

TOWN OF NEW HAVEN VERMONT

FINANCIAL REPORT

December 31, 2013

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Telling & Associates, CPA, PC

Certified Public Accountant
5 Park Street · Middlebury, VT 05753

Independent Auditors' Report

The Board of Selectmen
Town of New Haven
New Haven, Vermont

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of New Haven, Vermont, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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. 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, each major fund, and the aggregate remaining fund information of the Town of New Haven, Vermont, as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–7 and 14 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 New Haven, 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.

Telling & Associates, CPA PC

Telling & Associates, CPA, PC
January 28, 2014
License # 092-0000692
Middlebury, Vermont

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Town of New Haven, Vermont (the Town), we offer readers of the Town's financial statements this overview and analysis of the financial activities for the fiscal year ended December 31, 2013.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported on this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, public works, and recreation.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for the landfill.

Proprietary funds provide the same type of information as the business-type funds activities reported in the governmental-wide financial statements, only in more detail. The Town does not have proprietary funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town does not have fiduciary fund.

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of assets exceeded total liabilities by \$3,261,225 (i.e., net position) a change of \$345,487 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balance of \$791,402, a change of \$ 47,857 in comparison to the prior year.
- Total long-term debt (i.e., bonds and notes payable) at the close of the current year was \$470,000, a change of \$(30,000) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current year.

	Governmental Activities	
	2013	2012
Current and other assets	\$ 862,595	\$ 1,029,994
Capital assets	2,877,997	2,565,789
Total assets	<u>\$ 3,740,592</u>	<u>\$ 3,595,783</u>
Current liabilities	\$ 36,284	\$ 248,997
Long-term liabilities	440,000	470,000
Total liabilities	<u>476,284</u>	<u>718,997</u>
Deferred inflows	<u>3,083</u>	<u>-</u>
Net position		
Capital assets net of debt	2,407,997	2,065,789
Restricted	208,625	144,333
Unrestricted	644,603	666,664
Total net position	<u>3,261,225</u>	<u>2,876,786</u>
Total liabilities, deferred inflows, and net position	<u>\$ 3,740,592</u>	<u>\$ 3,595,783</u>

CHANGES IN NET POSITION

	Governmental Activities	
	2013	2012
Revenues		
Program Revenues:		
Charges for services	\$ 43,683	\$ 52,507
Grants and contributions	431,031	221,415
General revenues:		
Property taxes	3,885,342	4,389,603
Other general revenues	51,546	79,619
Total revenues	<u>4,411,602</u>	<u>4,743,144</u>
Program expenses:		
General government	423,282	361,152
Education	2,895,103	3,109,742
Public safety	85,228	78,424
Public works	571,250	588,600
Recreation	20,381	21,885
Employee benefits	70,727	54,337
Cemetery	5,134	5,532
Interest on long-term debt	20,601	23,531
Total expenses	<u>4,066,115</u>	<u>4,243,203</u>
Increase in net position	<u>345,487</u>	<u>499,941</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$3,261,225, a change of \$345,487 from the prior year.

The largest portion of net position \$2,407,997 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding.

An additional portion of net position, \$208,625, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$644,603 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities.

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balance of \$791,402, a change of \$47,857 in comparison to the prior year.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$92,110 while total fund balance was \$92,110. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below

<u>General Fund</u>	<u>12/31/13</u>	<u>12/31/12</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 92,110	\$ 53,501	\$ 38,609	2.7%
Total fund balance	92,110	76,370	15,740	2.7%

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The fund balance of the Town of New Haven's general fund increased by \$15,740 during the current fiscal year due to receipts of \$3,516,419 compared to general fund expenditures of \$3,464,687 and transfers out of \$35,992.

F. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$2,877,997 (net accumulated depreciation), a change of \$312,208 from prior year. This investment in capital assets includes land, building and improvements, machinery and equipment, office furniture, vehicles, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- 2014 International Truck
- Plank Road Paving
- East Road Paving
- Hunt Road Paving
- Quarry Road Bridge

Long-term debt. At the end of the current fiscal year, total bonds payable outstanding was \$470,000, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the notes to the financial statements.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of New Haven, Vermont's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Office, Town of New Haven, 78 North Street, New Haven, VT 05472, 802-453-3516.

TOWN OF NEW HAVEN, VERMONT
Statement of Net Position
December 31, 2013

Assets

Current assets:

Cash	\$	785,783
Property taxes receivable		66,214
Interest and penalties receivable		10,598
Total current assets		862,595

Noncurrent assets:

Land, building, and equipment - net of accumulated depreciation of \$1,585,417		2,877,997
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Total assets	\$	3,740,592
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Liabilities

Current liabilities:

Accounts payable	\$	3,896
Accrued liabilities		2,388
Current portion of long-term debt		30,000
Total current liabilities		36,284

Long-term liabilities:

Bond payable, less current portion		440,000
Total liabilities		476,284

Deferred inflows

Taxes paid in advance		3,083
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Net Position

Investment in capital assets, net of related debt		2,407,997
Restricted		208,625
Unrestricted		644,603
Total net position		3,261,225

Total liabilities, deferred inflows, and net position	\$	3,740,592
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See the accompanying notes to the financial statements.

TOWN OF NEW HAVEN, VERMONT
Statement of Activities
Governmental Activities
For the Year Ended December 31, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<i>Governmental activities</i>				
General government	\$ 423,282	10,741	142,854	(269,687)
Public safety	85,228	32,942	-	(52,286)
Public works	545,659	-	288,177	(257,482)
Recreation	20,381	-	-	(20,381)
Employee benefits	70,727	-	-	(70,727)
Interest	20,601	-	-	(20,601)
Cemetery	5,134	-	-	(5,134)
Education	2,895,103	-	-	(2,895,103)
<i>Total Functions and Programs</i>	<u>\$ 4,066,115</u>	<u>43,683</u>	<u>431,031</u>	<u>(3,591,401)</u>
<i>General revenues</i>				
Real property taxes				3,885,342
Investment income				9,788
Miscellaneous				41,758
<i>Total general revenues</i>				<u>3,936,888</u>
<i>Change in net position</i>				<u>345,487</u>
<i>Total net position - beginning of year, previously stated</i>				2,876,786
Prior period adjustment				38,952
<i>Total net position - beginning of year, restated</i>				<u>2,915,738</u>
<i>Total net position - end of year</i>				<u>\$ 3,261,225</u>

See the accompanying notes to the financial statements.

TOWN OF NEW HAVEN, VERMONT
Balance Sheet - Governmental Funds
December 31, 2013

	General	Road	Special Revenue	Total Governmental Funds
Assets				
Cash	\$ 86,491	\$ 208,625	\$ 490,667	\$ 785,783
Property taxes receivable	66,214	-	-	66,214
Interest and penalties receivable	10,598	-	-	10,598
Total assets	\$ 163,303	\$ 208,625	\$ 490,667	\$ 862,595
Liabilities				
Accounts payable	\$ 3,896	\$ -	\$ -	\$ 3,896
Total liabilities	3,896	-	-	3,896
Deferred inflows				
Unearned property taxes	64,214	-	-	64,214
Taxes paid in advance	3,083	-	-	3,083
Total deferred inflows	67,297	-	-	67,297
Fund balances				
Restricted	-	208,625	-	208,625
Committed	-	-	-	-
Assigned	-	-	490,667	490,667
Unassigned	92,110	-	-	92,110
Total fund balances	92,110	208,625	490,667	791,402
Total liabilities and fund balances	\$ 163,303	\$ 208,625	\$ 490,667	\$ 862,595

See the accompanying notes to the financial statements.

TOWN OF NEW HAVEN, VERMONT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2013

Total fund balances – governmental funds \$ 791,402

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

Reconciling items – governmental funds

- Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.

Governmental capital assets	4,463,414	
Less accumulated depreciation	<u>(1,585,417)</u>	2,877,997

- Other long-term assets are not available to pay for current period expenditures and the related revenue is therefore not recognized in the governmental funds financial statements. This amount represents general fund unearned property tax revenue.

64,214

- Long-term liabilities, including bonds and notes payable with interest accrued thereon, are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.

(472,388)

Net position - governmental activities \$ 3,261,225

See accompanying notes to the financial statements.

TOWN OF NEW HAVEN, VERMONT
Statement of Revenues, Expenditures,
and Changes in Fund Balance - Governmental Funds
For the Year Ended December 31, 2013

	<u>General</u>	<u>Road</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 3,290,260	\$ 598,320	\$ -	\$ 3,888,580
State of Vermont	142,854	288,177	-	431,031
Licenses, permits and fees	43,683	-	-	43,683
Investment income	7,429	-	2,359	9,788
Miscellaneous	32,193	1,065	8,500	41,758
Total revenues	<u>3,516,419</u>	<u>887,562</u>	<u>10,859</u>	<u>4,414,840</u>
Expenditures				
General government	384,756	-	863	385,619
Public safety	85,228	-	-	85,228
Public works	-	854,098	-	854,098
Debt retirement	30,000	-	-	30,000
Recreation	20,381	-	-	20,381
Employee benefits	25,492	25,591	19,644	70,727
Interest	20,693	-	-	20,693
Cemetery	3,034	-	2,100	5,134
Education	2,895,103	-	-	2,895,103
Total expenditures	<u>3,464,687</u>	<u>879,689</u>	<u>22,607</u>	<u>4,366,983</u>
Excess (deficiency) of revenues over expenditures	<u>51,732</u>	<u>7,873</u>	<u>(11,748)</u>	<u>47,857</u>
Other financing source (uses)				
Transfers in	-	144,288	131,159	275,447
Transfers out	<u>(35,992)</u>	<u>(65,000)</u>	<u>(174,455)</u>	<u>(275,447)</u>
Total other financing sources (uses)	<u>(35,992)</u>	<u>79,288</u>	<u>(43,296)</u>	<u>-</u>
Change in fund balance	15,740	87,161	(55,044)	47,857
Fund balance - beginning of year	<u>76,370</u>	<u>121,464</u>	<u>545,711</u>	<u>743,545</u>
Fund balances - end of year	<u>\$ 92,110</u>	<u>\$ 208,625</u>	<u>\$ 490,667</u>	<u>\$ 791,402</u>

See the accompanying notes to the financial statements.

TOWN OF NEW HAVEN, VERMONT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
December 31, 2013

Net change in fund balances - governmental funds \$ 47,857

Amounts 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 the estimated useful.

Expenditure for capital assets	544,104
Current year depreciation	(273,328)

- Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayment of principal	30,000
Accrued interest	92

- Revenues in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenues in the funds. This amount represents a decrease in unearned property taxes.

(3,238)

Change in net position of governmental activities \$ 345,487

See accompanying notes to the financial statements.

TOWN OF NEW HAVEN, VERMONT
Statement of Revenues, Expenditures
Budget and Actual - General Fund
For the Year Ended December 31, 2013

	Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
Revenues			
Property taxes	\$ 191,424	459,371	267,947
Office revenues	39,000	32,193	(6,807)
State of Vermont	112,000	142,854	30,854
Licenses, permits and fees	12,750	10,741	(2,009)
Sheriff's department	40,000	32,941	(7,059)
Investment income	-	7,429	7,429
Voted Surplus	280,701	-	(280,701)
	<u>675,875</u>	<u>685,529</u>	<u>9,654</u>
Expenditures			
General government	518,107	384,756	133,351
Public safety	107,731	85,228	22,503
Debt retirement	-	30,000	(30,000)
Recreation	24,203	20,381	3,822
Interest	-	20,693	(20,693)
Cemetery	5,834	3,034	2,800
Transfers	20,000	35,992	(15,992)
Total expenditures	<u>675,875</u>	<u>580,084</u>	<u>95,791</u>
Excess of revenues over expenditures	\$ <u><u>-</u></u>	<u><u>105,445</u></u>	<u><u>105,445</u></u>

See the accompanying notes to the financial statements.

TOWN OF NEW HAVEN, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The Town of New Haven, Vermont (the Town) is a unit of local government chartered by the State of Vermont. The Town operates under a Select Board – form of government and provides services as outlined in its charter. The Town provides the following services: public safety, highways and streets, public improvements, planning and zoning, and general administrative services.

a) Reporting Entity

Town of New Haven, Vermont is governed by a five member elected Select Board. Control or dependence on the Board was determined on the basis of budget adoptions, designation of management, influence over operations, and accountability for fiscal matters. The Town of New Haven, Vermont applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

b) Basis of Presentation

Government-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Adjustments have been made to minimize the effect of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of good or services offered by the programs, and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The accounts of the Town of New Haven, Vermont are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures as appropriate.

TOWN OF NEW HAVEN, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Governmental Funds

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account groups are grouped, in the financial statements in this report, as follows:

General fund - The general fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.

Road Fund - This fund is used to account for revenue and expenditures of the Road Fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

c) Measurement Focus and Basis of Accounting

The Town-wide financial statements are reported using economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property tax revenue is considered available if collected within sixty days of fiscal year end. The Town considers all other revenue reported in governmental funds to be available if the revenues are collected within one year after the end of the fiscal year.

d) Cash and Cash Equivalents

For the purpose of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

e) Capital assets

Property, vehicles and equipment are recorded at cost with depreciation computed using the straight-line method over their estimated useful lives of 7 to 40 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; renewals and betterments are capitalized.

TOWN OF NEW HAVEN, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

f) Net Position/Governmental Fund Balance

In the government-wide financial statements, net position are classified in the following categories:

Investment in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category includes both designated and undesignated net position of the Town. Designated net position include reserves that were established by the Board, which are considered internally designated. Undesignated net position are not restricted for any project or purpose.

In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balances. The Town has established the following restricted fund balances:

Road Fund: According to Vermont State statute, road funds must be used for road expenses of the Town. The reserve must be accounted for separate and apart from all other funds a detailed report of the operation and condition must be provided to the Board.

Committed – Includes amounts that can only be used for the specific purpose pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, i.e., the legal voters of the Town. The Town has \$0 committed fund balance as of December 31, 2013.

Assigned – Includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance in the General Fund. Encumbrances reported in the General Fund amounted to \$0. Assigned fund balance in the special revenue funds amounted to \$490,667.

Unassigned – Includes all other General Fund net position that do not meet the definition of the above four classifications and are deemed to be available for general use by the Town.

TOWN OF NEW HAVEN, VERMONT

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

f) Net Position/Governmental Fund Balance (continued)

Order of use of fund balance:

The Town's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignment of fund balance cannot cause a negative unassigned fund balance.

g) Deferred Inflow of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unearned property taxes and taxes paid in advance as deferred inflows. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

h) Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumption regarding certain types of assets, liabilities, revenues, and expenses. Such estimated primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated source.

Note 2. Stewardship, Compliance, and Accountability

a) Budgetary Information

At the annual meeting, the Select Board presents a general fund budget for the proposed expenditures of the fiscal year commencing January 1 of current year. The budget, as enacted by town meeting establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues.

b) Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to the budgetary data.

TOWN OF NEW HAVEN, VERMONT

Notes to Financial Statements

Note 2. Stewardship, Compliance, and Accountability (continued)

b) Budget/GAAP Reconciliation (continued)

The following is a summary of adjustments made to the actual revenues to conform to the budgetary basis of accounting.

General fund:		
Total revenues (GAAP basis)	\$	3,516,419
Adjust tax revenue to accrual basis		(2,833,890)
Total revenues budgetary basis	\$	<u>685,529</u>

Note 3. Explanation of Certain Differences between Governmental Fund Statements and the Government-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

Total fund balances of the Town's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of net position versus the solely current financial resources focus of the governmental fund Balance Sheets.

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of the categories listed below.

1. Long-Term Revenue and Expense Differences – Long-term revenue differences arise because governmental funds report revenues only when considered "available", whereas the Statement of Activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.
2. Long-Term Debt Transaction Differences – Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net position.
3. Capital Assets – Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

TOWN OF NEW HAVEN, VERMONT

Notes to Financial Statements

Note 4. Cash and Cash Equivalents

The Town of New Haven, Vermont invests its funds in interest bearing accounts. The Town maintains collateralization agreements with Merchants Bank and National Bank of Middlebury. The banks have pledged a pool of securities as collateral for the Town's deposits in excess of \$250,000.

Note 5. Property Taxes

Property taxes attach as an enforceable lien on property as of the beginning of the year. Taxes are levied by September 1, and are payable by October 1. The Town of New Haven, Vermont bills and collects its own property taxes, as well as those for the Town School District and other assessments. Collections of the school taxes and other assessments and remittance of them are accounted for in the General Fund. All unpaid taxes become delinquent the date that the taxes are due. All delinquent taxes are assessed a late payment penalty of eight percent of the amount delinquent, and are charged interest at the rate of one percent per month. Delinquent taxes and related penalties and interest are recognized as revenue when received.

Town tax rate	\$.3920
Education tax rate - residential		1.7942
Education tax rate - nonresidential		1.7377

Note 6. Capital Assets

Property, vehicles and equipment used by the Town are as follows:

	12/31/12 Balance	Additions	Retirement	12/31/13 Balance
Land	\$ 65,000	-	-	65,000
Buildings & improvements	1,300,801	-	-	1,300,801
Infrastructure	1,759,951	380,445	-	2,140,396
Office furniture	22,110	-	-	22,110
Vehicles	365,837	144,288	(19,500)	490,625
Machinery and equipment	405,483	-	-	405,483
Construction in progress	19,628	19,371	-	38,999
Total	3,938,810	544,104	(19,500)	4,463,414
Accumulated Depreciation:	12/31/12 Balance	Additions	Retirement	12/31/13 Balance
Building & improvements	256,350	37,634	-	293,984
Infrastructure	487,441	182,254	-	669,695
Office furniture	14,340	2,220	-	16,560
Vehicles	246,200	32,973	(19,500)	259,673
Machinery and equipment	327,258	18,247	-	345,505
Total	1,331,589	273,328	(19,500)	1,585,417
Total capital assets - net	\$ 2,607,221	270,776	-	2,877,997

Depreciation expense for the year ended December 31, 2013 was \$273,328.

TOWN OF NEW HAVEN, VERMONT

Notes to Financial Statements

Note 7. Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Unearned revenue in the General Fund consists of \$64,214 in delinquent taxes receivable and related penalty and interest not collected within 60 days of year.

Note 8. Long-Term Debt

Long-term liability activity for the year ended December 31, 2013 was as follows:

	12/31/12 Balance	Additions	Reduction	12/31/13 Balance
Governmental Activities				
Bonds payable	\$ 500,000	\$ -	\$ 30,000	\$ 470,000
	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 470,000</u>

Description	Interest Rate	Maturity Date	12/31/13 Balance
Bond payable – The Bank of New York Mellon Trust Co.	4.190%	11/15/29	\$ 470,000
			<u>\$ 470,000</u>

The debt service requirements at December 31, 2013 for the next five years and thereafter are as follows:

Fiscal Year	Governmental Activities	
	Principal	Interest
2014	30,000	19,179
2015	30,000	18,383
2016	30,000	17,504
2017	30,000	16,544
2018	30,000	15,497
2019 – 2023	150,000	59,827
2024 – 2028	145,000	26,541
2029	25,000	1,245
	<u>\$ 470,000</u>	<u>174,720</u>

TOWN OF NEW HAVEN, VERMONT

Notes to Financial Statements

Note 9. Commitments

The Town of New Haven, Vermont leases a photocopier under an operating lease agreement. Total lease expense for the year ended December 31, 2013 was \$4,965.

Future minimum payments required under the terms of the current lease and contract agreements are as follows:

Year Ending December 31,	
2014	4,965
2015	<u>4,965</u>
Total future minimum lease payments	\$ <u><u>9,930</u></u>

Note 10. Pension Plan

The Town provides a SIMPLE-IRA pension plan. The Town matches employee contribution up to 3%. Employees who receive a regular weekly paycheck are eligible for the plan. The Town's contribution for the year ended December 31, 2013 was \$3,761.

Note 11. Health Reimbursement Account

The Town provides a health reimbursement account for its employees not covered by Medicare. All persons covered by the Town's insurance plan are expected to pay 30% of the incremental cost for two person or family coverage. The Town's contribution for the year ended December 31, 2013 was \$49,223.

Note 12. Risk Management

The Town is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets, errors and omissions, and injuries to employees. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settle claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

Note 13. Contingencies

Federal and State Grants

In the normal course of operations, the Town receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of such audits is not likely to have a material adverse effect on the Town's funds.

TOWN OF NEW HAVEN, VERMONT

Notes to Financial Statements

Note 14. Prior Period Adjustment

As of December 31, 2012, accumulated depreciation was overstated. The effect of the restatement on the change in net position and net position was \$0 and 38,952, respectively.

Note 15. Subsequent Events

The Select Board has evaluated subsequent events through January 28, 2014, the date on which the financial statements were available to be issued.

TOWN OF NEW HAVEN, VERMONT
Combining Balance Sheets
Nonmajor Governmental - Special Revenue Funds
December 31, 2013

	<u>Fire Truck</u>	<u>Records Restoration</u>	<u>Office Equipment</u>	<u>Road Equipment</u>	<u>Riverside Cemetery</u>	<u>West Cemetery</u>	<u>Reappraisal Reserve</u>	<u>Health Insurance</u>	<u>Community Projects</u>	<u>Bridge</u>	<u>Totals</u>
Assets											
Cash	\$ 77,549	\$ 33,459	\$ 10,504	\$ 74,500	\$ 5,419	\$ 30,300	\$ -	\$ 2,862	\$ 1,966	\$ 76,927	\$ 490,667
Total assets	<u>\$ 77,549</u>	<u>\$ 33,459</u>	<u>\$ 10,504</u>	<u>\$ 74,500</u>	<u>\$ 5,419</u>	<u>\$ 30,300</u>	<u>\$ -</u>	<u>\$ 2,862</u>	<u>\$ 1,966</u>	<u>\$ 76,927</u>	<u>\$ 490,667</u>
Fund balance											
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	77,549	33,459	10,504	74,500	5,419	30,300	177,181	2,862	1,966	76,927	490,667
Unassigned	<u>77,549</u>	<u>33,459</u>	<u>10,504</u>	<u>74,500</u>	<u>5,419</u>	<u>30,300</u>	<u>177,181</u>	<u>2,862</u>	<u>1,966</u>	<u>76,927</u>	<u>490,667</u>
Total	<u>\$ 77,549</u>	<u>\$ 33,459</u>	<u>\$ 10,504</u>	<u>\$ 74,500</u>	<u>\$ 5,419</u>	<u>\$ 30,300</u>	<u>\$ -</u>	<u>\$ 2,862</u>	<u>\$ 1,966</u>	<u>\$ 76,927</u>	<u>\$ 490,667</u>

See the accompanying notes to the financial statements.

TOWN OF NEW HAVEN, VERMONT
Schedule of Revenues, Expenditures
And Changes in Fund Balances - Special Revenue Funds
For the Year Ended December 31, 2013

	Fire Truck	Records Restoration	Office Equipment	Road Equipment	Riverside Cemetery	West Cemetery	Reappraisal	Reserve	Health Insurance	Community Projects	Bridge	Total Special Funds
Revenues												
Interest	\$ 29	\$ 2,111	\$ 5	\$ 70	\$ 4	\$ 15	\$ 8	\$ 85	\$ -	\$ 1	\$ 31	\$ 2,359
Miscellaneous	-	-	-	8,500	-	-	-	-	-	-	-	8,500
Total revenues	29	2,111	5	8,570	4	15	8	85	-	1	31	10,859
Expenditures												
Expenses	-	-	763	-	2,100	-	-	-	19,644	100	-	22,607
Total expenditures	-	-	763	-	2,100	-	-	-	19,644	100	-	22,607
Excess (deficiency) of revenues over Expenditures	29	2,111	(758)	8,570	(2,096)	15	8	85	(19,644)	(99)	31	(11,748)
Other financing sources (uses)												
Transfers in	27,500	-	-	45,000	-	-	-	20,000	18,659	-	20,000	131,159
Transfers out	-	-	-	(144,288)	-	-	(20,502)	(9,665)	-	-	-	(174,455)
Total	27,500	-	-	(99,288)	-	-	(20,502)	10,335	18,659	-	20,000	(43,296)
Change in fund balance	27,529	2,111	(758)	(90,718)	(2,096)	15	(20,494)	10,420	(985)	(99)	20,031	(55,044)
Fund balances, at beginning of year	50,020	31,348	11,262	165,218	7,515	30,285	20,494	166,761	3,847	2,065	56,896	545,711
Fund balances, at end of year	\$ 77,549	\$ 33,459	\$ 10,504	\$ 74,500	\$ 5,419	\$ 30,300	\$ -	\$ 177,181	\$ 2,862	\$ 1,966	\$ 76,927	\$ 490,667

See the accompanying notes to the financial statements.

