

**TOWN OF CABOT, VERMONT**

**AUDIT REPORT AND FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**TABLE OF CONTENTS**

		<u>Page Number</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>		1 - 2
<b>FINANCIAL STATEMENTS</b>		
<b>FUND FINANCIAL STATEMENTS</b>		
Balance Sheet – Modified Cash Basis – Governmental Funds	Exhibit A	3
Statement of Revenues, Expenditures and Change in Fund Balances – Modified Cash Basis – Governmental Funds	Exhibit B	4
Statement of Revenues, Expenditures and Change in Fund Balance – Compared to Budget - Modified Cash Basis – General Fund	Exhibit C	5
Statement of Net Assets – Modified Cash Basis Proprietary Fund	Exhibit D	6
Statement of Revenues, Expenses and Change in Fund Net Assets – Modified Cash Basis Proprietary Fund	Exhibit E	7
<b>NOTES TO FINANCIAL STATEMENTS</b>		8 - 18
<b>SUPPLEMENTARY INFORMATION</b>		
Schedule of Expenditures – Selectmen Budget to Actual - Modified Cash Basis	Schedule 1	19
Schedule of Expenditures – Highway Budget to Actual - Modified Cash Basis	Schedule 2	20
Balance Sheet – Modified Cash Basis - All Nonmajor Governmental Funds	Schedule 3	21
Schedule of Revenues, Expenditures and Change in Fund Balances – Modified Cash Basis – All Nonmajor Governmental Funds	Schedule 4	22

## INDEPENDENT AUDITOR'S REPORT

\*Date

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, 2009, as listed in the Table of Contents, which collectively comprise a portion of the Town's basic financial statements as required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 accounting principles generally accepted in the United States of America.

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. Accounting principles generally accepted in the United States of America, 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 accounting principles generally accepted in the United States of America, 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 \$115,815.

Management has omitted the Library Fund activity as required by accounting principles generally accepted in the United States of America, as applied to the Town's modified cash basis of accounting. The effect of this departure from generally accepted accounting principles is not reasonably determinable.

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, 2009, 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  
Vermont Public Accountancy License #110

TOWN OF CABOT, VERMONT  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009

	Major Funds		Nonmajor Funds	Totals
	General Fund	UDAG	Other Governmental Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,018,045	\$ 187,570	\$ 39,916	\$ 1,245,531
Investments	0	1,286,874	26,841	1,313,715
Cash held by tax collector	30,524	0	0	30,524
Loans receivable	0	299,612	0	299,612
Due from Wastewater Fund	500	480,500	0	481,000
Total assets	<u>\$ 1,049,069</u>	<u>\$2,254,556</u>	<u>\$ 66,757</u>	<u>\$ 3,370,382</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Payroll taxes payable	\$ 270	\$ 0	\$ 0	\$ 270
Due to School District	101,995	0	0	101,995
Tax anticipation note payable	500,000	0	0	500,000
Deferred revenue	0	780,112	0	780,112
Total liabilities	<u>602,265</u>	<u>780,112</u>	<u>0</u>	<u>1,382,377</u>
<b>Fund Balances</b>				
Reserved	246,709	0	0	246,709
Unreserved				
Designated	34,856	0	0	34,856
Undesignated	165,239	1,474,444	66,757	1,706,440
Total fund balances	<u>446,804</u>	<u>1,474,444</u>	<u>66,757</u>	<u>1,988,005</u>
Total liabilities and fund balances	<u>\$ 1,049,069</u>	<u>\$2,254,556</u>	<u>\$ 66,757</u>	<u>\$ 3,370,382</u>

TOWN OF CABOT, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2009

EXHIBIT B

	Major Funds		Nonmajor Funds		Totals
	General Fund	UDAG	Other Governmental Funds		
<b>Revenues</b>					
Property taxes	\$ 1,040,036	\$ 0	\$ 0	\$ 1,040,036	
State aid highways	123,570	0	0	123,570	
Delinquent tax penalties & interest	19,495	0	0	19,495	
Licenses, fees & permits	19,619	0	0	19,619	
Investment income (loss)	15,911	172,568	6,618	195,097	
Loan repayments	0	35,159	0	35,159	
Rental income	2,241	0	0	2,241	
Diesel reimbursement	16,061	0	0	16,061	
Other	6,102	0	6,035	12,137	
Reappraisal - Act 60	8,265	0	0	8,265	
Total revenues	<u>1,251,300</u>	<u>207,727</u>	<u>12,653</u>	<u>1,471,680</u>	
<b>Expenditures</b>					
<b>Current:</b>					
Selectmen	312,374	0	0	312,374	
Highway	489,140	0	0	489,140	
Willey Building	33,456	0	0	33,456	
Cemetery	0	0	23,634	23,634	
Community grants	0	46,963	0	46,963	
Community loans	0	4,876	0	4,876	
Scholarship grants	0	4,700	0	4,700	
Cabot Coalition	10	0	0	10	
Other	0	2,364	0	2,364	
Total current	<u>834,980</u>	<u>58,903</u>	<u>23,634</u>	<u>917,517</u>	
<b>Debt service:</b>					
Principal - Selectmen	15,000	0	0	15,000	
Principal - Highway	70,000	0	0	70,000	
Principal - Willey Building	8,300	0	0	8,300	
Interest - Selectmen	4,997	0	0	4,997	
Interest - Highway	10,000	0	0	10,000	
Total debt service	<u>108,297</u>	<u>0</u>	<u>0</u>	<u>108,297</u>	
Total expenditures	<u>943,277</u>	<u>58,903</u>	<u>23,634</u>	<u>1,025,814</u>	
Excess Revenues (Expenditures)	<u>308,023</u>	<u>148,824</u>	<u>(10,981)</u>	<u>445,866</u>	
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of equipment	4,000	0	0	4,000	
Transfers in (out)	(18,000)	0	18,000	0	
Total other financing sources	<u>(14,000)</u>	<u>0</u>	<u>18,000</u>	<u>4,000</u>	
Net Change in Fund Balances	294,023	148,824	7,019	449,866	
Fund Balances - January 1, 2009	152,781	1,325,620	59,738	1,538,139	
Fund Balances - December 31, 2009	<u>\$ 446,804</u>	<u>\$ 1,474,444</u>	<u>\$ 66,757</u>	<u>\$ 1,988,005</u>	

TOWN OF CABOT, VERMONT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
 FUND BALANCE - COMPARED TO BUDGET - MODIFIED CASH BASIS  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2009

EXHIBIT C

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Property taxes	\$ 1,027,881	\$ 1,040,036	\$ 12,155
State aid highway	100,000	123,570	23,570
Delinquent tax penalties & interest	0	19,495	19,495
Licenses, fees & permits	19,000	19,619	619
Interest & dividends	18,000	15,911	(2,089)
Rental income	2,000	2,241	241
Diesel reimbursement	18,000	16,061	(1,939)
Other	7,000	6,102	(898)
Reappraisal - Act 60	8,000	8,265	265
Total revenues	1,199,881	1,251,300	51,419
<b>Expenditures</b>			
Current:			
Selectmen	358,381	312,374	46,007
Highway	608,500	489,140	119,360
Cabot Coalition	0	10	(10)
Willey Building	53,700	33,456	20,244
Total current	1,020,581	834,980	185,601
Debt service:			
Principal - Selectmen	15,000	15,000	0
Principal - Highway	70,000	70,000	0
Principal - Willey Building	8,300	8,300	0
Interest - Selectmen	5,000	4,997	3
Interest - Highway	10,000	10,000	0
Total debt service	108,300	108,297	3
Total expenditures	1,128,881	943,277	185,604
Excess Revenues (Expenditures)	71,000	308,023	237,023
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of equipment	0	4,000	4,000
Transfers in (out)	(18,000)	(18,000)	0
Total other financing sources (uses)	(18,000)	(14,000)	4,000
Net Change in Fund Balance	\$ 53,000	294,023	\$ 241,023
Fund Balance - January 1, 2009		152,781	
Fund Balance - December 31, 2009		\$ 446,804	

TOWN OF CABOT, VERMONT  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUND  
DECEMBER 31, 2009

EXHIBIT D

		<u>Wastewater Fund</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 90,069	
Investments	332,620	
Total current assets		422,689
<b>Non-Current Assets</b>		
Land	143,663	
Plant, net	4,046,075	
Total non-current assets		4,189,738
Total assets		4,612,427
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Due to General Fund	500	
Bond and notes payable due within one year	16,418	
Total current liabilities		16,918
<b>Noncurrent Liabilities</b>		
Due to UDAG Fund	480,500	
Bonds and notes payable due after one year	528,411	
Total noncurrent liabilities		1,008,911
Total liabilities		1,025,829
<b>NET ASSETS</b>		
Unrestricted		422,189
Invested in capital assets, net of related debt		3,164,409
Total net assets		\$ 3,586,598

DRAFT

TOWN OF CABOT, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGE IN FUND NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2009

EXHIBIT E

		Wastewater Fund
<b>OPERATING REVENUES</b>		
Charges for services	\$ 110,213	
Other fees and charges	2,966	
Total operating revenues		113,179
<b>OPERATING EXPENSES</b>		
Operation and maintenance	112,596	
Contracted services	3,161	
Administration fees	5,140	
Depreciation	96,392	
Total operating expenses		217,289
<b>OPERATING LOSS</b>		(104,110)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Unrealized loss on investments	(35,662)	
Interest expense	(24,283)	
Interest/dividend income	22,044	
Net nonoperating expenses		(37,901)
<b>CHANGE IN NET ASSETS</b>		(142,011)
<b>NET ASSETS - JANUARY 1, 2009</b>		3,728,609
<b>NET ASSETS - DECEMBER 31, 2009</b>		\$ 3,586,598

DRAFT



TOWN OF CABOT, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009

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, 2009  
(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, 2009  
(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, 2009  
(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 resources 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF CABOT, VERMONT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009  
(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, 2009, none of the government’s bank balance of \$1,354,594 was exposed to custodial credit risk.

*Investments*

Investments at December 31, 2009 are as follows:

		<u>Maturity Date</u>	<u>Rating</u>
Mutual funds	\$ 25,562	n/a	
Certificates of deposits	68,399	3/2012-7/2012	
Common stocks	661,260	n/a	1 (S&P)
Corporate bonds	388,943	4/2012-12/2038	BAA1-AAA
Government bonds	502,171	3/2010-8/2026	
	<u>\$1,646,335</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, 2009:

	<u>Interest and Dividends</u>	<u>Realized and Unrealized Gains (Losses)</u>	<u>Investment Fees</u>	<u>Total</u>
General Fund	\$ 15,911	\$ 0	\$ 0	\$ 15,911
UDAG	45,079	136,732	(9,243)	172,568
Other governmental	1,544	5,074	0	6,618
Total	<u>\$ 62,534</u>	<u>\$ 141,806</u>	<u>\$ (9,243)</u>	<u>\$ 195,097</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, 2009  
(Continued)

**NOTE 4 - UDAG LOAN RECEIVABLES**

The UDAG loan receivables are \$780,112 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 \$205,133, \$115,833 to the General Fund and \$90,000 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, 2008	Additions (Depreciation)	Balance December 31, 2009
Capital assets not depreciated - land	\$ 143,663	\$ 0	\$ 143,663
Capital assets being depreciated - plant	\$ 4,814,139	\$ 0	\$ 4,814,139
Accum. depreciation - plant	(671,672)	(96,392)	(768,064)
Plant, net	\$ 4,142,467	\$ (96,392)	\$ 4,046,075

**NOTE 6 - SHORT-TERM DEBT**

In January 2009 the Town received a tax anticipation note from People's United Bank for \$500,000 with an interest rate of 2.00%, due December 30, 2009. The note was paid in full on January 4, 2010 plus \$9,861 of interest.

The following is a summary of changes in short-term debt for the year ended December 31, 2009 for the governmental activities.

Balance at January 1, 2009	\$ 0
Loan proceeds	500,000
Balance at December 31, 2009	\$ 500,000

No interest was paid on short-term debt in 2009.

TOWN OF CABOT, VERMONT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009  
(Continued)

**NOTE 7 - LONG-TERM LIABILITIES**

Long-term debt at December 31, 2009 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%.	\$ 115,815
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%).	135,000
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%).	165,000
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>25,000</u>
Total	440,815
Amount due within one year	<u>(93,000)</u>
Amount due after one year	<u><u>\$ 347,815</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%.	501,637
Note payable with Vermont Municipal Bond Bank, annual payments of \$3,085 starting June 2004 until 2023, interest at 0%.	<u>43,192</u>
Total	1,025,329
Amount due within one year	<u>(16,418)</u>
Amount due after one year	<u><u>\$ 1,008,911</u></u>

TOWN OF CABOT, VERMONT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009  
(Continued)

**NOTE 7 - LONG-TERM LIABILITIES (Continued)**

Long-term debt will mature approximately as follows:

	Governmental			Proprietary		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 93,300	\$ 12,201	\$ 105,501	\$ 16,418	\$ 23,673	\$ 40,091
2011	63,300	9,207	72,507	17,061	23,030	40,091
2012	63,300	7,131	70,431	17,732	22,359	40,091
2013	63,300	4,998	68,298	18,436	21,655	40,091
2014	23,300	3,336	26,636	19,174	20,917	40,091
2015-2019	101,500	8,663	110,163	108,243	92,212	200,455
2020-2024	32,815	0	32,815	129,716	67,656	197,372
2025-2029	0	0	0	148,424	36,606	185,030
2030-2034	0	0	0	550,125	4,175	554,300
Total	<u>\$ 440,815</u>	<u>\$ 45,536</u>	<u>\$ 486,351</u>	<u>\$ 1,025,329</u>	<u>\$ 312,283</u>	<u>\$ 1,337,612</u>

The following is a summary of changes of long-term liabilities for the year ended December 31, 2009:

	Governmental	Proprietary
Balance at December 31, 2008	\$ 534,115	\$ 1,041,137
Principal payments	(93,300)	(15,808)
Balance at December 31, 2009	<u>\$ 440,815</u>	<u>\$ 1,025,329</u>

**NOTE 8 - DEFERRED REVENUE**

Deferred revenue of \$780,112 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 AND DESIGNATED FUND BALANCES**

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

	Balance 12/31/08	Increase	(Decrease)	Balance 12/31/09
Fire department - sinking fund	\$ 146,770	\$ 20,829	\$ 0	\$ 167,599
Highway department sinking fund	0	40,000	0	40,000
Excess property taxes billed	30,149	0	(30,149)	0
Reappraisal	15,193	8,265	0	23,458
Cabot coalition	9	0	(9)	0
Listers education	1,173	392	0	1,565
River corridor grant	(6,404)	0	0	(6,404)
Land records	13,622	1,661	(1,210)	14,073
Cell tower legal	7,210	0	(792)	6,418
Total reserved fund balance	<u>\$ 207,722</u>	<u>\$ 71,147</u>	<u>\$ (32,160)</u>	<u>\$ 246,709</u>



TOWN OF CABOT, VERMONT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009  
(Continued)

**NOTE 9 - RESERVED AND DESIGNATED FUND BALANCES (Continued)**

The Board has designated unreserved fund balances as follows:

Highway asphalt	\$ 30,000
Fire Department	856
Masonic Hall	4,000
Total designated	<u>\$ 34,856</u>

**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 \$188,651 out of total wages of \$267,619. Contributions by the Town of Cabot were \$7,546 in 2009, \$7,886 in 2008 and \$7,246 in 2007.

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 - 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 2009, \$6,000 was disbursed.

TOWN OF CABOT, VERMONT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009  
(Continued)

**NOTE 11 – COMMITMENTS (Continued)**

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 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. In October the agreement was revised for compensation increases. The monthly fee under the revised agreement is \$3,452 which is a 1.5% increase over the previous agreement.

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.

**NOTE 12 - 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 13 - LEASE**

In 2005 the Town entered into a five year operating lease for a copier. The lease expense for 2009 was \$827. Lease obligations are as follows:

2010	<u>\$ 207</u>
------	---------------

**NOTE 14 – 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 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through \*Date, the date which the financial statements were available for issue.

In February 2010, the Town received a tax anticipation note from Chittenden Bank for \$264,000 with an interest rate of 2%, due December 30, 2010.

TOWN OF CABOT, VERMONT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009  
(Continued)

**NOTE 15 – SUBSEQUENT EVENTS (Continued)**

In January 2010, the Town entered into a 15 month rental agreement to rent out the Masonic Hall for an amount of \$9,300. As part of the agreement the Town will pay up to \$8,000 for renovations done to the Hall as outlined in the agreement with the renter. The renter will serve as general contractor and upon satisfactory completion of the renovations the Town will waive \$5,000 of the rent.

DRAFT

TOWN OF CABOT, VERMONT  
 SCHEDULE OF EXPENDITURES - SELECTMEN  
 BUDGET TO ACTUAL - MODIFIED CASH BASIS  
 YEAR ENDED DECEMBER 31, 2009

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures - Selectmen			
Current:			
Appropriations	\$ 81,121	\$ 81,047	\$ 74
Audit and legal	13,000	9,869	3,131
Computer	1,250	1,295	(45)
Conservation Commission	350	275	75
County tax	18,010	18,010	0
Delinquent tax collection fees	13,000	12,912	88
Dues and subscriptions	7,900	7,068	832
Employee benefits	9,000	8,073	927
Fire Department	30,350	29,494	856
Insurance	12,500	11,788	712
Interest on short-term debt	12,000	0	12,000
General	9,000	11,622	(2,622)
Health	22,000	17,838	4,162
Listers	15,100	5,214	9,886
Masonic Hall	10,000	5,949	4,051
Meeting elections	2,500	2,749	(249)
Miscellaneous	3,000	1,004	1,996
Office	7,500	7,783	(283)
Pound keeper	800	615	185
Planning Commission	4,000	0	4,000
Records restoration	1,200	1,210	(10)
Supplies	2,700	2,681	19
Tax maps	1,100	0	1,100
Wages	80,000	74,478	5,522
Water and sewer charges	1,000	1,400	(400)
Total current	<u>358,381</u>	<u>312,374</u>	<u>46,007</u>
Debt service:			
Principal	15,000	15,000	0
Interest	5,000	4,997	3
Total debt service	<u>20,000</u>	<u>19,997</u>	<u>3</u>
Total expenditures - Selectmen	<u>\$ 378,381</u>	<u>\$ 332,371</u>	<u>\$ 46,010</u>

TOWN OF CABOT, VERMONT  
 SCHEDULE OF EXPENDITURES - HIGHWAY  
 BUDGET TO ACTUAL - MODIFIED CASH BASIS  
 YEAR ENDED DECEMBER 31, 2009

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures - Highway			
Current:			
Chloride	\$ 12,000	\$ 11,745	\$ 255
Cold patch/paving	31,000	436	30,564
Culverts	3,000	2,166	834
Gravel	68,000	68,618	(618)
Salt and sand	89,000	68,308	20,692
Fuel	75,000	37,683	37,317
Employee benefits	22,000	16,687	5,313
Equipment repairs	40,000	36,155	3,845
Garage supplies	8,000	6,241	1,759
Guardrails and signs	1,500	343	1,157
Health insurance	32,000	31,414	586
Highway furnace oil	300	695	(395)
Hired equipment	26,000	21,145	4,855
Insurance	23,500	19,408	4,092
Miscellaneous	10,000	8,263	1,737
Sheriff	1,800	1,633	167
Tires	6,000	5,212	788
Utilities	2,800	2,444	356
Wages	156,600	150,544	6,056
Total current	<u>608,500</u>	<u>489,140</u>	<u>119,360</u>
Debt service:			
Principal	70,000	70,000	0
Interest	10,000	10,000	0
Total debt service	<u>80,000</u>	<u>80,000</u>	<u>0</u>
 Total expenditures - Highway	 <u>\$ 688,500</u>	 <u>\$ 569,140</u>	 <u>\$ 119,360</u>

TOWN OF CABOT, VERMONT  
 BALANCE SHEET - MODIFIED CASH BASIS  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2009

	<u>Special Revenue Funds</u>		<u>Total other</u>
	<u>Community</u>	<u>Cemetery</u>	<u>Governmental</u>
	<u>Development</u>	<u>Fund</u>	<u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,989	\$ 36,927	\$ 39,916
Investments	0	26,841	26,841
Total assets	<u>\$ 2,989</u>	<u>\$ 63,768</u>	<u>\$ 66,757</u>
<b>FUND BALANCES</b>			
Fund Balances			
Unreserved	<u>\$ 2,989</u>	<u>\$ 63,768</u>	<u>\$ 66,757</u>
Total fund balances	<u>\$ 2,989</u>	<u>\$ 63,768</u>	<u>\$ 66,757</u>

DRAFT

TOWN OF CABOT, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - MODIFIED CASH BASIS  
ALL NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2009

SCHEDULE 4

	Special Revenue Funds		Total other Governmental Funds
	Community Development	Cemetery Fund	
Revenues			
Investment income (loss)	\$ 43	\$ 6,575	\$ 6,618
Other	0	6,035	6,035
Total revenues	<u>43</u>	<u>12,610</u>	<u>12,653</u>
Expenditures			
Current:			
Cemetery	0	23,634	23,634
Total current expenditures	<u>0</u>	<u>23,634</u>	<u>23,634</u>
Excess Revenues (Expenditures)	43	(11,024)	(10,981)
Other Financing Sources (Uses)			
Transfers in (out)	0	18,000	18,000
Net Change in Fund Balances	43	6,976	7,019
Fund Balances - January 1, 2009	<u>2,946</u>	<u>56,792</u>	<u>59,738</u>
Fund Balances - December 31, 2009	<u>\$ 2,989</u>	<u>\$ 63,768</u>	<u>\$ 66,757</u>

\*Date

Tara Rogerson, Treasurer and  
Board of Selectmen  
Town of Cabot  
Cabot, Vermont

In planning and performing our audit of the 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, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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 by those charged with governance.

During the audit we noted matters that we have listed below along with our recommendations. We believe that the implementation of the recommendations will provide the Town with a stronger system of internal control while also making its operations more efficient.



## RECOMMENDATIONS

### *Salary Rate Approval*

In reviewing personnel files we noted that there were no contracts or paperwork verifying the amount of each employee's approved pay rate. We recommend that the Board annually approve pay rates and document such in each employee's personnel file.

### *Outstanding Checks*

At year end there were some old outstanding checks and an uncleared deposit in the General Fund checking account. We recommend that these be investigated for possible double postings or turned over to the State of Vermont as unclaimed property.

## OTHER

### *Financial Performance*

The Town ended the year with an unreserved modified cash basis fund balance of \$200,095 and a reserved fund balance of \$246,709 in the General Fund. The reserved funds amount represents money that was approved by the Board for the fire department and highway sinking funds and other uses. Note 9 of the financial statements disclose the different reserve balances.

Revenues were greater than expenditures and transfers by \$294,023 in the General Fund. This was \$241,023 better than what was budgeted. Comparisons of actual results to budget for the General Fund are presented on Exhibit C and Schedules 1 and 2 of the financial statements.

The largest budget to actual variances were as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
State highway aid	\$ 100,000	\$ 123,570	\$ 23,570
Delinquent tax penalties & interest	0	19,495	19,495
<b>Expenditures</b>			
Selectmen			
Interest on short-term debt	12,000	0	12,000
Highway			
Salt and sand	89,000	68,308	20,692
Fuel	75,000	37,683	37,317
Cold patch/paving	31,000	436	30,564

*Audit Report*

As discussed in the audit report, due to the Town reporting its financial information on the pre-GASB 34 reporting model, the financial statements do not present fairly, the financial position or changes in the financial position of the Town of Cabot in conformity with generally accepted accounting principles. We recommend that you continue to evaluate the cost compared to benefits of complying with this accounting principle. Prior to implementing GASB 34 the Town will need to gather the necessary information, such as cost and date of acquisition, in order to include reporting of the Town's capital assets under the GASB 34 reporting model.

This communication is intended solely for the information and use of management, Selectboard, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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

DRAFT