

TOWN OF RYEGATE, VERMONT

AUDIT REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

January 14, 2013

To the Selectboard
Town of Ryegate
Ryegate Corner, Vermont

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Ryegate, Vermont, as of and for the year ended December 31, 2011, which collectively comprise the Town of Ryegate, Vermont's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Town of Ryegate, Vermont'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Ryegate, Vermont, as of December 31, 2011, and the respective changes in financial position, and budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013, on our consideration of Town of Ryegate, 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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ryegate, Vermont's financial statements as a whole. The combining and individual nonmajor fund financial statements on pages 29 through 32 are presented for purposes of additional analysis and are not required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

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

TOWN OF RYEGATE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011

Our discussion and analysis of the Town of Ryegate, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the Town's financial statements that begin with Exhibit A. This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives.

Financial Highlights

Government-wide statements

- The Town's net assets increased by \$76,109, an approximate 3% increase from December 31, 2010, as a result of this year's operations.
- The total cost of all of the Town's programs in 2011 was \$853,210 compared to \$719,493 in 2010, an increase of \$133,717, approximately an 18% increase.

Fund statements

- The fund balance for the General Fund was \$501,880 as of December 31, 2011 compared to a fund balance of \$440,983 as of December 31, 2010, an increase of \$60,897 which was due to the current year's favorable variance compared to budget of \$60,897.
- The Highway Machine Fund increased its fund balance by \$75,265, mostly due to a transfer of funds from the General Fund.
- The Non-Major Funds reported a decrease in fund balance of \$44,572. The fund balance for the non-major funds decreased from \$544,255 to \$499,683.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits A and B) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start with Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

Our analysis of the Town as a whole is reflected on Exhibit A & B. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets (net of depreciation) and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

TOWN OF RYEGATE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011
(Continued)

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets – the difference between assets and liabilities – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

All of the Town's basic services are governmental activities, including the general administration. Property taxes, state and federal grants finance most of these activities.

Reporting the Town's Most Significant Funds

Our analysis of the financial statements of the Town's major governmental funds is reflected on Exhibit C. Some funds are required to be established by State law and by bond covenants. However, the Town's Selectboard establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. Major funds in the Town fund statements is the General Fund, which contains most of the Town's operations and the Highway Machine Fund, which contains the activity for highway equipment capital purchases. All other funds are considered non-major funds. There is one category for all funds, as follows:

Governmental fund

The Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in Exhibits D and F.

The Town as a Whole (*Government-Wide Financial Statement Analysis*)

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

The Town's combined net assets increased by \$76,109 from a year ago – increasing from \$2,382,600 to \$2,458,709.

The reclassification for 2010 in Table 1 was a reclassification of \$300,804 of the capital projects net assets from restricted to unrestricted net assets due to the GASB 54 change.

TOWN OF RYEGATE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Table 1 – Net Assets

	Governmental Activities		
	2011	2010 (as reclassified)	Change
Current and other assets	\$ 1,284,764	\$ 1,224,317	\$ 60,447
Capital assets	1,240,790	1,256,933	(16,143)
Total assets	<u>2,525,554</u>	<u>2,481,250</u>	44,304
Long-term debt outstanding	46,944	61,203	(14,259)
Other liabilities	19,901	37,447	(17,546)
Total liabilities	<u>66,845</u>	<u>98,650</u>	(31,805)
Net assets:			
Invested in capital assets, net of debt	1,193,846	1,195,730	(1,884)
Restricted	354,564	348,614	5,950
Unrestricted	910,299	838,256	72,043
Total net assets	<u>\$ 2,458,709</u>	<u>\$ 2,382,600</u>	<u>\$ 76,109</u>

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$838,256 at December 31, 2010 to \$910,299 at December 31, 2011, an increase of \$72,043. This increase was mostly due to the excess revenues over expenditures during 2011 operations.

Table 2 - Change in Net Assets

	Governmental Activities		
	2011	2010	Change
REVENUES			
Program revenues:			
Charges for services	\$ 26,670	\$ 21,383	\$ 5,287
Operating grants and contributions	210,964	135,296	75,668
Capital grants and contributions	8,644	88,868	(80,224)
General revenues:			
Property taxes	683,124	670,233	12,891
Earnings on investments	27,367	22,775	4,592
Other general revenues	7,635	7,623	12
Total revenues	<u>964,404</u>	<u>946,178</u>	18,226
PROGRAM EXPENSES			
General government and administration	220,722	185,988	34,734
Public safety	62,140	70,949	(8,809)
Highways and streets	552,477	447,487	104,990
Cultural and recreation	14,982	11,538	3,444
Interest on long-term debt	2,889	3,531	(642)
Total program expenses	<u>853,210</u>	<u>719,493</u>	133,717
Extraordinary items - net	35,085	0	35,085
Increase (decrease) in net assets	<u>\$ 76,109</u>	<u>\$ 226,685</u>	<u>\$ (150,576)</u>

TOWN OF RYEGATE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011
(Continued)

There was a slight increase in revenue between 2011 and 2010, by \$18,226 mostly due to property tax revenues. The larger increase was in expenses, by \$133,717 with \$104,990 mostly related to additional highway and street cost.

Table 3 presents the cost of each of the Town's programs – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

	Total Cost of Services		Net Cost Cost of Services	
	2011	2010	2011	2010
General government	\$ 220,722	\$ 185,988	\$ 157,406	\$ 148,248
Public safety	62,140	70,949	62,140	70,949
Highways and streets	552,477	447,487	369,515	239,680
Cultural and recreational	14,982	11,538	14,982	11,538
Debt interest	2,889	3,531	2,889	3,531
Totals	\$ 853,210	\$ 719,493	\$ 606,932	\$ 473,946

The Town's Funds (*Fund Financial Statement Analysis*)

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$1,181,991, which is above last year's total of \$1,090,401, which is an 8% increase.

Over the course of the year, the Selectboard members compare year-to-date actual amounts of revenues and expenditures to the budget. The General Fund ended the year with a fund balance of \$501,880. During 2011, revenues exceeded expenditures by \$60,897, which was a favorable budget variance of \$60,897.

Exhibit G show the comparison of actual to budget for the General Fund. The larger variances were as follows:

	Budget	Actual	Variance
Revenues			
Highway state aid	\$ 110,000	\$ 148,482	\$ 38,482
Highway state grant	0	34,480	34,480
Miscellaneous grant revenue	0	26,888	26,888 **
Expenditures			
Miscellaneous grant expense	0	26,888	(26,888) **
Gravel expense	40,000	62,545	(22,545)

** directly offset each other; grant revenue covered all expenses.

TOWN OF RYEGATE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011
(Continued)

The reason for these variances is as follows:

- Highway state aid is unknown at budget time and changes each year. Management budgets this amount based on the analysis of the past years actual revenue. The revenue received in 2011 was approximately \$30,000 more than the past year. The amount awarded is determined by the State based on multiple factors and not based on Management's request.
- Highway state grant revenue variance was not an expected grant at the time the budget was set. Some of the offsetting expense is reflected in the gravel expense noted above and the road improvement grant expense of \$11,810 in the capital outlay expenditures on Exhibit G.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2011, the Town had \$1,240,790 invested in a broad range of capital assets, including highway and fire equipment, and buildings. (See Table 4 below) This amount represents a net decrease (including additions and deductions) of \$16,143 over last year.

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	2011	2010	Change
Land	\$ 27,905	\$ 27,905	\$ 0
Buildings and improvements	228,082	236,733	(8,651)
Vehicles and equipment	350,472	415,021	(64,549)
Infrastructure	634,331	577,274	57,057
Totals	\$ 1,240,790	\$ 1,256,933	\$ (16,143)

This year's major additions were paving and road work of \$109,085. The reduction in capital assets is the result of the annual depreciation of \$125,228.

Debt Administration

At December 31, 2011, the Town had \$46,944 in a lease payable versus \$61,203 on December 31, 2010 – a decrease of \$14,259.

TOWN OF RYEGATE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the 2012 budget for town operations. The Selectboard based their figures on previous year spending and departmental budget requests. The town officers' primary concern was to present to the voters a budget that would fairly represent the costs of maintaining our current infrastructure and services. We feel it is important to keep the tax rate as stable as possible while still working to have our budget reflect the true cost of running the town.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at Town of Ryegate, 18 South Bayley-Hazen, Ryegate, Vermont.

TOWN OF RYEGATE, VERMONT
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

EXHIBIT A

	Governmental Activities		
ASSETS			
Cash and investments	\$ 1,127,583		
Delinquent taxes receivable	108,650		
Due from Blue Mtn School District	18,977		
Grant receivables	21,570		
Accounts receivable - other	7,984		
Capital assets:			
Land	27,905		
Property and equipment (net of allowance for accumulated depreciation of \$920,705)	1,212,885		
Total assets			2,525,554
LIABILITIES			
Accounts payable	19,901		
Lease payable -			
Due within one year	14,932		
Due after one year	32,012		
Total liabilities			66,845
NET ASSETS			
Unrestricted	910,299		
Restricted	354,564		
Invested in capital assets, net of related debt	1,193,846		
Total net assets			\$ 2,458,709

TOWN OF RYEGATE, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

EXHIBIT B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Change in Net Assets</u>
Governmental Activities:					
General government and administration	\$ 220,722	\$ 26,670	\$ 36,646	\$ 0	\$ 157,406
Public safety	62,140	0	0	0	62,140
Highways and streets	552,477	0	174,318	8,644	369,515
Cultural and recreational	14,982	0	0	0	14,982
Interest on long-term debt	2,889	0	0	0	2,889
Total governmental activities	\$ 853,210	\$ 26,670	\$ 210,964	\$ 8,644	606,932
General Revenues:					
Property taxes					683,124
Earnings on investments and on delinquent taxes					27,367
Miscellaneous					7,635
Total general revenues					718,126
Change in net assets before extraordinary item					111,194
Extraordinary items					
Flood damage expenses					(96,484)
Flood damage reimbursements					61,399
Total extraordinary items					(35,085)
Change in net assets					76,109
Net assets - January 1, 2011					2,382,600
Net assets - December 31, 2011					\$ 2,458,709

See Notes to Financial Statements.

TOWN OF RYEGATE, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

EXHIBIT C

	Major Funds		Non-Major Funds	Totals
	General Fund	Highway Machine Fund	Other Governmental Funds	
ASSETS				
Cash and investments	\$ 653,251	\$ 180,428	\$ 293,904	\$ 1,127,583
Accounts receivable:				
Delinquent taxes	108,650	0	0	108,650
Blue Mountain Unified School Distric	18,977	0	0	18,977
Grant receivables	21,570	0	0	21,570
Other receivables	7,984	0	0	7,984
Due from other funds	0	0	205,779	205,779
Total assets	<u>\$ 810,432</u>	<u>\$ 180,428</u>	<u>\$ 499,683</u>	<u>\$ 1,490,543</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 19,901	\$ 0	\$ 0	\$ 19,901
Deferred property taxes	82,872	0	0	82,872
Due to other funds	205,779	0	0	205,779
Total liabilities	<u>308,552</u>	<u>0</u>	<u>0</u>	<u>308,552</u>
Fund Balances				
Restricted				
Special revenue purposes	0	0	354,564	354,564
Assigned				
Capital projects purposes	0	180,428	145,119	325,547
2013 Expenditures	50,000	0	0	50,000
Unassigned				
General Fund	451,880	0	0	451,880
Total fund balances	<u>501,880</u>	<u>180,428</u>	<u>499,683</u>	<u>1,181,991</u>
Total liabilities and fund balances	<u>\$ 810,432</u>	<u>\$ 180,428</u>	<u>\$ 499,683</u>	<u>\$ 1,490,543</u>

TOWN OF RYEGATE, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

EXHIBIT D

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,181,991

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 as
assets in governmental funds. The cost of the assets is
\$2,161,495 and the accumulated depreciation is \$920,705. 1,240,790

Deferred tax revenues are recognized as earned on the accrual basis
in the statement of net assets, not the modified accrual basis. 82,872

Long-term liabilities, including lease payable, are not
due and payable in the current period and therefore are not
reported as liabilities in the fund statements. (46,944)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 2,458,709

TOWN OF RYEGATE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011

EXHIBIT E

	Major Fund		Non-Major Funds	Totals
	General Fund	Highway Machine Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 696,721	\$ 0	\$ 0	\$ 696,721
Intergovernmental	211,387	0	8,221	219,608
Licenses and fees	14,517	0	0	14,517
Fines and penalties	12,153	0	0	12,153
Investment income	25,981	265	1,121	27,367
Miscellaneous	0	0	7,635	7,635
Total revenues	<u>960,759</u>	<u>265</u>	<u>16,977</u>	<u>978,001</u>
EXPENDITURES				
Current				
General government	216,778	0	773	217,551
Public safety	54,227	0	0	54,227
Highways and street	434,969	0	4,258	439,227
Cultural and recreational	5,990	0	8,098	14,088
Capital outlay	109,085	0	0	109,085
Debt service				
Principal	14,259	0	0	14,259
Interest	2,889	0	0	2,889
Total expenditures	<u>838,197</u>	<u>0</u>	<u>13,129</u>	<u>851,326</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>122,562</u>	<u>265</u>	<u>3,848</u>	<u>126,675</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	0	75,000	7,573	82,573
Transfer to General Fund	0	0	(55,993)	(55,993)
Transfer to Fire Dept. Equipment Fund	(7,573)	0	0	(7,573)
Transfer from Highway & Road Fund	54,892	0	0	54,892
Transfer to Highway Machine Fund	(75,000)	0	0	(75,000)
Transfer from Cemetery Fund	1,101	0	0	1,101
Total other financing sources (uses)	<u>(26,580)</u>	<u>75,000</u>	<u>(48,420)</u>	<u>0</u>
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	<u>95,982</u>	<u>75,265</u>	<u>(44,572)</u>	<u>126,675</u>
EXTRAORDINARY ITEMS				
Flood damage expenditures	(96,484)	0	0	(96,484)
Flood damage reimbursements	61,399	0	0	61,399
Total Extraordinary Items	<u>(35,085)</u>	<u>0</u>	<u>0</u>	<u>(35,085)</u>
NET CHANGE IN FUND BALANCES	60,897	75,265	(44,572)	91,590
FUND BALANCES - JANUARY 1, 2011	<u>440,983</u>	<u>105,163</u>	<u>544,255</u>	<u>1,090,401</u>
FUND BALANCES - DECEMBER 31, 2011	<u>\$ 501,880</u>	<u>\$ 180,428</u>	<u>\$ 499,683</u>	<u>\$ 1,181,991</u>

See Notes to Financial Statements.

TOWN OF RYEGATE, VERMONT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
 OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2011

EXHIBIT F

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	91,590
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$125,228) exceeds capital outlays \$109,085 in the period.		(16,143)
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Repayment of lease payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		14,259
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Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis. The deferred property taxes decreased by \$13,597.		(13,597)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>76,109</u>
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TOWN OF RYEGATE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

EXHIBIT G

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes	\$ 683,113	\$ 696,721	\$ 13,608
Intergovernmental:			
Highway state aid	110,000	148,482	38,482
Highway state grant	0	34,480	34,480
Pilot	1,500	1,537	37
Miscellaneous grant revenue	0	26,888	26,888
Licenses and fees:			
Equalized Grand List Maintenance	0	279	279
Liquor licenses	50	50	0
Permits zoning/planning	200	192	(8)
Marriage licenses	0	245	245
Dog licenses	1,600	2,470	870
Town Clerk fees	8,000	9,781	1,781
Town of Groton recycling	1,500	1,500	0
Fines and penalties:			
Delinquent tax penalty	0	12,093	12,093
Traffic control	500	60	(440)
Interest:			
Delinquent tax interest	4,000	18,728	14,728
Interest	5,000	7,253	2,253
Total revenues	815,463	960,759	145,296
EXPENDITURES			
Current			
General Government:			
Officials			
Animal care	1,000	707	293
Auditors salaries	1,500	640	860
Auditors supplies	0	53	(53)
Ballot clerk salaries	750	347	403
Cemetery expenses	7,800	7,706	94
Cemetery fencing & repair	500	0	500
Dog catcher labor	750	516	234
Health officer	50	30	20
Listers' computer support	2,000	1,395	605
Listers' salaries	15,000	13,031	1,969
Listers' supplies	500	314	186
Listers' telephone	450	433	17
Selectmen salaries	3,000	3,000	0

TOWN OF RYEGATE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

EXHIBIT G

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Tax collector commission	0	12,093	(12,093)
Tax collector expense	200	176	24
Town officers conf/mtgs	1,000	630	370
Town patrol/sheriff contract	3,000	2,205	795
Zoning/Planning commission	200	16	184
Total Officials	<u>37,700</u>	<u>43,292</u>	<u>(5,592)</u>
Town Offices			
Office salaries	38,516	36,261	2,255
Medical benefits	26,313	26,827	(514)
Retirement benefits	1,350	1,324	26
Workers' compensation	213	182	31
Computer support	2,000	1,568	432
Machinery & equipment repair	100	0	100
Machinery & equipment purchase	100	0	100
Marriage license fees	0	175	(175)
Dog fees	1,400	1,536	(136)
Postage	1,100	803	297
Supplies	1,200	1,217	(17)
Telephone & internet	1,200	1,000	200
Town website	600	0	600
Fuel oil	2,200	2,380	(180)
Groundwork	900	930	(30)
Utilities	950	874	76
Total Town Office	<u>78,142</u>	<u>75,077</u>	<u>3,065</u>
General			
Beach repairs & maintenance	2,000	2,144	(144)
Cemetery flags	200	0	200
County tax	11,842	11,842	0
FICA - employer	17,219	17,108	111
Fire Warden expense	200	0	200
Legal and outside audit fees	3,500	811	2,689
External audit	20,000	14,250	5,750
Appraisal consulting	1,500	0	1,500
Meeting & bid advertising	275	0	275
Recycling expense	4,000	1,647	2,353
Ryegate Green-Up	800	602	198
Ryegate Historical Society	200	200	0
Tax maps	1,500	1,500	0
Town building repairs & maintenance	1,500	982	518
Town report	1,600	1,775	(175)

TOWN OF RYEGATE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

EXHIBIT G

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
VLCT dues	1,900	1,852	48
VLCT PACIF insurance	20,162	16,808	3,354
Miscellaneous grant expense	0	26,888	(26,888)
Total General	88,398	98,409	(10,011)
Total General Government	204,240	216,778	(12,538)
Public Safety			
Fire Department			
Buildings (So. Ryegate)	200	10	190
Buildings (Ryegate Corner)	5,000	1,379	3,621
Diesel	1,000	1,419	(419)
Dispatch	1,500	1,500	0
Dry hydrant	1,000	0	1,000
Dues	900	531	369
Dumpster	200	151	49
Equipment Replacement Fund	1,000	1,000	0
Fuel oil (Ryegate Corner)	2,500	2,650	(150)
Fuel oil (So. Ryegate)	600	618	(18)
Gasoline	300	122	178
Insurance - accident	2,000	1,975	25
Machinery & equipment (Ryegate Corner)	10,000	9,579	421
Repairs	2,500	2,566	(66)
Supplies	1,000	133	867
Telephone & internet	1,000	955	45
Training	2,000	1,008	992
Utilities (So. Ryegate)	400	404	(4)
Utilities (Ryegate Corner)	1,000	779	221
Volunteer administration	6,000	5,877	123
Workers' compensation	1,000	871	129
Budget reclassification to reserve	(7,573)	0	(7,573)
Total Fire Department	33,527	33,527	0
Ambulance	14,700	14,700	0
Fast Squad - Groton/Ryegate	6,000	6,000	0
Total Public Safety	54,227	54,227	0
Highway & Streets - Highway Department			
2001 loader repairs	3,000	2,547	453
2004 grader	3,000	11,329	(8,329)
2006 Chevy truck/plow/sander	2,000	3,180	(1,180)
2008 Int'l truck/plow/sander	1,500	2,108	(608)
2009 Int'l truck/plow/sander	1,500	2,890	(1,390)
2011 Int'l truck/plow/sander	1,500	763	737

TOWN OF RYEGATE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

EXHIBIT G

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Class IV roads	1,500	1,630	(130)
Cold patch	500	461	39
Culvert steamer	250	20	230
Diesel	30,000	43,474	(13,474)
Equipment rental	3,000	5,510	(2,510)
Fuel oil	3,500	4,149	(649)
Gasoline	5,000	7,909	(2,909)
Gravel	40,000	62,545	(22,545)
Guardrails	3,500	0	3,500
Medical benefits	53,814	52,714	1,100
Motor oil	1,750	1,222	528
Road repairs	5,500	0	5,500
Retirement benefits	10,500	10,335	165
Road signs	500	0	500
Roadside mowing	5,000	4,695	305
Summer calcium chloride	4,000	5,717	(1,717)
Culverts	2,500	5,385	(2,885)
Summer road labor	65,000	62,514	2,486
Supplies	5,000	3,691	1,309
Telephone	600	515	85
Tires	5,000	5,212	(212)
Tools	1,000	469	531
Town garage upkeep	1,500	557	943
Training	500	75	425
Tree removal/brush cutting	2,500	0	2,500
Uniforms	4,500	4,685	(185)
Utilities	1,400	1,429	(29)
VLCT unemployment insurance	1,271	1,270	1
Winter labor	100,000	95,580	4,420
Winter road salt	12,000	13,158	(1,158)
Winter road sand	10,000	10,906	(906)
Workers' compensation insurance	7,700	6,325	1,375
Total Highway & Streets - Highway Dept.	401,285	434,969	(33,684)
Cultural and Recreational - Contributions			
American Red Cross	200	200	0
BMU Little League	100	100	0
Catamount Arts	400	400	0
4th of July Committee	200	200	0
Groton Food Shelf	300	300	0
Home Health Care	1,000	1,000	0

TOWN OF RYEGATE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

EXHIBIT G

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Libraries	200	200	0
NEK Mental Health	500	500	0
NEK Adult Basic Education	200	200	0
NEK Youth Services	250	250	0
Northern Vermont Development Assoc.	500	500	0
Oxbow Sr. Independence Program	300	300	0
Rural Community Transport	850	850	0
Umbrella	400	400	0
VT Center for Independent Living	265	265	0
VT Green Up	25	25	0
VT Office of Aging	300	300	0
Total Cultural & Recreation - Contributions	<u>5,990</u>	<u>5,990</u>	<u>0</u>
Capital outlay			
Road resurfacing	100,000	97,275	2,725
Road improvement grant	0	11,810	(11,810)
Total Capital Outlay	<u>100,000</u>	<u>109,085</u>	<u>(9,085)</u>
Debt Service			
Principal	14,259	14,259	0
Interest	2,889	2,889	0
Total Debt Service	<u>17,148</u>	<u>17,148</u>	<u>0</u>
Total expenditures	<u>782,890</u>	<u>838,197</u>	<u>(55,307)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>32,573</u>	<u>122,562</u>	<u>89,989</u>
OTHER FINANCING SOURCES (USES)			
Transfer to Fire Dept. Equipment Fund	(7,573)	(7,573)	0
Transfer from Highway & Road Fund	50,000	54,892	4,892
Transfer to Highway Machine Fund	(75,000)	(75,000)	0
Transfer from Cemetery Fund	0	1,101	1,101
Total other financing sources (uses)	<u>(32,573)</u>	<u>(26,580)</u>	<u>5,993</u>
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	<u>0</u>	<u>95,982</u>	<u>95,982</u>
EXTRAORDINARY ITEMS			
Flood damage expenses	0	(96,484)	(96,484)
Flood damage reimbursements	0	61,399	61,399
Total Extraordinary Items	<u>0</u>	<u>(35,085)</u>	<u>(35,085)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>60,897</u>	<u>\$ 60,897</u>
FUND BALANCE - JANUARY 1, 2011		<u>440,983</u>	
FUND BALANCE - DECEMBER 31, 2011		<u>\$ 501,880</u>	

See Notes to Financial Statements.

TOWN OF RYEGATE, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

The Town of Ryegate, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town is governed by a Selectboard. The Town provides various services as authorized and funded by State government or Town voters.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, are set forth in GASB 14 as amended by GASB 39 and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

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

Basic Financial Statements – Government-Wide Statements

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

In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

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

The net costs (by governmental function) are normally covered by general revenue (property taxes, intergovernmental revenue, interest income, etc.).

TOWN OF RYEGATE, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenue and expenditures. The various funds are reported by major funds within the financial statements.

The emphasis in fund financial statements is on the major funds. GASB No. 34 and No. 37 set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The General Fund and the Highway Machine Fund are shown as major funds. All other funds are nonmajor and are combined in one column in the fund financial statements.

The Town reports on the following major governmental funds:

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.

Highway Machine Fund is used to account for funds set aside for the purpose of Highway equipment capital purchases.

Basis of Accounting

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

Accrual

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

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period. Property taxes and related revenues are considered available if collected within 60 days. All other revenue is considered available if collectible within six months.

TOWN OF RYEGATE, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and accrued compensated absences, which are recognized when due and payable.

Investments

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	20 – 50 years
Infrastructure	15 – 50 years
Machinery and equipment	5 – 20 years

Government-wide Net Assets

Government-wide net assets are divided into three components:

Investment in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net assets – consist of net assets that are restricted by enabling legislation, by grantors, and by other contributions.

Unrestricted net assets – all other net assets are reported in this category.

Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54 “*Fund Balance Reporting and Governmental Type Definitions.*” This statement provides fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of spending constraints placed on the purposes for which resources can be used:

TOWN OF RYEGATE, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonspendable – Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted - Amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed – Amounts constrained to specific purposes by the government itself, using the highest level of decision-making authority, a formal vote of the voters. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned - All amounts not included in other spendable classifications.

When expenditure is incurred that qualifies for payment from any of the three unrestricted fund balance categories, it is applied in the following order: Committed, then Assigned and then Unassigned.

Interfund Activities

During the course of normal operations, the Town of Ryegate has transactions between funds including expenditures and transfers of resources to provide services, construct assets, and service debt. Interfund receivables and payables arise from transactions between funds and are recorded by all funds affected in the period in which the transactions are executed.

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Budget Adoption and Comparisons

The Selectboard approves a budget for the General Fund based on the budget and the Grand List and then determines the tax rate. Formal budgetary accounting is employed as a management control device during the year for the General Fund. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

TOWN OF RYEGATE, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011
 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The Treasurer is authorized to invest excess deposits and investments. There is no written formal policy.

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. The Town does not have a policy related to custodial credit risk. The table below shows the custodial credit risk of the Town’s deposits as of December 31, 2011.

Insured by FDIC/SIPC	\$	637,287
Uninsured		440,378
Total	<u>\$</u>	<u>1,077,665</u>

Investments

Investments as of December 30, 2011 were as follows:

Investment Type:		Market Value & Carrying Amount
Mutual Funds	\$	51,874
Common Stock		10,349
Total	<u>\$</u>	<u>62,223</u>

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The Town has no investment policy that would limit its investment choices.

Concentration of Credit Risk – The Town places no limit on the amount the Town may invest in any one issuer.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The Town has combined some of the cash resources of its governmental funds for accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at December 31, 2011 are as follows:

TOWN OF RYEGATE, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES (Continued)

	Interfund Receivables	Interfund Payables
General Fund	\$ 0	\$ 205,779
Special Revenue Funds -		
Highway and Roads Fund	91,929	0
Reappraisal Fund	36,842	0
So. Ryegate Sewer Fund	35,452	0
Sand Shed Fund	20,000	0
Bridges Fund	1,424	0
Records Restoration Fund	11,381	0
Fire Dept. Equipment Fund	8,751	0
Total Special Revenue Funds	205,779	0
Total	\$ 205,779	\$ 205,779

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as noted below.

	Balance Dec. 31, 2010	Additions	Depreciation	Balance Dec. 31, 2011
Capital assets not depreciated - Land	\$ 27,905	\$ 0	\$ 0	\$ 27,905
Capital assets being depreciated				
Buildings and improvements	405,721	0	0	405,721
Equipment and vehicles	892,897	0	0	892,897
Infrastructure	725,887	109,085	0	834,972
Total capital assets being depreciated	2,024,505	109,085	0	2,133,590
Less accumulated depreciation for:				
Buildings and improvements	(168,988)	0	(8,651)	(177,639)
Equipment and vehicles	(477,876)	0	(64,549)	(542,425)
Infrastructure	(148,613)	0	(52,028)	(200,641)
Total accumulated depreciation	(795,477)	0	(125,228)	(920,705)
Total capital assets, net	\$ 1,256,933	\$ 109,085	\$ (125,228)	\$ 1,240,790

Depreciation expense of \$125,228 is included in the expenses as follows: general government \$3,171, public safety \$7,913, highway and streets \$113,250, and cultural and recreational \$894.

NOTE 5 - DEFERRED REVENUE

Deferred revenue in the General Fund consists of \$82,872 in delinquent taxes not collected within sixty (60) days after the calendar year end.

TOWN OF RYEGATE, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 6 - LONG-TERM LEASE LIABILITY

Long-term lease liability at December 31, 2011 consisted of the following:

Kansas State Bank, interest at 4.72% with annual principal and interest payments of \$17,148 beginning January 15, 2005, due January 15, 2014. \$ 46,944

The interest portion of the payment made during the year ended December 31, 2011 was \$2,889.

Maturities for long-term lease debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 14,932	\$ 2,216	\$ 17,148
2013	15,637	1,511	17,148
2014	16,375	773	17,148
Totals	<u>\$ 46,944</u>	<u>\$ 4,500</u>	<u>\$ 51,444</u>

The change to the long-term lease liability during 2011 was a principal payment of \$14,259.

NOTE 7 – RESTRICTED AND ASSIGNED FUND BALANCES

The restricted net assets and assigned fund balances consisted of the following as of December 31, 2011:

	<u>Restricted</u>	<u>Assigned</u>
Highway and roads	\$ 0	\$ 91,929
Reappraisal	36,842	0
So. Ryegate Sewer	35,452	0
Sand shed	0	20,000
Bridges	0	1,424
Records Restoration	11,381	0
Act 200 Fund	5,241	0
Fire Department Equipment	0	31,766
Highway Machine	0	180,428
Ryegate History Comm.	17,564	0
Nicole Hayne Fund	16,917	0
M. Hall Library Fund	51,425	0
W. Sutton Memorial	106	0
E. Ryegate Library Fund	1,881	0
Cemetery Trust Fund	45,110	0
Ticklenaked Pond	4,238	0
Lind Homes Housing	4,322	0
Cemetery Fund	120,360	0
Misc. Others	3,725	0
Subtotal	<u>354,564</u>	<u>325,547</u>
General Fund 2013 expenditures	0	50,000
Total	<u>\$ 0</u>	<u>\$ 375,547</u>

TOWN OF RYEGATE, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 8 - PROPERTY TAXES

The Town levies its property tax based upon the assessed value as of April 1, for all real and personal property. The tax is payable in one installment due September 10. Interest of 1% per month is charged for installments not paid by the due date and any taxes not paid by October 10 are delinquent and are assessed an 8% penalty.

The tax rate for fiscal year 2011 was:

Town	\$	0.1749
Highway		0.3085
Total Tax Rate	\$	<u>0.4834</u>

NOTE 9 - INTERFUND TRANSFERS

During the year, multiply interfund transfers occurred between funds. The interfund transfers for 2011 consisted of the General Fund transferring \$75,000 to the Highway Machine Fund, and \$7,573 to the Fire Department Equipment Fund and consisted of the Highway and Road Fund transferring \$54,892 to the General Fund and the Cemetery Fund transferring \$1,101 to the General Fund. These transfers was made in accordance with budgetary and board authorizations.

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10 - RETIREMENT BENEFIT PLAN

Vermont Municipal Employees' Retirement System

All eligible full-time employees are covered by the Vermont Municipal Employees' Retirement System. The Vermont Municipal Employees' Retirement System 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 employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

The Town participates in the Group C level of contributions and benefits of the System. Under Group C, the employee contributions are 9.25% of gross pay and employer contributions are 6.5% of gross pay. Of the Town's total payroll of \$235,999, \$154,721 was covered under the Vermont Municipal Employees' Retirement System. Total employer contributions made to the System for the years ended December 31, 2011, 2010 and 2009 were \$10,057, \$8,988, and \$8,802, respectively.

TOWN OF RYEGATE, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 10 - RETIREMENT BENEFIT PLAN (Continued)

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

NOTE 11 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2011, expenditures exceeded appropriations in the General Fund by \$55,307. The excess expenditures were funded by excess revenues.

NOTE 12 – EXTRAORDINARY ITEMS

In the Spring of 2011 there were record rainfall and the Town of Ryegate suffered some damage. It cost the Town \$14,908 to repair the infrastructure damage. The damage was not eligible for any state or federal funding so the cost was covered by use of the Highway and Road fund.

In early Fall there was Hurricane Irene that hit the state which caused more infrastructure damages. Claims were filed with the Federal Emergency Management Agency (FEMA) and the State of Vermont to recoup a portion of these costs. The expenses (excluding payroll related cost) to repair this damage was \$81,576 of which reimbursement of \$61,399 was covered by FEMA and the State of Vermont with the balance covered by the Town's other resources.

NOTE 13 - RISK MANAGEMENT

The Town of Ryegate 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 of Ryegate maintains commercial insurance coverage for each of these risks of loss. 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 fiscal years.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 14, 2013, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.

TOWN OF RYEGATE, VERMONT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 DECEMBER 31, 2011

SCHEDULE 1

	Highway & Roads	Reappraisal	So. Ryegate Sewer	Sand Shed	Bridges	Records Restoration	Act 200 Fund	Fire Dept. Equip.	Ryegate History Comm.	Nicole Hayne Fund
ASSETS										
Cash and investments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,241	\$ 23,015	\$ 17,564	\$ 16,917
Due from other funds	91,929	36,842	35,452	20,000	1,424	11,381	0	8,751	0	0
Total assets	\$ 91,929	\$ 36,842	\$ 35,452	\$ 20,000	\$ 1,424	\$ 11,381	\$ 5,241	\$ 31,766	\$ 17,564	\$ 16,917
FUND BALANCES										
Fund balances										
Restricted										
Special revenue funds	\$ 0	\$ 36,842	\$ 35,452	\$ 0	\$ 0	\$ 11,381	\$ 5,241	\$ 0	\$ 17,564	\$ 16,917
Assigned										
Capital projects funds	91,929	0	0	20,000	1,424	0	0	31,766	0	0
Total fund balances	\$ 91,929	\$ 36,842	\$ 35,452	\$ 20,000	\$ 1,424	\$ 11,381	\$ 5,241	\$ 31,766	\$ 17,564	\$ 16,917

TOWN OF RYEGATE, VERMONT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 DECEMBER 31, 2011

SCHEDULE 1

	<u>M. Hall Library Fund</u>	<u>W. Sutton Memorial</u>	<u>E. Ryegate Library Fund</u>	<u>Cemetery Trust Fund</u>	<u>Ticklenaked Pond</u>	<u>Lind Homes Housing</u>	<u>Cemetery Fund</u>	<u>Misc. Others</u>	<u>Total</u>
ASSETS									
Cash and investments	\$ 51,425	\$ 106	\$ 1,881	\$ 45,110	\$ 4,238	\$ 4,322	\$ 120,360	\$ 3,725	\$ 293,904
Due from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>205,779</u>
Total assets	<u>\$ 51,425</u>	<u>\$ 106</u>	<u>\$ 1,881</u>	<u>\$ 45,110</u>	<u>\$ 4,238</u>	<u>\$ 4,322</u>	<u>\$ 120,360</u>	<u>\$ 3,725</u>	<u>\$ 499,683</u>
FUND BALANCES									
Fund balances									
Restricted									
Special revenue funds	\$ 51,425	\$ 106	\$ 1,881	\$ 45,110	\$ 4,238	\$ 4,322	\$ 120,360	\$ 3,725	\$ 354,564
Assigned									
Capital projects funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>145,119</u>
Total fund balances	<u>\$ 51,425</u>	<u>\$ 106</u>	<u>\$ 1,881</u>	<u>\$ 45,110</u>	<u>\$ 4,238</u>	<u>\$ 4,322</u>	<u>\$ 120,360</u>	<u>\$ 3,725</u>	<u>\$ 499,683</u>

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TOWN OF RYEGATE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2011

SCHEDULE E

	Highway & Roads	Reappraisal	So. Ryegate Sewer	Sand Shed	Bridges	Records Restoration	Act 200 Fund	Fire Dept. Equip.	Ryegate History Comm.	Nicole Hayne Fund
REVENUES										
Intergovernmental	\$ 0	\$ 7,324	\$ 0	\$ 0	\$ 0	\$ 897	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous	0	0	3,478	0	0	0	0	1,000	0	1,000
Investment income	0	0	0	0	0	0	25	55	74	199
Total revenues	<u>0</u>	<u>7,324</u>	<u>3,478</u>	<u>0</u>	<u>0</u>	<u>897</u>	<u>25</u>	<u>1,055</u>	<u>74</u>	<u>1,199</u>
EXPENDITURES										
Current:										
General government	0	0	0	0	0	0	773	0	0	0
Highways and street	0	0	0	0	4,258	0	0	0	0	0
Cultural and recreational	0	0	0	0	0	0	0	0	0	635
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,258</u>	<u>0</u>	<u>773</u>	<u>0</u>	<u>0</u>	<u>635</u>
EXCESS REVENUES (EXPENDITURES)										
	<u>0</u>	<u>7,324</u>	<u>3,478</u>	<u>0</u>	<u>(4,258)</u>	<u>897</u>	<u>(748)</u>	<u>1,055</u>	<u>74</u>	<u>564</u>
OTHER FINANCING SOURCES (USES)										
Transfers to General Fund	(54,892)	0	0	0	0	0	0	0	0	0
Transfers from General Fund	0	0	0	0	0	0	0	7,573	0	0
Total other financing sources (uses)	<u>(54,892)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,573</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCE										
	<u>(54,892)</u>	<u>7,324</u>	<u>3,478</u>	<u>0</u>	<u>(4,258)</u>	<u>897</u>	<u>(748)</u>	<u>8,628</u>	<u>74</u>	<u>564</u>
FUND BALANCES - JANUARY 1, 2011										
	<u>146,821</u>	<u>29,518</u>	<u>31,974</u>	<u>20,000</u>	<u>5,682</u>	<u>10,484</u>	<u>5,989</u>	<u>23,138</u>	<u>17,490</u>	<u>16,353</u>
FUND BALANCES - DECEMBER 31, 2011										
	<u>\$ 91,929</u>	<u>\$ 36,842</u>	<u>\$ 35,452</u>	<u>\$20,000</u>	<u>\$ 1,424</u>	<u>\$ 11,381</u>	<u>\$ 5,241</u>	<u>\$31,766</u>	<u>\$ 17,564</u>	<u>\$ 16,917</u>

TOWN OF RYEGATE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2011

SCHEDULE 2

	M. Hall Library Fund	W. Sutton Memorial	E. Ryegate Library Fund	Cemetery Trust Fund	Ticklenaked Pond Fund	Lind Homes Housing	Cemetery Fund	Misc. Others	Total
REVENUES									
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,221
Miscellaneous	1,164	0	0	153	718	0	0	122	7,635
Investment income	209	0	1	328	0	19	197	14	1,121
Total revenues	<u>1,373</u>	<u>0</u>	<u>1</u>	<u>481</u>	<u>718</u>	<u>19</u>	<u>197</u>	<u>136</u>	<u>16,977</u>
EXPENDITURES									
Current:									
General government	0	0	0	0	0	0	0	0	773
Highways and street	0	0	0	0	0	0	0	0	4,258
Cultural and recreational	1,369	0	0	6,094	0	0	0	0	8,098
Total expenditures	<u>1,369</u>	<u>0</u>	<u>0</u>	<u>6,094</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,129</u>
EXCESS REVENUES (EXPENDITURES)	<u>4</u>	<u>0</u>	<u>1</u>	<u>(5,613)</u>	<u>718</u>	<u>19</u>	<u>197</u>	<u>136</u>	<u>3,848</u>
OTHER FINANCING SOURCES (USES)									
Transfers to General Fund	0	0	0	0	0	0	(1,101)	0	(55,993)
Transfers from General Fund	0	0	0	0	0	0	0	0	7,573
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,101)</u>	<u>0</u>	<u>(48,420)</u>
NET CHANGE IN FUND BALANCE	<u>4</u>	<u>0</u>	<u>1</u>	<u>(5,613)</u>	<u>718</u>	<u>19</u>	<u>(904)</u>	<u>136</u>	<u>(44,572)</u>
FUND BALANCES - JANUARY 1, 2011	<u>51,421</u>	<u>106</u>	<u>1,880</u>	<u>50,723</u>	<u>3,520</u>	<u>4,303</u>	<u>121,264</u>	<u>3,589</u>	<u>544,255</u>
FUND BALANCES - DECEMBER 31, 2011	<u>\$ 51,425</u>	<u>\$ 106</u>	<u>\$ 1,881</u>	<u>\$ 45,110</u>	<u>\$ 4,238</u>	<u>\$ 4,322</u>	<u>\$ 120,360</u>	<u>\$ 3,725</u>	<u>\$ 499,683</u>

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FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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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*

January 14, 2013

To the Selectboard
Town of Ryegate
Ryegate Corners, Vermont

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Ryegate, as of and for the year ended December 31, 2011, which collectively comprise the Town of Ryegate's basic financial statements and have issued our report thereon dated January 14, 2013. 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.

Internal Control Over Financial Reporting

Management of Town of Ryegate is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Ryegate's internal control over financial reporting 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 of Ryegate's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Ryegate's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

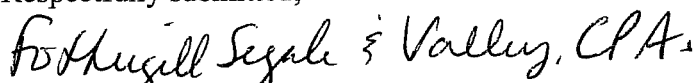
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Select Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,


FOTHERGILL SEGALE & VALLEY, CPAs
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