, Agency of Transportation, for various cost sharing arrangements relating to bridge and road projects. Generally, the Town bears certain percentages of the total costs relating to

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008
(Continued)

NOTE 12 – COMMITMENTS (Continued)

preliminary and construction engineering costs, right-of-way costs, utility costs, and final construction costs.

In 2002, the Town entered into a five-year maintenance agreement with United Water NACO, formerly Earth Tech, for routine operation and maintenance of the wastewater treatment facilities. In 2007 this agreement was extended for an additional five year term. The agreement may also be terminated without cause by either party upon a 90 day written notice. The monthly fee under the extended agreement is \$3,286 with a 3.5% annual cost of living adjustment.

NOTE 13 - 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; and injuries to employees. The Town maintains commercial insurance coverage covering each of those risks of loss through the Vermont League of Cities and Towns. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

NOTE 14 - LEASE

In 2005 the Town entered into a five year operating lease for a copier. The lease expense for 2008 was \$827. Lease obligations are as follows:

2009	\$ 827
2010	207
	<u>\$ 1,034</u>

NOTE 15 – BUDGETARY COMPARISONS

The Town is not legally required to adopt a budget for the UDAG Fund. Therefore, a budgetary comparison schedule is not presented for that fund.

NOTE 16 – SUBSEQUENT EVENTS

In January 2009, the Town received a tax anticipation note from Chittenden Bank for \$500,000 with an interest rate of 2%, due December 30, 2009.

In March 2009, the Town entered into a 2 year contract with Russell Graphics to update the property map system for a fee of \$1,050 per year.

TOWN OF CABOT, VERMONT
 SCHEDULE OF EXPENDITURES - SELECTMEN
 BUDGET TO ACTUAL - MODIFIED CASH BASIS
 YEAR ENDED DECEMBER 31, 2008

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures - Selectmen			
Current:			
Appropriations	\$ 74,706	\$ 74,706	\$ 0
Audit and legal	13,000	9,132	3,868
Computer	1,250	1,295	(45)
Conservation Commission	350	143	207
County tax	16,405	12,304	4,101
Delinquent tax collection fees	0	11,355	(11,355)
Dues and subscriptions	6,900	6,949	(49)
Employee benefits	11,000	8,240	2,760
Fire Department	32,872	27,576	5,296
Insurance	9,000	11,212	(2,212)
Interest on short-term debt	18,400	19,524	(1,124)
General	9,000	5,279	3,721
Health	11,650	14,793	(3,143)
Listers	8,000	4,407	3,593
Meeting elections	3,500	2,807	693
Miscellaneous	8,000	4,870	3,130
Office	6,000	6,146	(146)
Pound keeper	500	698	(198)
Planning Commission	8,200	1,750	6,450
Supplies	2,500	2,361	139
Tax maps	1,000	975	25
Wages	92,000	87,361	4,639
Water and sewer charges	1,000	990	10
Total current	<u>335,233</u>	<u>314,873</u>	<u>20,360</u>
Debt service:			
Principal	10,000	10,000	0
Interest	3,080	2,010	1,070
Total debt service	<u>13,080</u>	<u>12,010</u>	<u>1,070</u>
Capital outlay			
Fire Department truck	145,000	147,565	(2,565)
Fire Department radios	12,947	12,947	0
HAVA grant	366	366	0
River Corridor	0	1,297	(1,297)
Total capital outlay	<u>158,313</u>	<u>162,175</u>	<u>(3,862)</u>
Total expenditures - Selectmen	<u>\$ 506,626</u>	<u>\$ 489,058</u>	<u>\$ 17,568</u>

TOWN OF CABOT, VERMONT
 SCHEDULE OF EXPENDITURES - HIGHWAY
 BUDGET TO ACTUAL - MODIFIED CASH BASIS
 YEAR ENDED DECEMBER 31, 2008

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures - Highway			
Current:			
Chloride	\$ 12,000	\$ 8,070	\$ 3,930
Cold patch/paving	1,000	2,409	(1,409)
Culverts	5,000	1,517	3,483
Gravel	65,000	62,167	2,833
Salt and sand	85,000	84,278	722
Fuel	57,000	85,224	(28,224)
Employee benefits	23,700	17,768	5,932
Equipment repairs	30,000	49,299	(19,299)
Equipment purchases - small	5,000	0	5,000
Building maintenance	0	132	(132)
Garage supplies	8,000	4,395	3,605
Guardrails and signs	1,500	3,203	(1,703)
Health insurance	29,000	28,757	243
Highway furnace oil	300	0	300
Hired equipment	25,000	20,340	4,660
Insurance	21,000	21,622	(622)
Miscellaneous	10,000	9,308	692
Sheriff	1,800	2,382	(582)
Tires	5,000	3,610	1,390
Utilities	2,800	2,525	275
Wages	155,100	149,555	5,545
Total current	<u>543,200</u>	<u>556,561</u>	<u>(13,361)</u>
Debt service:			
Principal	75,000	75,000	0
Interest	15,000	12,513	2,487
Total debt service	<u>90,000</u>	<u>87,513</u>	<u>2,487</u>
Capital outlay:			
Paving	87,000	192,490	(105,490)
Bridge	12,500	58,258	(45,758)
Total capital outlay	<u>99,500</u>	<u>250,748</u>	<u>(151,248)</u>
 Total expenditures - Highway	 <u>\$ 732,700</u>	 <u>\$ 894,822</u>	 <u>\$ (162,122)</u>

TOWN OF CABOT, VERMONT
 BALANCE SHEET - MODIFIED CASH BASIS
 ALL NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2008

	Special Revenue Funds		Total other Governmental Funds
	Community Development	Cemetery Fund	
ASSETS			
Cash and cash equivalents	\$ 2,946	\$ 35,024	\$ 37,970
Investments	0	21,768	21,768
Total assets	<u>\$ 2,946</u>	<u>\$ 56,792</u>	<u>\$ 59,738</u>
FUND BALANCES			
Fund Balances			
Unreserved	<u>\$ 2,946</u>	<u>\$ 56,792</u>	<u>\$ 59,738</u>
Total fund balances	<u>\$ 2,946</u>	<u>\$ 56,792</u>	<u>\$ 59,738</u>

TOWN OF CABOT, VERMONT
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGE IN FUND BALANCES - MODIFIED CASH BASIS
 ALL NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2008

SCHEDULE 4

	Special Revenue Funds		Total other Governmental Funds
	Community Development	Cemetery Fund	
Revenues			
Investment income (loss)	\$ 11	\$ (21,240)	\$ (21,229)
Other	0	9,955	9,955
Total revenues	<u>11</u>	<u>(11,285)</u>	<u>(11,274)</u>
Expenditures			
Current:			
Cemetery	0	18,756	18,756
Total current expenditures	<u>0</u>	<u>18,756</u>	<u>18,756</u>
Excess Revenues (Expenditures)	11	(30,041)	(30,030)
Other Financing Sources (Uses)			
Transfers in (out)	<u>0</u>	<u>20,000</u>	<u>20,000</u>
Net Change in Fund Balances	11	(10,041)	(10,030)
Fund Balances - January 1, 2008	<u>2,935</u>	<u>66,833</u>	<u>69,768</u>
Fund Balances - December 31, 2008	<u>\$ 2,946</u>	<u>\$ 56,792</u>	<u>\$ 59,738</u>