

TOWN OF JERICHO, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2010

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AUDIT REPORT AND FINANCIAL STATEMENTS

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COMPLIANCE AND INTERNAL CONTROL REPORT

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*

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FOTHERGILL SEGALE & VALLEY

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INDEPENDENT AUDITOR'S REPORT

November 15, 2010

Selectboard Members
Town of Jericho
Jericho, VT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Jericho, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the Town, as of June 30, 2010, and the respective changes in financial position, and the 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 November 15, 2010, on our consideration of the Town'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 important for 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's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a 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 taken as a whole.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

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

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

Our discussion and analysis of the Town of Jericho, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2010. 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

- The Town's net assets (total assets less total liabilities) increased by \$1,177,576, or nearly 31.2% as a result of this year's operations, from \$3,774,581 to \$4,952,157.
- The total cost of all of the Town's programs was \$2,395,255, as compared to \$2,410,359 in the prior year, with no new programs added.
- The General Fund reported an increase in fund balance this year of \$87,614 which was \$87,614 better than the balanced budget.
- The Road Upgrade Fund reported a current year increase in fund balance of \$94,714, increasing the fund balance from \$154,302 to \$249,016.
- The Non-Major Funds reported a current year increase in fund balance of \$135,448, increasing the total fund balances from \$385,707 to \$521,155.

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

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.

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.

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

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

The fund financial statements begin with Exhibit C and provide detailed information about the most significant funds – not the Town as a whole. 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 are the General Fund, which contains most of the Town operations and the Road Upgrade Fund which accounts for funds as so stated in the title. There is one category for these 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

The Town's combined net assets increased by \$1,177,576 from a year ago – increasing from \$3,774,581 to \$4,952,157. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

Table 1 – Net Assets

	2010	2009	Change
Current and other assets	\$ 1,326,978	\$ 871,900	\$ 455,078
Capital assets	5,276,257	4,411,846	864,411
Total assets	<u>6,603,235</u>	<u>5,283,746</u>	<u>1,319,489</u>
Long-term debt outstanding	1,423,229	1,391,966	31,263
Other liabilities	227,849	117,199	110,650
Total liabilities	<u>1,651,078</u>	<u>1,509,165</u>	<u>141,913</u>
Net assets:			
Invested in capital assets, net of debt	3,877,624	3,019,880	857,744
Restricted	770,171	540,009	230,162
Unrestricted	304,362	214,692	89,670
Total net assets	<u>\$ 4,952,157</u>	<u>\$ 3,774,581</u>	<u>\$ 1,177,576</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 \$214,692 at June 30, 2009 to \$304,362 at June 30, 2010, an increase of \$89,670. The largest change is the increase in capital assets and invested in capital assets, due to various streetscape grant projects.

Table 2 - Change in Net Assets

	2010	2009	Change
REVENUES			
Program revenues:			
Charges for services	\$ 254,481	\$ 183,532	\$ 70,949
Operating grants and contributions	442,299	282,505	159,794
Capital grants and contributions	396,075	0	396,075
General revenues:			
Property taxes, related int. & pen.	2,441,328	2,423,593	17,735
General state grants	27,552	23,856	3,696
Earnings on investments	8,376	17,521	(9,145)
Other general revenues	2,720	23,324	(20,604)
Total revenues	<u>3,572,831</u>	<u>2,954,331</u>	<u>618,500</u>
PROGRAM EXPENSES			
General government and administration	821,926	904,754	(82,828)
Highways and streets repairs and maint.	911,753	871,132	40,621
Cultural and recreation	88,460	90,828	(2,368)
Outside agencies	513,705	498,906	14,799
Interest on long-term debt	59,411	44,739	14,672
Total program expenses	<u>2,395,255</u>	<u>2,410,359</u>	<u>(15,104)</u>
Increase in net assets	<u>\$ 1,177,576</u>	<u>\$ 543,972</u>	<u>\$ 633,604</u>

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

Governmental Activities

The increase in net assets for governmental activities was \$1,177,576 in 2010.

The cost of all governmental activities this year was \$2,395,255. However, as shown in the Statement of Activities on Exhibit B, some of the cost was paid by those who directly benefited from the programs (\$254,481) or by other governments and organizations that subsidized certain programs with grants and contributions (\$838,374).

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.

Table 3
Governmental Activities

	Total Cost of Services	Net (Revenue)/ Cost of Services	Total Cost of Services	Net (Revenue)/ Cost of Services
	2010	2010	2009	2009
General government	\$ 821,926	\$ 650,279	\$ 904,754	\$ 718,754
Highways and streets	911,753	63,386	871,132	644,589
Cultural and recreational	88,460	15,619	90,828	37,334
Outside agencies	513,705	513,705	498,906	498,906
Debt interest	59,411	59,411	44,739	44,739
Totals	<u>\$ 2,395,255</u>	<u>\$ 1,302,400</u>	<u>\$ 2,410,359</u>	<u>\$ 1,944,322</u>

The Town's Funds

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$1,030,110, which is above last year's total of \$712,334. This represents an increase of \$317,776.

Over the course of the year, the Selectboard members compare year-to-date actual amounts of revenues and expenditures to the budget. No adjustments to the budget were made during the year. The General Fund ended the year with a fund balance of \$259,939. During fiscal year 2010, revenues were greater than expenditures by \$87,614, which was \$87,614 better than the balanced budget. Exhibit G shows the comparison of actual to budget for the General Fund.

The largest variances between budgeted amounts and actual amounts for expenditures occurred within the following categories: Selectboard, Reappraisal; Highways and Bridges; Employee expenses and benefits; Capital outlay – streetscape.

The variance within the Selectboard category is due mainly to not accounting for the advertised salary for the Town Administrator, over expenditures for computer support and repairs, and the cost to the town of a tax abatement resulting from an error in the Grand List. The Reappraisal category was under-spent as a result of the Town not starting a rolling-reappraisal as had been planned. Highways and Bridges came in under budget mainly as a result of bridge upgrade and road improvement funds being transferred to reserves instead of being spent. Employee expenses and benefits were under budget as a result of lower than expected insurance costs. The Capital outlay – streetscape category was over budget due to a greater portion of the construction phase of the project occurring during the fiscal year than planned.

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

Capital Assets and Debt Administration

Capital Assets

At June 30, 2010, the Town had \$5,276,257 invested in a broad range of capital assets, including highway and fire equipment, and buildings. (See Table 4 below) This amount represents a net increase (including additions and deductions) of \$864,411 over last year.

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

	2010	2009	Change
Land	\$ 42,521	\$ 42,521	\$ 0
Construction in progress	663,914	161,879	502,035
Buildings and improvements	1,314,302	1,372,613	(58,311)
Vehicles and equipment	640,396	600,565	39,831
Infrastructure	2,615,124	2,234,268	380,856
Totals	<u>\$5,276,257</u>	<u>\$4,411,846</u>	<u>\$ 864,411</u>

This year's additions were:

Streetscape project	\$ 372,433
Safe routes to school project	110,258
Various other sidewalk projects	19,344
Plow truck	141,187
Trench box	10,807
Paving	480,529
	<u>\$ 1,134,558</u>

The Town's fiscal year 2010-11 capital budget calls for the Town to spend: \$572,832 for the Streetscape project, 80% of which is reimbursed to the Town; \$182,000 on the Safe Routes to School project, of which \$126,179 will be grant funds; and \$150,000 of town funds spent on paving town highways.

Debt Administration

At June 30, 2010, the Town had \$1,398,633 in bonds and leases outstanding versus \$1,391,966 on June 30, 2009 – an increase of \$6,667– as shown in Table 5. This increase is from the capital lease for a new highway truck.

Table 5
Outstanding Debt at Year-End

	2010	2009	Change
People's United Bank	\$1,140,000	\$1,200,000	\$ (60,000)
Kansas State Bank	111,440	0	111,440
Kansas State Bank	147,193	191,963	(44,770)
Totals	<u>\$1,398,633</u>	<u>\$1,391,963</u>	<u>\$ 6,670</u>

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

Economic Factors and Next Year's Budgets and Rates

For the 2010-2011 fiscal year, the municipal property tax rate for the Town General Fund increased by \$0.003 or 0.7% to \$0.4514 due to a slight increase in total tax liability.

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 Jericho, Jericho, Vermont.

TOWN OF JERICHO, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2010

EXHIBIT A

	Governmental Activities	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,081,543	
Delinquent taxes, penalties and interest receivable	95,079	
Due from State of VT	125,873	
Accounts receivable	18,788	
Prepaid expenses	5,695	
Total current assets		1,326,978
Noncurrent assets:		
Capital assets:		
Land	42,521	
Construction in progress	663,914	
Property and equipment (net of allowance for accumulated depreciation of \$1,020,814)	4,569,822	
Total noncurrent assets		5,276,257
Total assets		6,603,235
LIABILITIES		
Current liabilities:		
Accounts payable	166,065	
Due to taxpayers	3,684	
Accrued interest payable	14,763	
Deferred revenue	43,337	
Total current liabilities		227,849
Noncurrent liabilities:		
Accrued compensated absences due after one year	24,596	
Bond and capital leases payable -		
Due within one year	132,550	
Due after one year	1,266,083	
Total noncurrent liabilities		1,423,229
Total liabilities		1,651,078
NET ASSETS		
Unrestricted	304,362	
Restricted	770,171	
Invested in capital assets, net of related debt	3,877,624	
Total net assets		\$ 4,952,157

TOWN OF JERICHO, VERMONT
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010

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 (Expense) Revenues and Change in Net Assets</u>
Governmental Activities:					
General government and administration	\$ 821,926	\$ 152,371	\$ 19,276	\$ 0	\$ (650,279)
Highways and streets	911,753	29,269	423,023	396,075	(63,386)
Cultural and recreational	88,460	72,841	0	0	(15,619)
Outside agencies	513,705	0	0	0	(513,705)
Interest on long-term debt	59,411	0	0	0	(59,411)
Total governmental activities	<u>\$ 2,395,255</u>	<u>\$ 254,481</u>	<u>\$ 442,299</u>	<u>\$ 396,075</u>	<u>(1,302,400)</u>
General Revenues:					
Property taxes					2,413,394
Interest and penalties on delinquent taxes					27,934
General state grants (current use)					27,552
Earnings on investments					8,376
Miscellaneous					2,720
Total general revenues					<u>2,479,976</u>
Change in net assets					1,177,576
Net assets - July 1, 2009					<u>3,774,581</u>
Net assets - June 30, 2010					<u>\$ 4,952,157</u>

See Notes to Financial Statements.

TOWN OF JERICHO, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

EXHIBIT C

	<u>Major Funds</u>		<u>Non-Major Funds</u>	<u>Totals</u>
	<u>General Fund</u>	<u>Road Upgrade Fund</u>	<u>Other Governmental Funds</u>	
ASSETS				
Cash and cash equivalents	\$ 549,932	\$ 155,016	\$ 376,595	\$ 1,081,543
Delinquent taxes, penalties and interest receivable	95,079	0	0	95,079
Due from State of VT	125,873	0	0	125,873
Accounts receivable	18,788	0	0	18,788
Prepaid expenses	5,695	0	0	5,695
Due from other funds	0	94,000	144,760	238,760
Total assets	<u>\$ 795,367</u>	<u>\$ 249,016</u>	<u>\$ 521,355</u>	<u>\$ 1,565,738</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 166,065	\$ 0	\$ 0	\$ 166,065
Due to taxpayers	3,684	0	0	3,684
Due to other funds	238,560	0	200	238,760
Deferred revenue - other	882	0	0	882
Deferred revenue - taxes	83,782	0	0	83,782
Deferred revenue - recreation	42,455	0	0	42,455
Total liabilities	<u>535,428</u>	<u>0</u>	<u>200</u>	<u>535,628</u>
FUND BALANCES				
Unreserved	259,939	0	0	259,939
Unreserved - capital projects	0	249,016	247,786	496,802
Unreserved - special revenue funds	0	0	273,369	273,369
Total fund balances	<u>259,939</u>	<u>249,016</u>	<u>521,155</u>	<u>1,030,110</u>
Total liabilities and fund balances	<u>\$ 795,367</u>	<u>\$ 249,016</u>	<u>\$ 521,355</u>	<u>\$ 1,565,738</u>

TOWN OF JERICHO, VERMONT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

EXHIBIT D

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,030,110

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 \$6,297,071 and the accumulated depreciation is \$1,020,814. 5,276,257

Deferred tax revenues are recognized as earned on the accrual basis in the statement of net assets, not the modified accrual basis. 83,782

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds and notes payable	1,140,000	
Capital lease payable	258,633	
Accrued interest on bonds and notes payable	14,763	
Accrued compensated absences	24,596	
	(1,437,992)	(1,437,992)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 4,952,157

TOWN OF JERICHO, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

EXHIBIT E

	Major Funds		Non-Major Funds	Totals
	General Fund	Road Upgrade Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 2,429,246	\$ 0	\$ 0	\$ 2,429,246
Current use	27,552	0	0	27,552
Fees and licenses	198,161	0	0	198,161
Intergovernmental	833,374	0	0	833,374
Charges for services	30,746	0	12,409	43,155
Interest income	5,758	714	1,904	8,376
Miscellaneous	20,885	0	0	20,885
Total revenues	<u>3,545,722</u>	<u>714</u>	<u>14,313</u>	<u>3,560,749</u>
EXPENDITURES				
Current				
General government	674,957	0	0	674,957
Public safety	77,321	0	0	77,321
Highways and streets	699,917	0	0	699,917
Health services	3,939	0	0	3,939
Cultural and recreational	88,460	0	0	88,460
Outside agencies	513,705	0	0	513,705
Debt service				
Interest	56,786	0	0	56,786
Principal	134,517	0	0	134,517
Capital outlay	1,134,558	0	0	1,134,558
Total expenditures	<u>3,384,160</u>	<u>0</u>	<u>0</u>	<u>3,384,160</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	<u>161,562</u>	<u>714</u>	<u>14,313</u>	<u>176,589</u>
OTHER FINANCING SOURCES (USES)				
Lease proceeds	141,187	0	0	141,187
Operating transfers in	23,625	94,000	144,760	262,385
Operating transfers out	(238,760)	0	(23,625)	(262,385)
Total other financing sources (uses)	<u>(73,948)</u>	<u>94,000</u>	<u>121,135</u>	<u>141,187</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES				
	87,614	94,714	135,448	317,776
FUND BALANCES - JULY 1, 2009				
	<u>172,325</u>	<u>154,302</u>	<u>385,707</u>	<u>712,334</u>
FUND BALANCES - JUNE 30, 2010				
	<u>\$ 259,939</u>	<u>\$ 249,016</u>	<u>\$ 521,155</u>	<u>\$ 1,030,110</u>

TOWN OF JERICHO, VERMONT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
 OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010

EXHIBIT F

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 317,776

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 capital outlays (\$1,134,558) exceeds depreciation expense (\$270,147) in the period. 864,411

Some of the capital assets acquired this year were financed with long-term debt. The amount financed is reported in the governmental funds as an other financing source. On the other hand, the lease proceeds are not revenue in the statement of activities, but rather constitutes long-term liabilities in the statement of net assets. (141,187)

Repayment of bond and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 134,517

Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis. The deferred property taxes increased by \$12,082. 12,082

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The decreased interest reported in the governmental activities is because accrued interest on bonds and notes payable decreased. (2,625)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Accrued compensated absences increased by \$7,398 during the year. (7,398)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,177,576

TOWN OF JERICHO, VERMONT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - COMPARED TO BUDGET

EXHIBIT G

GENERAL FUND
 YEAR ENDED JUNE 30, 2010

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 2,401,120	\$ 2,401,312	\$ 192
Penalties and interest	16,000	27,934	11,934
Current use program	23,000	27,552	4,552
Fees and licenses	138,200	198,161	59,961
Intergovernmental	291,000	442,299	151,299
Interest income	25,000	5,758	(19,242)
Streetscape grant	120,000	286,421	166,421
Safe Routes to School grant	148,300	104,654	(43,646)
General Dynamics	18,000	17,610	(390)
Town library reimbursement	13,000	13,136	136
Miscellaneous	19,000	20,885	1,885
Total revenues	3,212,620	3,545,722	333,102
EXPENDITURES			
Current			
Town treasurer	74,363	58,291	16,072
Selectboard	170,700	183,049	(12,349)
Town clerk	82,775	88,563	(5,788)
Listing	48,601	32,793	15,808
Reappraisal	32,500	0	32,500
Health services	3,850	3,939	(89)
Planning and zoning	61,979	53,515	8,464
Highways and bridges	841,100	699,917	141,183
Summer recreation program	70,430	72,162	(1,732)
Employee expenses and benefits	206,350	173,279	33,071
Police and safety	79,450	77,321	2,129
Buildings and property	106,565	79,029	27,536
Conservation commission	1,700	1,050	650
Open space	5,320	2,959	2,361
Landfill	5,600	6,438	(838)
Town library salary	12,403	12,289	114
Outside agencies	516,374	513,705	2,669
Capital outlay - highway equipment	0	151,994	(151,994)
Capital outlay - highway infrastructure	430,000	465,189	(35,189)
Capital outlay - streetscape	150,000	407,117	(257,117)
Capital outlay - sidewalks	148,300	110,258	38,042
Debt service			
Interest	60,443	56,786	3,657
Principal	134,517	134,517	0
Total expenditures	3,243,320	3,384,160	(140,840)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(30,700)	161,562	192,262
OTHER FINANCING SOURCES (USES)			
Lease proceeds	0	141,187	141,187
Operating transfers in	117,700	23,625	(94,075)
Operating transfers out	(87,000)	(238,760)	(151,760)
Total other financing sources (uses)	30,700	(73,948)	(104,648)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 0	87,614	\$ 87,614
FUND BALANCE - JULY 1, 2009		172,325	
FUND BALANCE - JUNE 30, 2010		\$ 259,939	

TOWN OF JERICHO, VERMONT
 STATEMENT OF NET ASSETS
 FIDUCIARY FUNDS

EXHIBIT H

JUNE 30, 2010

	<u>WCP Escrow Fund</u>	<u>Fire Department Fund</u>	<u>School Impact Fund</u>	<u>ID SD Impact Fund</u>	<u>Total</u>
ASSETS					
Cash	\$ 6,780	\$ 10,004	\$ 130,558	\$ 3,248	\$ 150,590
Total assets	<u>6,780</u>	<u>10,004</u>	<u>130,558</u>	<u>3,248</u>	<u>150,590</u>
NET ASSETS					
Held in trust for other purposes	<u>\$ 6,780</u>	<u>\$ 10,004</u>	<u>\$ 130,558</u>	<u>\$ 3,248</u>	<u>\$ 150,590</u>

STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2010

	WCP Escrow Fund	Fire Department Fund	School Impact Fund	ID SD Impact Fund	Total
ADDITIONS					
Interest and dividends	\$ 31	\$ 0	\$ 608	\$ 16	\$ 655
Charges for services	<u>0</u>	<u>0</u>	<u>13,568</u>	<u>0</u>	<u>13,568</u>
Total additions	<u>31</u>	<u>0</u>	<u>14,176</u>	<u>16</u>	<u>14,223</u>
DEDUCTIONS					
Payment to school	<u>0</u>	<u>0</u>	<u>39,638</u>	<u>1,679</u>	<u>41,317</u>
Total deductions	<u>0</u>	<u>0</u>	<u>39,638</u>	<u>1,679</u>	<u>41,317</u>
CHANGE IN NET ASSETS	31	0	(25,462)	(1,663)	(27,094)
NET ASSETS, JULY 1, 2009	<u>6,749</u>	<u>10,004</u>	<u>156,020</u>	<u>4,911</u>	<u>177,684</u>
NET ASSETS, JUNE 30, 2010	<u>\$ 6,780</u>	<u>\$ 10,004</u>	<u>\$ 130,558</u>	<u>\$ 3,248</u>	<u>\$ 150,590</u>

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

The Town of Jericho, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town is governed by a three-member Select Board and Town Administrator. 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 primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town 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 Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Based on this 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, 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.).

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.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The emphasis in fund financial statements is on the major funds. GASBs No. 34 and No. 37 set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category type or the governmental and enterprise combined) for the determination of major funds. The General Fund and Road Upgrade Fund are shown as major governmental funds. All other funds are nonmajor and are combined in a single column in each of the respective 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.

Road Upgrade Fund is used to account for reserves to be used toward upgrading roads.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Measurement Focus

The accounting and financial reporting applied to a fund is determined by its measurement focus. Government-wide statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net assets). Fund equity (i.e. net total assets) is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets. Operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

Basis of Accounting

Basis of accounting refers to the point at which revenue or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenue is recognized when transactions occur and expenses are recognized when liabilities are 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. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, are recognized when due.

Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand and demand deposits.

Capital Assets

Infrastructure assets purchased or acquired with an original cost of \$25,000 and 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	15 – 30 years
Machinery and equipment	5 – 10 years
Infrastructure	15 – 40 years

GASB No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of fiscal year 2004 and is not required to report these assets retroactively. General infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

Compensated Absences

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

Net Assets

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

Fund Balances

Equity is classified in the following categories:

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

Reserved fund balances - Indicates the portion of equity that has been legally segregated or encumbered for specific future use or not available for appropriation.

Interfund Activities

Interfund activities are reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund activities are treated as transfers. Transfers between funds are netted in the preparation of the government-wide financial statements.

Budgetary Accounting

The Town approves a budget for the General Fund at an annual Town Meeting and the tax rate is determined by the Selectboard based on the budget and Grand List. Formal budgetary accounting is employed as a management control device during the year for the General Fund.

Use of Estimates

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

TOWN OF JERICHO, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 2 – DEPOSITS

The Treasurer invests excess cash according to policies established by the Selectboard.

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As of June 30, 2010, \$466,388 of the Town’s bank balance of \$1,303,206 was exposed to custodial credit risk.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2010 were:

	Interfund Receivables	Interfund Payables
General Fund	\$ 0	\$ 238,560
Road Upgrade Fund	94,000	0
Nonmajor Funds		
Preservation Fund	22,984	0
Reappraisal Fund	19,276	0
Stormwater Mitigation Fund	1,500	0
Sidewalk Fund	25,000	0
Equipment Fund	21,000	0
Bridge Replacement Fund	55,000	0
Open Space Fund	0	200
Total	<u>\$ 238,760</u>	<u>\$ 238,760</u>

The interfund receivable balances reflected above represent funds transferred from the General Fund to the various other funds. These transfers were authorized at the end of June but the money was not transferred until after the end of the fiscal year.

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2010 are as follows:

	Transfer from		Totals
	General Fund	Nonmajor Funds	
Transfer to			
General Fund	\$ 0	\$ 23,625	\$ 23,625
Road Upgrade Fund	94,000	0	94,000
Nonmajor Funds	144,760	0	144,760
Totals	<u>\$ 238,760</u>	<u>\$ 23,625</u>	<u>\$ 262,385</u>

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. They are also used to account for unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and management decisions.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions/ Reclasses	Disposals	Depreciation	Balance June 30, 2010
Capital assets not depreciated					
Land	\$ 42,521	\$ 0	\$ 0	\$ 0	\$ 42,521
Construction in progress	161,879	502,035	0	0	663,914
Total capital assets not depreciated	<u>204,400</u>	<u>502,035</u>	<u>0</u>	<u>0</u>	<u>706,435</u>
Capital assets being depreciated					
Buildings and improvements	1,482,785	0	0	0	1,482,785
Vehicles and equipment	1,107,139	151,994	(130,500)	0	1,128,633
Infrastructure	2,498,689	480,529	0	0	2,979,218
Total capital assets depreciated	<u>5,088,613</u>	<u>632,523</u>	<u>(130,500)</u>	<u>0</u>	<u>5,590,636</u>
Less accumulated depreciation for:					
Buildings and improvements	(110,172)	0	0	(58,311)	(168,483)
Vehicles and equipment	(506,574)	0	130,500	(112,163)	(488,237)
Infrastructure	(264,421)	0	0	(99,673)	(364,094)
Total accumulated depreciation	<u>(881,167)</u>	<u>0</u>	<u>130,500</u>	<u>(270,147)</u>	<u>(1,020,814)</u>
Total capital assets, net	<u>\$ 4,411,846</u>	<u>\$ 1,134,558</u>	<u>\$ 0</u>	<u>\$ (270,147)</u>	<u>\$ 5,276,257</u>

Depreciation expense of \$270,147 was charged to General Government (\$58,311) and Highways and streets (\$211,836).

NOTE 6 - LONG-TERM DEBT

Long-term debt at June 30, 2010 consists of the following:

	Total	Due in one year
Bond, Vermont Municipal Bond Bank, for Town Hall renovations, annual principal payment of \$60,000 beginning in 2010 plus interest adjusted annually between 1.9% and 4.65%, due December 1, 2029.	\$ 1,140,000	\$ 60,000
Lease payable - Kansas State Bank, for highway truck, annual payments of \$31,713 principal and interest, due October, 2013.	111,440	46,850
Lease payable - Kansas State Bank, for two highway trucks, annual payments of \$53,696 principal and interest, due October, 2012.	<u>147,193</u>	<u>25,700</u>
Total long-term bonds and notes payable	1,398,633	132,550
Accrued compensated absences	<u>24,596</u>	<u>0</u>
Total long-term debt	<u>\$ 1,423,229</u>	<u>\$ 132,550</u>

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 - LONG-TERM DEBT (Continued)

Changes in long-term debt were as follows:

Balance, July 1, 2009	\$ 1,409,161
Lease proceeds	141,187
Lease payments	(134,517)
Increase in compensated absences	7,398
Balance, June 30, 2010	<u>\$ 1,423,229</u>

The long-term bond and note debt is due to mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2011	\$ 132,550	\$ 57,300	\$ 189,850
June 30, 2012	136,100	52,000	188,100
June 30, 2013	139,900	46,400	186,300
June 30, 2014	90,083	40,500	130,583
June 30, 2015	60,000	36,800	96,800
June 30, 2016-2020	300,000	150,200	450,200
June 30, 2021-2025	300,000	88,100	388,100
June 30, 2026-2029	240,000	22,200	262,200
	<u>\$1,398,633</u>	<u>\$ 493,500</u>	<u>\$1,892,133</u>

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 - DESIGNATED FUND BALANCES AND RESTRICTED NET ASSETS

Fund balances and net assets are reserved and restricted as follows:

	Fund Balance		Net Assets
	Unreserved, Undesignated	Unreserved, Designated	Restricted
Major Funds			
General Fund	\$ 259,939	\$ 0	\$ 0
Road Upgrade Fund	0	249,016	249,016
Nonmajor Funds			
Bentley Cemetery Fund	0	2,632	2,632
Maude Brown Fund	0	3,870	3,870
Stevens Trust Fund	0	16,039	16,039
Preservation Fund	0	86,748	86,748
Reappraisal Fund	0	99,349	99,349
Stormwater Mitigation Fund	0	15,660	15,660
Road Impact Fees Fund	0	39,290	39,290
Recreation Impact Fund	0	9,781	9,781
Sidewalk Fund	0	38,252	38,252
Equipment Fund	0	51,535	51,535
Bridge Replacement Fund	0	88,166	88,166
Open Space Fund	0	69,833	69,833
Total Nonmajor Funds	0	521,155	521,155
Total all funds	\$ 259,939	\$ 770,171	\$ 770,171

NOTE 8 - PROPERTY TAXES

The Town levies its property tax based upon the assessed value as of April 1, for all real property, with exemptions to qualifying veterans and excludes assessments on municipal, school and church properties. Appointed listers establish a Grand List of all property and the Selectboard sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Department of Education. The tax is payable in three installments due August 15, November 15, and March 15. For the first two payments, interest at 1% per month is charged for installments not paid. After the final installment is due, a penalty will be charged of 1% per day up to 8% total. The following shows the tax rates for fiscal year 2010:

	Residential	Non-residential
General Fund	\$ 0.4484	\$ 0.4484
State Education Tax	1.3282	1.4607
	\$ 1.7766	\$ 1.9091

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 9 - PENSION PLANS

All eligible employees of the Town are enrolled for coverage by the Vermont Municipal Employees' Retirement System (VMERS) immediately upon employment. VMERS has a defined benefit plan and a defined contribution plan that the Town participates in as follows:

Defined Benefit Plan

VMERS defined benefit plan is a cost sharing multiple-employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Town and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

There are four levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. The Town participates only in Group B. For Group B employee contributions are 4.5% of gross pay and employer contributions are 5% of gross pay.

Of the Town's total payroll of \$560,281, \$299,651 was covered under the VMERS defined benefit plan. Total employer contributions to this plan were \$14,983 for fiscal year 2010, \$11,933 for fiscal year 2009 and \$15,228 for fiscal year 2008.

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.

Defined Contribution Plan

The State of Vermont authorized VMERS to establish a new defined contribution (DC) plan available to members on July 1, 2000. The DC plan is a tax-sheltered money purchase plan under IRC 401(a). The plan includes a 5% employee contribution and a 5% employer contribution. 100% vesting occurs after one year of municipal service.

Of the Town's total payroll of \$560,281, \$105,948 was covered under the VMERS defined contribution plan. The total contributions to this plan by the employer were \$5,379 and by the employees were \$5,379.

NOTE 10 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town landfill ceased operation in 1992. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for twenty years after closure and to report monitoring results to the State regulatory agency. Postclosure care expenses of \$6,438 and \$4,700 were recorded in the General Fund for the years ended June 30, 2010 and 2009 respectively. Future costs relating to postclosure care may be higher or lower due to inflation, changes in technology or changes in landfill laws and regulations.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 11 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2010, expenditures exceeded appropriations in the General Fund by \$140,840. The excess expenditures were funded by additional grant revenues and lease proceeds.

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. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

NOTE 13 – COMMITMENTS AND SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 15, 2010, the date which the financial statements were available for issue.

The Town has entered into a cooperative agreement with the State of Vermont Agency of Transportation in order to complete improvements along Vermont Route 15 in Jericho Corner, including: streetscape improvements, lighting, sidewalks and new crosswalks. The Town has agreed to take full responsibility for the development of the project and pay twenty percent of the total project costs eligible for federal participation. The Town has a fixed amount, \$637,500, of federal funds available for the project. In the years ended June 30, 2010 and 2009, the Town expended \$363,858 and \$72,123 respectively.

TOWN OF JERICHO, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue Funds					Capital Projects Funds					Total	
	Bentley Cemetery Fund	Maude Brown Fund	Stevens Trust Fund	Preservation Fund	Reappraisal Fund	Stormwater Mitigation Fund	Road Impact Fund	Recreation Impact Fund	Sidewalk Fund	Equipment Replacement Fund		Bridge Fund
ASSETS												
Cash	\$ 2,632	\$ 3,870	\$ 16,039	\$ 63,764	\$ 80,073	\$ 14,160	\$ 39,290	\$ 9,781	\$ 13,252	\$ 30,535	\$ 33,166	\$ 70,033
Due from other funds	0	0	0	22,984	19,276	1,500	0	0	25,000	21,000	55,000	0
Total assets	\$ 2,632	\$ 3,870	\$ 16,039	\$ 86,748	\$ 99,349	\$ 15,660	\$ 39,290	\$ 9,781	\$ 38,252	\$ 51,535	\$ 88,166	\$ 70,033
LIABILITIES AND FUND BALANCES												
Liabilities:												
Due to other funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200
Fund balances:												
Unreserved - designated	2,632	3,870	16,039	86,748	99,349	15,660	39,290	9,781	38,252	51,535	88,166	69,833
Total liabilities and fund balances	\$ 2,632	\$ 3,870	\$ 16,039	\$ 86,748	\$ 99,349	\$ 15,660	\$ 39,290	\$ 9,781	\$ 38,252	\$ 51,535	\$ 88,166	\$ 70,033

TOWN OF JERICHO, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds						Capital Projects Funds							
	Bentley Cemetery Fund	Maude Brown Fund	Stevens Trust Fund	Preservation Fund	Reappraisal Fund	Stormwater Mitigation Fund	Road Impact Fund	Recreation Impact Fund	Sidewalk Fund	Building Renovation Fund	Equipment Replacement Fund	Bridge Fund	Open Space Fund	Total
Revenues														
Charges for services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,659	\$ 750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,409
Interest	44	34	153	296	369	65	153	43	61	69	141	153	323	1,904
Total revenues	44	34	153	296	369	65	11,812	793	61	69	141	153	323	14,313
Other financing sources (uses)														
Transfers in	0	0	0	22,984	19,276	1,500	0	0	25,000	0	21,000	55,000	0	144,760
Transfers out	0	0	0	(2,350)	0	0	0	0	0	(21,075)	0	0	(200)	(23,625)
Total other financing sources (uses)	0	0	0	20,634	19,276	1,500	0	0	25,000	(21,075)	21,000	55,000	(200)	121,135
Net changes in fund balances	44	34	153	20,930	19,645	1,565	11,812	793	25,061	(21,006)	21,141	55,153	123	135,448
Fund balances - July 1, 2009	2,588	3,836	15,886	65,818	79,704	14,095	27,478	8,988	13,191	21,006	30,394	33,013	69,710	385,707
Fund balances - June 30, 2010	\$ 2,632	\$ 3,870	\$ 16,039	\$ 86,748	\$ 99,349	\$ 15,660	\$ 39,290	\$ 9,781	\$ 38,252	\$ 0	\$ 51,535	\$ 88,166	\$ 69,833	\$ 521,155

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Jane M. Burroughs, CPA
Donald J. Murray, CPA

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*

November 15, 2010

Selectboard Members
Town of Jericho
Jericho, VT

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Jericho, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 15, 2010. 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

In planning and performing our audit, we considered the Town'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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 above.

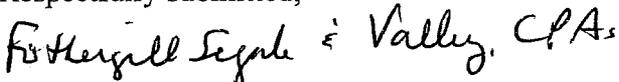
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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*.

We noted certain other matters that we reported to management of the Town in a separate letter dated November 15, 2010.

This report is intended solely for the information and use of management, the Selectboard, others within the entity, and legislative or regulatory body, 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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