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[www.angolanoandcompany.com](http://www.angolanoandcompany.com)

December 23, 2013

Town of Isle LaMotte  
Att: Steve Stata  
P. O. Box 250  
Isle LaMotte, VT 05463

Dear Steve:

I have electronically forwarded the final financial statements for Town of Isle LaMotte as of and for the year ended December 31, 2012. In addition I will be mailing you 3 bound copies.

If you are thinking of putting our audit report into your Town Report, auditing standards provides you with three options:

- You may include the entire audit report from page one through the last page;
- You may include pages 1 through Schedule 1;
- You can put a statement in that you were audited and that the audit is available at \_\_\_\_\_ and omit our audit report completely.

If you have any questions or need assistance, please do not hesitate to call us.

Sincerely,

*Angolano & Company*

Angolano & Company

Enclosures

Town of Isle LaMotte, Vermont  
Financial Statements  
For The Year Ended December 31, 2012

Town of Isle LaMotte, Vermont  
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For The Year Ended December 31, 2012

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## INDEPENDENT AUDITOR'S REPORT

To the Selectboard  
Town of Isle LaMotte, Vermont

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Town of Isle LaMotte, Vermont, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively compromise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the aggregate remaining fund information of the Town of Isle LaMotte, Vermont, as of December 31, 2012, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 and 28-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Isle LaMotte, Vermont's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of the Town of Isle LaMotte, Vermont'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 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 Isle LaMotte, Vermont's internal control over financial reporting and compliance.

## ***Angolano & Company***

Angolano & Company  
Shelburne, Vermont  
Firm Registration Number 92-0000141

December 18, 2013

## **Management Discussion and Analysis**

January 1, 2012-December 31, 2012

The following is a narrative overview and analysis to facilitate both the short and long-term analysis of the budget activities of the Town for the fiscal year ended December 31, 2012.

This Management's Discussion and Analysis (MD&A) is based on the known facts, decisions, and conditions that existed as of the date of the independent auditor's report. Readers should review the independent financial statements immediately following this discussion to enhance their understanding of the Town's financial performance.

### **Key Financial Highlights:**

The total assets of the Town of Isle La Motte at the close of the fiscal year 2012 were \$898,260, compared to \$998,517 at the close of fiscal year 2011. Of this amount, \$790,260 may be used by the various funds of the Town to meet the Town's ongoing obligations to its citizens and creditors. \$108,000 is land not available.

At the close of the fiscal year 2012, the Town's governmental funds reported combined ending balances of \$771,736.

### **General Fund Budgeting Highlights Year Ending June 30 2012**

The General Fund Balance at the close of the year ended December 31, 2012 was \$487,034. Delinquent Taxes Receivables for the year ended December 31, 2012 was \$56,948.

The Highway and Other Governmental Funds Balance at the close of the year ending December 31, 2012 was \$284,702.

### **Economic Factors and New Year's Budget Rates:**

The Board of Selectmen strive to level fund as many budgetary items as possible in the past and will try to do so again in the upcoming budget in order to keep taxes affordable.

Town of Isle LaMotte, Vermont  
Statement of Net Assets  
Government-Wide  
December 31, 2012

EXHIBIT I

	Governmental Activities	Total
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 442,464	\$ 442,464
Investments	108,000	108,000
Delinquent Taxes Receivable	56,948	56,948
Penalties and Interest Receivable	7,310	7,310
Accounts Receivable - State	123,904	123,904
Prepaid Expenses	6,537	6,537
Loan Receivable	127,092	127,092
Capital Assets, net (Note 5)	<u>476,331</u>	<u>476,331</u>
Total Assets	<u>1,348,586</u>	<u>1,348,586</u>
<b>LIABILITIES:</b>		
Accounts Payable - Other	36,261	36,261
Deferred Revenue	64,258	64,258
Long-Term Liabilities (Note 7):		
Due in More Than One Year	<u>127,092</u>	<u>127,092</u>
Total Liabilities	<u>227,611</u>	<u>227,611</u>
<b>NET ASSETS:</b>		
Investment in Capital Assets, net of related debt	349,239	349,239
Restricted for Other Purposes	296,810	296,810
Unrestricted	<u>474,926</u>	<u>474,926</u>
Total Net Assets	<u>\$ 1,120,975</u>	<u>\$ 1,120,975</u>

The accompanying notes are an integral part of these financial statements

Town of Isle LaMotte, Vermont  
Statement of Activities  
Government-Wide  
For The Year Ended December 31, 2012

EXHIBIT II

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants	Governmental Activities	Total
General Government	\$ 145,258			\$ (145,258)	\$ (145,258)
Public Safety	23,695			(23,695)	(23,695)
Public Works	216,428		\$ 193,603	(22,825)	(22,825)
Cemetery	6,654			(6,654)	(6,654)
Solid Waste Management	5,965			(5,965)	(5,965)
Recreation	3,460			(3,460)	(3,460)
Voter Appropriations	61,865			(61,865)	(61,865)
School Appropriations	1,360,204	-	-	(1,360,204)	(1,360,204)
Total	\$ 1,823,529	\$ -	\$ 193,603	(1,629,926)	(1,629,926)
General Revenues:					
Property Taxes				1,712,822	1,712,822
Penalties and Interest				14,470	14,470
Permits and Licenses				1,873	1,873
Fines and Charges				11,139	11,139
State Revenues not Restricted to Specific Programs				22,269	22,269
Investment Earnings				3,156	3,156
Rentals				2,492	2,492
Miscellaneous				18,108	18,108
Total General Revenues				1,786,329	1,786,329
Excess (Deficiency) of Revenues Over Expenses				156,403	156,403
Net Assets - Beginning				964,572	964,572
Net Assets - Ending				\$ 1,120,975	\$ 1,120,975

The accompanying notes are an integral part of these financial statements

Town of Isle LaMotte, Vermont  
 Combined Balance Sheet  
 All Fund Types - Fund Base  
 December 31, 2012

EXHIBIT III

	Governmental Fund Types				Totals (Memorandum Only)
	General Fund	Highway Fund	Special Revenue Funds	Permanent Fund	
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash	\$ 391,737		\$ 85	\$ 50,642	\$ 442,464
Investments	108,000				108,000
Due From Other Funds	13,831		12,174		26,005
Delinquent Taxes Receivable	56,948				56,948
Penalties/Interest Receivable	7,310				7,310
Loan Receivable				127,092	127,092
Accounts Receivable - State		\$ 123,904			123,904
Prepaid Expenses	6,537	-	-	-	6,537
Total Current Assets	<u>584,363</u>	<u>123,904</u>	<u>12,259</u>	<u>177,734</u>	<u>898,260</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 584,363</u></b>	<b><u>\$ 123,904</u></b>	<b><u>\$ 12,259</u></b>	<b><u>\$ 177,734</u></b>	<b><u>\$ 898,260</u></b>
<b>LIABILITIES AND FUND EQUITY:</b>					
<b>Liabilities:</b>					
Due To Other Funds		\$ 25,996		\$ 8	\$ 26,004
Accounts Payable - Other	\$ 33,071	3,191			36,262
Deferred Revenue	64,258	-	-	-	64,258
Total Liabilities	<u>97,329</u>	<u>29,187</u>	<u>\$ -</u>	<u>8</u>	<u>126,524</u>
<b>Fund Equity:</b>					
<b>Fund Balances:</b>					
Unrestricted	474,926				474,926
Committed	12,108	94,717			106,825
Restricted			12,259		12,259
Spendable	-	-	-	177,726	177,726
Total Fund Equity	<u>487,034</u>	<u>94,717</u>	<u>12,259</u>	<u>177,726</u>	<u>771,736</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 584,363</u></b>	<b><u>\$ 123,904</u></b>	<b><u>\$ 12,259</u></b>	<b><u>\$ 177,734</u></b>	<b><u>\$ 898,260</u></b>

The accompanying notes are an integral part of these financial statements

Town of Isle LaMotte, Vermont  
Reconciliation of the Balance Sheet to the Statement of Net Assets  
Governmental Funds  
December 31, 2012

Fund Balances – total governmental funds	\$ 771,736
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Governmental capital assets	969,509
Less accumulated depreciation	(493,178)
Bonds payable and contractual obligations have not been included in the governmental fund financial statements.	
Notes Payable	<u>(127,092)</u>
Net Assets of Governmental Activities	<u>\$1,120,975</u>

Town of Isle LaMotte, Vermont  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types - Fund Base  
 For The Year Ended December 31, 2012

EXHIBIT IV

	General Fund	Highway Fund	Special Revenue Funds	Permanent Fund	Totals (Memorandum Only)
REVENUES:					
General Revenues	\$ 1,725,896				\$ 1,725,896
Administration	14,470				14,470
Town Lands	2,492				2,492
Town Clerk Fees	13,012				13,012
Interest/Dividends	681			\$ 2,475	3,156
Miscellaneous	16,883		\$ 1,225		18,108
State	-	\$ 193,603	9,195	-	202,798
	<u>1,773,434</u>	<u>193,603</u>	<u>10,420</u>	<u>2,475</u>	<u>1,979,932</u>
TOTAL REVENUES					
EXPENDITURES:					
Administration	113,548		12,057		125,605
Solid Waste	5,965				5,965
Town Hall	18,162				18,162
Appropriations	61,865				61,865
Other	1,383,071			19	1,383,090
Services	11,704				11,704
Highway		363,995			363,995
Recreation	-	-	710	-	710
	<u>1,594,315</u>	<u>363,995</u>	<u>12,767</u>	<u>19</u>	<u>1,971,096</u>
TOTAL EXPENDITURES					
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	179,119	(170,392)	(2,347)	2,456	8,836
OTHER FINANCING SOURCES (USES):					
Transfers In		147,973	7,000		154,973
Transfers Out	(154,973)	-	-	-	(154,973)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES					
	24,146	(22,419)	4,653	2,456	8,836
FUND BALANCES, JANUARY 1, 2012	<u>462,888</u>	<u>117,136</u>	<u>7,606</u>	<u>175,270</u>	<u>762,900</u>
FUND BALANCES, DECEMBER 31, 2012	<u>\$ 487,034</u>	<u>\$ 94,717</u>	<u>\$ 12,259</u>	<u>\$ 177,726</u>	<u>\$ 771,736</u>

The accompanying notes are an integral part of these financial statements

Town of Isle LaMotte, 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 December 31, 2012

Net Changes in fund Balances – total governmental funds \$ 8,836

Amount reported for governmental activities in the Statement of  
 Activities are different because:

Governmental funds report capital outlays as expenditures. However,  
 in the Statement of Activities, the cost of those assets is  
 depreciated over their estimated useful lives:

Expenditures for capital assets	228,697
Less current year depreciation	(81,130)

Bond proceeds provide current financial resources to governmental  
 funds, but issuing debt increases long-term liabilities in the  
 statement of Net Assets. Repayment of bond principal is an  
 expenditure in the governmental funds, but the repayment  
 reduces long-term liabilities in the Statement of Net Assets.

Repayment of notes	0
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Change in Net Assets of Governmental Funds \$156,403

Town of Isle LaMotte, Vermont  
Notes to Financial Statements  
For The Year Ended December 31, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Isle LaMotte, Vermont ("Town") is organized as a Town under the applicable laws and regulations of the State of Vermont. It is governed by a Selectboard elected by registered voters of the Town to provide public health and safety, highways and streets, public improvements, planning and zoning, recreation, and general administration. Except where noted, the accounting policies conform to generally accepted accounting principles, as applicable to governmental units.

The Town prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in the Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants.

Reporting Entity:

The Selectboard is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, Town is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14. There are no component units included within the reporting entity. A component unit is another operation in the Town that has a separately elected Board such as the Town School District.

Government-Wide and Fund Financial Statements:

The statement of net assets and the statement of activities are government-wide financial statements. They report information on all of the Town of Isle LaMotte, Vermont's non-fiduciary activities with most of the Interfund activities removed. *Governmental Activities* include programs supported primarily by Taxes, State funds, grants and other intergovernmental revenues.

The statement of activities demonstrates how other people or entities that participate in programs the Town operates have shared in the payment of the direct costs. The "charges for Services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the Town. The "grants and contributions" column includes amounts paid by organizations outside the Town to help meet the operational or capital requirements of a given function. If revenue is not program revenue, it is general revenue used to support all of the Town's functions. Taxes are always general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due from on the governmental fund balance sheet and proprietary fund statement of net assets and as other resources and other uses on the governmental fund statement of revenues, expenditures

Town of Isle LaMotte, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

and changes in fund balance and on the proprietary fund statement of revenues, expenses and changes in fund net assets. All Interfund transactions between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide statement of activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for Town operations, they are not included in the government-wide statements. The Town considers some governmental funds major and reports their financial condition and results of operations in a separate column. The major funds are:

Governmental Fund Types:

- General Fund – The general fund is the Town’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds – The Town accounts for resources restricted to, or designated for, specific purposes by the Town or a grantor in a special revenue fund. Most federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.
- Other Governmental Funds – The Town accounts for resources not considered part of any other fund that is that is designed for specific purposes by the Town or a grantor in an other governmental fund. Some of the financial assistance accounted for in this fund that is unused must be returned to the grantor at the close of a specific project period.
- Permanent Fund – The Town accounts for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support Town’s programs.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Town of Isle LaMotte, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental funds financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases (revenues and other financing sources) and decreases (expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become available and measurable and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The Town considers all revenues available if they are collectible within 60 days after year end

Revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the Town to refund all or part of the unused amount.

Other Accounting Policies:

Cash and Cash Equivalents:

For purposes of the statement of cash flows for proprietary and similar fund-types, the Town considers highly liquid investments to be cash equivalents if they have a maturity of six months or less when purchased.

Interfund Receivables and Payables:

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. All other outstanding balances between funds are also reported as “due to/from other funds”.

Town of Isle LaMotte, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments:

Investments are reported at fair value unless a legal contract exists which guarantees a higher value.

Accounts Receivable:

The accounts receivable balances at year end are from governmental entities, and no allowance for doubtful accounts is considered necessary.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future periods. In the fund based financial statements, the cost of prepaid items is recorded as expenditures when the payments are made. In the government-wide financial statements and the proprietary funds, these items are recorded as prepaid items.

Capital Assets:

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities column in the governmental wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Land Improvements, buildings, furniture and equipment of the Town are depreciated using the straight line method over the estimated useful lives with a full year of depreciation taken in the year acquired and none taken in the year of disposal.

Long-term Debt:

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The face amount of debt issued is reported as other financing sources.

Budgets:

The Town is required by state law to adopt a budget for the General and Highway Funds. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles ("GAAP"). The operating budget is prepared by the Select Board and approved by the Select Board at a properly warned meeting for presentation to the voters. The operating budget includes proposed expenditures by line item and the means of

Town of Isle LaMotte, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

financing them. The budget is approved by Town Voters at a properly warned annual Town meeting. The voters vote on the total expense amount and not on the individual line items presented in these financial statements.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Fund. Encumbrances are not liabilities and, therefore, should not be recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town has elected to treat its encumbrances as liabilities for budgetary control purposes.

Net Assets and Fund Balance:

Government-Wide Financial Statements:

When the Town incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used. Net assets on the Statement of Net Assets include the following:

Investment in Capital Assets, net of Related Debt – The component of net assets reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Other Purposes – The component of net assets that reports the amount of revenue from a federal, state, or other program in excess of expenditures, and permanent fund balances. These funds are restricted for use of the related federal, state or other program.

Restricted for Capital Projects – The component of net assets that reports the amount of revenue from bond proceeds, grants, and special assessments in excess of expenditures. These funds are restricted for the construction or acquisition of capital assets.

Unrestricted – The difference between the assets and liabilities that is not reported in net Assets Invested in Capital Assets, net of Related Debt, Net Assets Restricted for Other Purposes, or Net Assets Restricted for Capital Projects.

Town of Isle LaMotte, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Based Financial Statements:

In the fund financial statements, governmental funds report fund balances as unassigned, assigned, restricted, or committed fund balance.

Unassigned Fund Balance – That portion of the general fund, fund balance that contains all spendable amounts not contained in the other classifications. It is used in other funds only to report a deficit.

Assigned Fund Balance – Includes amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Restricted Fund Balance - Includes amounts that can be spent only for the specific Purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance – Includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Spendable Fund Balance – The portion of the permanent fund balance that is available to be spent on the designated purpose of the fund.

Unspendable Fund Balance – The portion of the permanent fund balance that has to be maintained, and cannot be spent by the Town.

Memorandum Only Columns:

The total columns are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to make financial analysis easier. Data in these columns do not present financial position, results of operations, or cash flows in accordance with GAAP. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 - CASH AND REPURCHASE AGREEMENTS**

Cash deposits with financial institutions at June 30th amounted to \$442,464. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

Town of Isle LaMotte, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2012

**NOTE 2 - CASH AND REPURCHASE AGREEMENTS (CONTINUED)**

The cash deposits held at financial institutions and cash on hand can be categorized according to four levels of risk.

These four levels of risk are as follows:

- Category 1 Deposits which are insured or collateralized with securities held by the Town or by its agent in the Town's name. (repurchase agreements)
- Category 2 Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- Category 3 Private commercial insurance protection or letters of credit for funds in excess of FDIC limits.
- Category 4 Deposits which are not collateralized or insured. (includes cash on hand)

The Town uses repurchase and collateralization agreements to protect deposits not otherwise insured by the FDIC and/or SIPC.

Balances held in each area are as follows:

	Carrying Amount	Bank Balance
- Insured (FDIC) and/or (SIPC)	\$116,647	\$116,647
- Category 1	302,500	352,107
- Category 2	23,132	23,132
- Category 3	0	0
- Category 4	<u>185</u>	<u>0</u>
Total deposits	<u>\$442,464</u>	<u>\$491,888</u>

The difference between the book balance and bank balance is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flows at certain times during the year, the amount of uninsured, and not collateralized cash could have been much higher than at year end.

Repurchase and collateralization agreements of \$375,239 are securities held by the bank's trust department or agent in the bank's name. Securities consist of municipal bonds, U.S. Government obligations and U.S. Government Agency Bonds.

Town of Isle LaMotte, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2012

**NOTE 3 – INVESTMENTS**

Town invests its assets in various entities and/or debt instruments as described below. As noted some are insured by the SIPC (Securities Investor Protections Corporation). If the broker-dealer fails, the SIPC provides protection for customer accounts by returning securities registered in the name of the investor, distributing all remaining customer assets on a pro rata basis, and providing SIPC funds for all remaining claims of each customer up to a maximum of \$500,000, including up to \$100,000 on claims for cash.

Investments of the balance sheets of the Town are stated at market plus applicable accrued interest. Market values include applicable accrued interest.

	Cost	Market Value
Securities held by Town registered to Town uninsured by SIPC		
Lot 6a on Sunset View Lane	\$ 50,000	\$ 38,000
Lot 7a on Sunset View Lane	50,000	35,000
Lot 8a on Sunset View Lane	50,000	35,000
 Insured (SIPC) and registered held by dealer/broker in Town's name	 0	 0
 Uninsured, registered held by dealer/broker in Town's name	 0	 0
 Insured (SIPC) unregistered held by dealer/broker	 0	 0
 Uninsured, unregistered held by dealer/broker	 <u>0</u>	 <u>0</u>
 TOTAL	 <u>\$150,000</u>	 <u>\$108,000</u>

**NOTE 4 - INTERFUND RECEIVABLES**

In compliance with GASP 1300.109 Town does not maintain separate bank accounts for each fund, unless it is required by law, or grant agreement. The composition of amounts due to and from other funds as of December 31, 2012, is as follows:

Town of Isle LaMotte, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2012

**NOTE 4 - INTERFUND RECEIVABLES (CONTINUED)**

Fund Financial Statements:			
Receivable Fund	Payable Fund		Amount
Special Revenue Fund:			
Recreation Department	General Fund		\$ 2,759
Audit Reserve Fund	General Fund		1,500
Lister Fund	General Fund		7,915
Other Governmental Fund:			
General Fund	Highway Fund		25,996
Permanent Fund:			
General Fund	Ministerial Trust Fund		<u>8</u>
Total			<u>\$38,178</u>

**NOTE 5 - CAPITAL ASSETS**

Capital activity for the Town for the year ended December 31, 2012, were as follows:

	<u>Primary Government</u>			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets:				
Infrastructure	<u>\$740,812</u>	<u>\$228,697</u>	<u>\$ 0</u>	<u>\$969,509</u>
Total capital assets				
At historical costs	<u>740,812</u>	<u>228,697</u>	<u>0</u>	<u>969,509</u>
Less accumulated depreciation:				
Infrastructure	<u>412,048</u>	<u>81,130</u>	<u>0</u>	<u>493,178</u>
Total accum. depr.	<u>412,048</u>	<u>81,130</u>	<u>0</u>	<u>493,178</u>
Governmental activities				
Capital Assets, Net	<u>\$328,764</u>	<u>\$147,567</u>	<u>\$ 0</u>	<u>\$476,331</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General Government	\$ 0
Public Safety	0
Public Works	81,130
Cemetery	0
Health & Welfare	0

Town of Isle LaMotte, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2012

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

Solid Waste Management	\$ 0
Recreation	0
Other Services	<u>0</u>
Total governmental activities depreciation expense	<u>\$81,130</u>

**NOTE 6 - DEFERRED REVENUE**

The deferred revenues reported at year end are summarized as following:

Property Taxes	\$64,258
Prepaid Property Taxes	<u>30,084</u>
Total deferred revenues	<u>\$94,342</u>

**NOTE 7 - LONG-TERM DEBT**

The Town of Isle LaMotte, Vermont issues general obligation bonds and notes to finance the acquisition and construction of major capital facilities, renovations, and equipment purchases. General obligation bonds are direct obligations and pledge the full faith and credit of the issuing entity. These bonds are generally issued as 5 to 20-year serial bonds with equal amounts of principal maturing each year.

The following is a summary of general obligation bonds & notes:

	Balance Jan. 1, 2012	Borrowings	Retirements	Balance Dec. 31, 2012
Trustees of Public Funds (Ministerial Trust Fund) Note Payable, interest at .75% paid annually on December 31 <sup>st</sup> , 2013 and 2014; principal due on December 31 <sup>st</sup> , 2014. There is no penalty for early payment; originally borrowed \$161,292 on December 22, 2009, for the purchase of 4 lots.	<u>\$127,092</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$127,092</u>

The annual debt service requirement to maturity for general obligation bonds and notes including interest are as follows:

Town of Isle LaMotte, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2012

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

	Principal	Interest	Total
During the year ended December 31, 2013	\$ 0	\$ 953	\$ 953
2014	127,092	953	128,045
Thereafter	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$127,092</u>	<u>\$1,906</u>	<u>\$128,998</u>

**NOTE 8 – RESTRICTED, COMMITTED AND ASSIGNED FUND BALANCES (Fund Financial Statements)**

Restricted, committed and assigned fund balances represent amounts that must be used for specific purposes within that fund and cannot be spent otherwise without prior approval of funding source. A more detailed explanation is provided in Note 1. Reservations at year end are for the following:

General Fund:	
Surplus	<u>\$ 12,108</u>
Special Revenue Funds:	
Recreation Department	\$ 2,844
Audit Reserve Fund	1,500
Lister Fund	<u>7,915</u>
Total	<u>\$ 12,259</u>
Other Governmental Fund:	
Highway Fund	<u>\$ 94,717</u>
Permanent Fund:	
Trustees of Public Funds	<u>\$177,726</u>

**NOTE 9 – NET ASSETS RESTRICTED (Government-Wide Financial Statements)**

Restricted net asset balances represent amounts that must be used for specific purposes and cannot be spent otherwise without prior approval of the funding source. Restrictions at year end are for the following:

Town of Isle LaMotte, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2012

**NOTE 9 – NET ASSETS RESTRICTED (Government-Wide Financial Statements)**  
**(CONTINUED)**

Net Assets Restricted For Other Purposes:

General Fund Surplus	\$ 12,108
Highway Fund	94,717
Trustees of Public Funds	177,726
Recreation Department	2,845
Audit Reserve Fund	1,500
Lister Fund	<u>7,915</u>
Total	<u>\$296,811</u>

**NOTE 10 – TRANSFERS IN THE FUND BASED FINANCIAL STATEMENTS**

The Town transfers funds to cover expenditures made in one fund for which the revenues are in another fund, or at the request of the voters. The following transfers were made during the year.

Funds of \$147,973 were transferred from the General Fund to the Highway Fund for the purpose of paying over the taxes collected for the Highway.

Funds of \$7,000 were transferred from the General Fund to the Special Revenue Fund's Audit Reserve for the purpose of building the reserve.

**NOTE 11 – PROPERTY TAXES**

The Town voters vote an amount to be raised in taxes. In July the Select Board sets the tax rate at an amount based on the April 1<sup>st</sup> grant list certified by the listed. Taxes are due in two installments, on August 13, 2012 and November 20, 2012. Unpaid taxes go delinquent on November 21, 2012. Delinquent taxes become a lien on the property.

**NOTE 12 - PENSIONS**

**VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

Employees are eligible to participate in the Vermont Municipal Employees' Retirement System ("MERS"). All full-time employees of participating employers are eligible to participate in the plan on the first day of the month following the completion of one year of service. There are

Town of Isle LaMotte, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2012

**NOTE 12 – PENSIONS (CONTINUED)**

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

four levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. The Town participates in Group A. Normal retirement for Group A members is age 65 or the completion of 5 years of service, whichever is later. Normal retirement for Group B members is age 62 and the completion of 5 years of creditable service. Normal retirement for Group C and D members is age 55 and the completion of 5 years of creditable service. A member may receive reduced benefits at age 55 if they have 5 years of service and have made contributions for at least 2.5 years.

The System is an actuarial reserve, joint-contributory program. Both the members and the Town make contributions to the fund according to the following schedule:

	Group A	Group B	Group C	Group D
Employees' Contributions (% of gross wages)	2.5%	4.5%	9.25%	11.0%
The Town's Contributions (% of gross wages)	4.0%	5.0%	6.0%	9.0%

Employee contributions are withheld pre income tax by the Town and are remitted to the State of Vermont. Such withholdings totaled \$902 during the year. The Town contributed \$1,443 during the year. The Town's total payroll for all employees during the year was \$61,910, with \$36,074 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System.

**NOTE 13 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

In addition, Town of Isle LaMotte, Vermont is a member of Vermont League of Cities and Towns (VLCT). The VLCT has set up three insurance Trusts; the Property and Casualty Intermunicipal Fund, Inc. (PACIF) for multi-line insurance; the Vermont League of Cities and Towns Health Trust (VLCTHT) for health, life and disability coverage; the Vermont League of Cities and Towns Unemployment Trust, Inc. (VLCTUT) for unemployment compensation.

Town of Isle LaMotte, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2012

**NOTE 13 - RISK MANAGEMENT (CONTINUED)**

PACIF, VLCTHT, and VLCTUT are nonprofit corporations formed to provide insurance and risk management programs for Vermont cities and towns and is owned by the participating members. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association. The Town does not participate in the Health Insurance Program.

To provide insurance coverage, PACIF has established a self-funded insurance trust. It provides extensive coverage for losses to member municipalities for property damage, auto accidents, injured employees, public official liability and employment practices liability, members gain additional benefits from PACIF's unique public safety and risk management programs as well as dedicated in-house claims adjusters. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and PACIF is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

To provide insurance coverage, VLCTHT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Benefits available include dental insurance, flexible spending accounts, life insurance, disability insurance, and long-term care insurance. 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 unemployment coverage, VLCTUT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and provide excess reinsurance protection. Contributions are based on payroll expense and the previous two year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VLCTUT is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Town of Isle LaMotte, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2012

**NOTE 14 - OPERATING LEASES**

On August 13, 2008, the Town of Isle LaMotte, Vermont, entered into a lease agreement with Symquest for the lease of a copier. The total amount due is \$10,675, to be paid in monthly installments of \$177.92 over 5 years. The following is a schedule of future minimum lease payments under this lease.

During the year ended December 31, 2013	\$1,423
Thereafter	<u>0</u>
Total	<u>\$1,423</u>

Total minimum lease payments made this year were \$2,135.

**NOTE 15 - OPERATING LEASES (LESSOR)**

In January 2001, the Town of Isle LaMotte, Vermont entered into a non-cancelable lease agreement with the New York/New England Jurisdictional Family Camp of Woodmen of the World Fraternal Benefit Society, Inc. for a portion of the parcel of land known and described as being the Ministerial Lot Parcel #1-2-35 located on West Shore Road of Isle LaMotte. The lease is for a period of twenty (20) years commencing February 1, 2001, and terminating January 30, 2021. The New York/New England Jurisdictional Family Camp of Woodmen of the World Fraternal Benefit Society, Inc. is to pay the town a sum of \$2,500 annually on or before the first day of April of each year.

Total lease payments received this year were \$2,500.

**NOTE 16 - COMMITMENTS**

The Town participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money recovered may be required and the collectibility of any related receivable at December 31, 2012, may be impaired. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Town of Isle LaMotte, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2012

**NOTE 17 - RELATED PARTY**

The Trustees of Public Funds, a component unit of the Town of Isle LaMotte, Vermont, Vermont, and included in these financial statements, lent the Town \$161,292.11 on December 22, 2009. This is an interest only loan originally due in three years, but was extended by the Select board through December 31, 2014. The interest rate is .75%, with interest paid annually. On December 31, 2012, the balance owed by the town was \$127,092.

Town of Isle LaMotte, Vermont  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
Budgetary Basis - General Fund  
For The Year Ended December 31, 2012

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES:</b>			
General Revenues:			
Current Taxes	\$ -	\$ 1,647,338	\$ 1,647,338
Delinquent Taxes Collected	-	65,484	65,484
State of Vermont:			
Hold Harmless	4,400	8,788	4,388
PILOT Program	<u>4,200</u>	<u>4,286</u>	<u>86</u>
Subtotal General Revenues	<u>8,600</u>	<u>1,725,896</u>	<u>1,717,296</u>
Administration:			
Delinquent Tax - Interest	4,700	8,345	3,645
Delinquent Tax Collection	<u>6,000</u>	<u>6,125</u>	<u>125</u>
Subtotal Administration	<u>10,700</u>	<u>14,470</u>	<u>3,770</u>
Town Lands:			
Rent Income	<u>2,500</u>	<u>2,492</u>	<u>(8)</u>
Subtotal Town Lands	<u>2,500</u>	<u>2,492</u>	<u>(8)</u>
Town Clerk Fees:			
Recording Fees	7,000	8,386	1,386
Copy/Fax Fees	1,600	2,196	596
Title Search	190	263	73
Licenses	1,000	1,518	518
Permits	200	355	155
Civil Fines	<u>100</u>	<u>294</u>	<u>194</u>
Subtotal Town Clerk Fees	<u>10,090</u>	<u>13,012</u>	<u>2,922</u>
Interest/Dividends:			
Investment Income	<u>650</u>	<u>681</u>	<u>31</u>
Subtotal Interest/Dividends	<u>650</u>	<u>681</u>	<u>31</u>
Other Income:			
Donations	1,000	1,000	-
Other Grants	28,975	15,823	(13,152)
Items for Sale	3	3	-
Miscellaneous	<u>-</u>	<u>57</u>	<u>57</u>
Subtotal Other Income	<u>29,978</u>	<u>16,883</u>	<u>(13,095)</u>
<b>TOTAL REVENUES</b>	<u>62,518</u>	<u>1,773,434</u>	<u>1,710,916</u>

The accompanying notes are an integral part of these financial statements

Town of Isle LaMotte, Vermont  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
Budgetary Basis - General Fund  
For The Year Ended December 31, 2012

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
<b>EXPENDITURES:</b>			
<b>Administration:</b>			
Insurance	\$ 6,145	\$ 6,823	\$ (678)
County Taxes	19,000	18,896	104
Legal Fees	8,000	7,063	937
Dues	1,260	1,298	(38)
BCA/Election Workers	1,000	1,020	(20)
Delinquent Tax Commissions	3,000	3,219	(219)
Tax Abatements - Principal	-	2,130	(2,130)
Tax Abatements - Interest	-	370	(370)
Tax Abatements - Penalty	-	88	(88)
Land Records	2,500	1,795	705
Telephone/Fax/Internet	1,600	1,530	70
Salary Clerk	17,640	17,640	-
Office Assistant	8,000	7,772	228
Town Auditor Salaries	1,000	326	674
Selectboard Salaries	3,000	3,000	-
Cemetary Commissioner	990	-	990
FICA/Medi Employer	4,300	4,736	(436)
Town Handyman Wages	500	581	(81)
Clerk of the Board Wages	4,000	2,900	1,100
Salary Treasurer	15,640	15,640	-
Officers Expenses/Mileage	1,000	454	546
Supplies/Postage	3,600	3,234	366
Equipment Rental/Purchase	2,400	2,619	(219)
Computer/Maintenance	2,500	2,678	(178)
Town Report	905	974	(69)
Animal Control/Constable	1,000	173	827
Bank Service Charges	-	100	(100)
Interest Expenditure	1,210	1,210	-
Health/Dental	2,941	2,794	147
Retirement	1,350	1,443	(93)
Advertising	1,000	714	286
Training	750	328	422
Unemployment	1,000	-	1,000
Subtotal	117,231	113,548	3,683
<b>Solid Waste:</b>			
Monitoring/Lab Charges	5,500	5,012	488
Northwest Solid Waste District	491	491	-

The accompanying notes are an integral part of these financial statements

Town of Isle LaMotte, Vermont  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
Budgetary Basis - General Fund  
For The Year Ended December 31, 2012

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Meeting Mileage Reimbursement	\$ 250	\$ 87	\$ 163
Special Trash Collection	<u>400</u>	<u>375</u>	<u>25</u>
Subtotal	<u>6,641</u>	<u>5,965</u>	<u>676</u>
Town Hall:			
Custodial/Trash Removal	450	454	(4)
Fuel	2,500	1,385	1,115
Electricity	3,300	3,102	198
Renovations	12,789	2,610	10,179
Repairs/Maintenance	13,013	10,254	2,759
Supplies	<u>530</u>	<u>357</u>	<u>173</u>
Subtotal	<u>32,582</u>	<u>18,162</u>	<u>14,420</u>
Appropriations:			
Cemetaries			-
Fire/Rescue	39,825	39,825	-
Visiting Nurses Association	2,000	2,000	-
Champlain Valley Agency of Aging	700	700	-
Chamber of Commerce	375	375	-
American Red Cross	350	350	-
Northwest Regional Planning	415	415	-
Grand Isle Court Diversion	250	250	-
VT Green-Up	300	300	-
NW Counseling & Support	700	1,300	(600)
Voices Against Violence	1,000	1,000	-
Champlain Islands Food Shelf	500	500	-
Bookmobile	350	350	-
Town Use of School	<u>14,500</u>	<u>14,500</u>	<u>-</u>
Subtotal	<u>61,265</u>	<u>61,865</u>	<u>(600)</u>
Other:			
Rec Site Mowing	4,900	2,750	2,150
Traffic Control Contract	19,190	18,645	545
2012 School Taxes Paid	-	880,101	(880,101)
State Education Fund Payment	-	480,103	(480,103)
LeBombard Ditch Project	900	7	893
Town Lots	<u>450</u>	<u>1,465</u>	<u>(1,015)</u>
Subtotal	<u>25,440</u>	<u>1,383,071</u>	<u>(1,357,631)</u>
Services:			
Cemetaries	4,990	6,654	(1,664)

The accompanying notes are an integral part of these financial statements

Town of Isle LaMotte, Vermont  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
Budgetary Basis - General Fund  
For The Year Ended December 31, 2012

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Alburgh Fire/Rescue	\$ 5,000	\$ 5,000	\$ -
VT State Police	<u>50</u>	<u>50</u>	<u>-</u>
Subtotal	<u>10,040</u>	<u>11,704</u>	<u>(1,664)</u>
 TOTAL EXPENDITURES	 <u>253,199</u>	 <u>1,594,315</u>	 <u>(1,341,116)</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (190,681)	 179,119	 369,800
 OTHER FINANCING SOURCES (USES):			
Transfers To Highway Fund	-	(147,973)	147,973
Transfers To Special Revenue Fund	<u>-</u>	<u>(7,000)</u>	<u>7,000</u>
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 (190,681)	 24,146	 (214,827)
 FUND BALANCE, JANUARY 1, 2012	 <u>190,681</u>	 <u>462,888</u>	 <u>272,207</u>
 FUND BALANCE, DECEMBER 31, 2012	 <u>\$ -</u>	 <u>\$ 487,034</u>	 <u>\$ 487,034</u>

The accompanying notes are an integral part of these financial statements

Town of Isle LaMotte, Vermont  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
Highway Fund  
For The Year Ended December 31, 2012

Schedule 2

	Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES:</b>			
State of Vermont:			
State Aid to Highways	\$ 46,592	\$ 47,521	\$ 929
VT Highway Grants	75,000	123,904	48,904
FEMA	<u>47,900</u>	<u>22,178</u>	<u>(25,722)</u>
<b>TOTAL REVENUES</b>	<u>169,492</u>	<u>193,603</u>	<u>24,111</u>
<b>EXPENDITURES:</b>			
Winter Roads:			
Snow Removal	50,000	53,395	(3,395)
Salt and Sand	15,000	15,971	(971)
Drainage	2,000	-	2,000
Salt Shed	<u>500</u>	<u>1,165</u>	<u>(665)</u>
Subtotal	<u>67,500</u>	<u>70,531</u>	<u>(3,031)</u>
Summer Roads:			
Paving/Blacktop	140,000	91,838	48,162
Gravel and Stone	15,000	22,184	(7,184)
Pot Hole Repair	1,800	1,801	(1)
Ditching and Culverts	7,000	1,537	5,463
Erosion Control	43,000	1,709	41,291
Mowing Roadsides	8,400	7,500	900
Grading/Chloride	1,500	6,388	(4,888)
Equipment Rental	500	83	417
Highway Markers	7,500	1,363	6,137
Storm Damage Repairs	3,000	2,685	315
Grant Projects	105,000	136,859	(31,859)
Lighthouse Point Road	3,500	4,583	(1,083)
Tree/Bush Removal	2,000	100	1,900
Engineering	7,000	9,643	(2,643)
Road Commissioner Wages	4,000	4,000	-
Miscellaneous Road Expense	1,000	192	808
Miscellaneous Road Labor	<u>2,000</u>	<u>999</u>	<u>1,001</u>
Subtotal	<u>352,200</u>	<u>293,464</u>	<u>58,736</u>
<b>TOTAL EXPENDITURES</b>	<u>419,700</u>	<u>363,995</u>	<u>55,705</u>

The accompanying notes are an integral part of these financial statements

EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (250,208)	\$ (170,392)	\$ 79,816
OTHER FINANCING SOURCES (USES):			
Transfers In	<u>-</u>	<u>147,973</u>	<u>147,973</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(250,208)	(22,419)	227,789
FUND BALANCE, JANUARY 1, 2012	<u>250,208</u>	<u>117,136</u>	<u>(133,072)</u>
FUND BALANCE, DECEMBER 31, 2012	<u>\$ -</u>	<u>\$ 94,717</u>	<u>\$ 94,717</u>

The accompanying notes are an integral part of these financial statements

Town of Isle LaMotte, Vermont  
 Combining Balance Sheet  
 Special Revenue Funds  
 December 31, 2012

Schedule 3

	Recreation Fund	Audit Reserve	Lister Fund	Totals
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash	\$ 85			\$ 85
Due From Other Funds	<u>2,759</u>	<u>\$ 1,500</u>	<u>\$ 7,915</u>	<u>12,174</u>
Total Current Assets	<u>2,844</u>	<u>1,500</u>	<u>7,915</u>	<u>12,259</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,844</u></b>	<b><u>\$ 1,500</u></b>	<b><u>\$ 7,915</u></b>	<b><u>\$ 12,259</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
Reserved	<u>2,844</u>	<u>1,500</u>	<u>7,915</u>	<u>12,259</u>
Total Fund Balances	<u>2,844</u>	<u>1,500</u>	<u>7,915</u>	<u>12,259</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b><u>\$ 2,844</u></b>	<b><u>\$ 1,500</u></b>	<b><u>\$ 7,915</u></b>	<b><u>\$ 12,259</u></b>

The accompanying notes are an integral part of these financial statements

Town of Isle LaMotte, Vermont  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Special Revenue Funds  
For The Year Ended December 31, 2012

Schedule 4

	Recreation Fund	Audit Reserve	Lister Fund	Totals
REVENUES:				
Miscellaneous	\$ 1,225			\$ 1,225
State	<u>500</u>	-	<u>\$ 8,695</u>	<u>9,195</u>
 TOTAL REVENUES	 <u>1,725</u>	 <u>\$ -</u>	 <u>8,695</u>	 <u>10,420</u>
EXPENDITURES:				
Administration		7,000	5,057	12,057
Recreation	<u>710</u>	<u>-</u>	<u>-</u>	<u>710</u>
 TOTAL EXPENDITURES	 <u>710</u>	 <u>7,000</u>	 <u>5,057</u>	 <u>12,767</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 1,015	 (7,000)	 3,638	 (2,347)
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 1,015	 -	 3,638	 4,653
 FUND BALANCES, JANUARY 1, 2012	 <u>1,829</u>	 <u>1,500</u>	 <u>4,277</u>	 <u>7,606</u>
 FUND BALANCES, DECEMBER 31, 2012	 <u>\$ 2,844</u>	 <u>\$ 1,500</u>	 <u>\$ 7,915</u>	 <u>\$ 12,259</u>

The accompanying notes are an integral part of these financial statements



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**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**

To the Selectboard  
Town of Isle LaMotte, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Isle LaMotte, Vermont, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Town of Isle LaMotte, Vermont's basic financial statements and have issued our report thereon dated December 18, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Isle LaMotte, Vermont'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 Town of Isle LaMotte, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Isle LaMotte, Vermont'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 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 a 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.

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. 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Isle LaMotte, Vermont's financial statements are free from 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 of other matters that are required to be reported under *Government Auditing Standards*.

### **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.

## ***Angolano & Company***

Angolano & Company  
Shelburne, Vermont  
Firm Registration Number 92-0000141

December 18, 2013



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May 15, 2013

To the Select Board  
Town of Isle LaMotte, Vermont

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Town of Isle LaMotte, Vermont** for the year ended December 31, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 23, 2013. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Isle LaMotte, Vermont are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during December 31, 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the lives of property, plant, and equipment is based on expected usefulness. We evaluated the key factors and assumptions used to develop the lives of property, plant, and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

Management estimates the final receivable or payable with the State of Vermont Department of Transportation for Highway grants and road projects.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Fund Balances and Net Assets in Notes 8 and 9 to the financial statements as to how any surplus is to be used in future fiscal years.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Select Board and management of Town of Isle LaMotte, Vermont and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Angolano & Company*

Angolano & Company,  
Shelburne, Vermont  
Firm Registration Number 92-0000141