

TOWN OF CORNWALL, VERMONT

Financial Statements

JUNE 30, 2011

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Telling & Associates, CPA, PC

Certified Public Accountants
5 Park Street – Middlebury, VT 05753

Independent Accountant's Review Report

The Select Board
Town of Cornwall, Vermont

We have reviewed the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cornwall, Vermont as of and for the year ended June 30, 2011. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying schedule is presented only for the purposes of additional analysis and has been subject to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Telling & Associates, CPA PC

Telling & Associates, CPA PC
November 18, 2011
License # 092-0000692
Middlebury, Vermont

TOWN OF CORNWALL, VERMONT
Statement of Net Assets
June 30, 2011

Assets

Current assets:

| | |
|----------------------|----------------|
| Cash | \$ 440,401 |
| Accounts receivable | 48,961 |
| Total current assets | <u>489,362</u> |

Noncurrent assets:

| | |
|-------------------------------------|------------------|
| Land, building, and equipment (net) | <u>1,536,705</u> |
|-------------------------------------|------------------|

| | |
|---------------------|----------------------------|
| Total assets | \$ <u>2,026,067</u> |
|---------------------|----------------------------|

Liabilities

Current liabilities:

| | |
|-----------------------------------|---------------|
| Accounts payable | 5,529 |
| Current portion of long-term debt | 30,000 |
| Total current liabilities | <u>35,529</u> |

Long-term liabilities:

| | |
|------------------------------------|---------------|
| Note payable, less current portion | <u>44,480</u> |
|------------------------------------|---------------|

| | |
|-------------------|---------------|
| Total liabilities | <u>80,009</u> |
|-------------------|---------------|

Net assets

| | |
|---|------------------|
| Investment in capital assets, net of related debt | 1,462,225 |
| Restricted | 172,966 |
| Unrestricted | <u>310,867</u> |
| Total net assets | <u>1,946,058</u> |

| | |
|---|----------------------------|
| Total liabilities and net assets | \$ <u>2,026,067</u> |
|---|----------------------------|

See accompanying notes and independent accountant's review report.

TOWN OF CORNWALL, VERMONT
Statement of Activities
Governmental Activities
For the Year Ended June 30, 2011

| | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Assets</u> |
|---|---------------------|---------------------------------|-----------------------------|--|
| | | <u>Charges for Services</u> | <u>Operating Grants</u> | |
| Governmental activities | | | | |
| General government | \$ 345,313 | 40,232 | \$ - | \$ (305,081) |
| Public safety | 64,158 | - | - | (64,158) |
| Public works | 206,601 | - | - | (206,601) |
| County tax | 10,927 | - | - | (10,927) |
| Education | 2,162,414 | - | - | (2,162,414) |
| Employee benefits | 7,976 | - | - | (7,976) |
| Insurance | 25,392 | - | - | (25,392) |
| Interest | 3,591 | - | - | (3,591) |
| Other charges | 41,183 | - | - | (41,183) |
| Total governmental activities | \$ 2,867,555 | \$ 40,232 | \$ - | (2,827,323) |
| | | | | |
| General revenues | | | | |
| Real property taxes | | | | 2,889,130 |
| State sources | | | | 158,633 |
| Miscellaneous | | | | 9,654 |
| Investment income | | | | 854 |
| Total general revenues | | | | <u>3,058,271</u> |
| | | | | |
| Change in net assets | | | | 230,948 |
| | | | | |
| Total net assets - beginning of year | | | | <u>1,715,110</u> |
| | | | | |
| Total net assets - end of year | | | | <u>\$ 1,946,058</u> |

See accompanying notes and independent accountant's review report.

TOWN OF CORNWALL, VERMONT
Balance Sheet - Governmental Funds
June 30, 2011

| | <u>General</u> | <u>Highway</u> | <u>Special Revenue</u> | <u>Total Governmental Funds</u> |
|--|-------------------|------------------|----------------------------|---|
| Assets: | | | | |
| Cash | \$ 338,783 | \$ - | \$ 101,618 | \$ 440,401 |
| Accounts receivable | 48,961 | - | - | 48,961 |
| Due from general fund | - | 44,456 | - | 44,456 |
| Total assets | \$ 387,744 | \$ 44,456 | \$ 101,618 | \$ 533,818 |
| Liabilities and fund balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 5,529 | \$ - | \$ - | \$ 5,529 |
| Due to highway fund | 44,456 | - | - | 44,456 |
| Deferred revenue | 48,085 | - | - | 48,085 |
| Total liabilities | 98,070 | - | - | 98,070 |
| Fund balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | 44,456 | - | 44,456 |
| Committed | 83,810 | - | - | 83,810 |
| Assigned | - | - | 101,618 | 101,618 |
| Unassigned | 205,864 | - | - | 205,864 |
| Total fund balances | 289,674 | 44,456 | 101,618 | 435,748 |
| Total liabilities and fund balances | \$ 387,744 | \$ 44,456 | \$ 101,618 | \$ 533,818 |

See accompanying notes and independent accountant's review report.

TOWN OF CORNWALL, VERMONT
Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Assets
June 30, 2011

Total fund balances governmental funds \$ 435,748

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

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

| | |
|--------------------------------|-------------|
| Governmental capital assets | 2,893,121 |
| Less: accumulated depreciation | (1,356,416) |

- Long-term liabilities, including notes payable with interest accrued thereon, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. (74,480)

- Other long-term assets are not available to pay current period expenditures and the related revenue is therefore not recognized in the governmental funds financial statements. This amount represents general fund deferred property tax revenue. 48,085

Net assets – governmental activities \$ 1,946,058

See accompanying notes and independent accountant's review report.

TOWN OF CORNWALL, VERMONT
Statement of Revenues, Expenditures,
And Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2011

| | <u>General</u> | <u>Highway</u> | <u>Special Revenue</u> | <u>Total Governmental Funds</u> |
|---|-------------------|------------------|----------------------------|---|
| Revenues: | | | | |
| Property taxes | \$ 2,547,425 | \$ 293,620 | \$ - | \$ 2,841,045 |
| State of Vermont | 86,161 | 72,472 | - | 158,633 |
| Services and fees | 40,232 | - | - | 40,232 |
| Note proceeds | 30,000 | - | - | 30,000 |
| Investment income | 831 | - | 23 | 854 |
| Other | 8,841 | - | 813 | 9,654 |
| Total revenues | <u>2,713,490</u> | <u>366,092</u> | <u>836</u> | <u>3,080,418</u> |
| Expenditures: | | | | |
| General government | 223,232 | - | - | 223,232 |
| Public safety | 64,158 | - | - | 64,158 |
| Public works | 3,300 | 321,636 | - | 324,936 |
| Education | 2,162,414 | - | - | 2,162,414 |
| Debt retirement | 30,000 | - | - | 30,000 |
| Employee benefits | 7,976 | - | - | 7,976 |
| County tax | 10,927 | - | - | 10,927 |
| Insurance | 25,392 | - | - | 25,392 |
| Interest | 3,591 | - | - | 3,591 |
| Capital projects | 62,709 | - | - | 62,709 |
| Other charges | 8,434 | - | 42 | 8,476 |
| Total expenditures | <u>2,602,133</u> | <u>321,636</u> | <u>42</u> | <u>2,923,811</u> |
| Excess of revenues over expenditures | <u>111,357</u> | <u>44,456</u> | <u>794</u> | <u>156,607</u> |
| Other financing source (uses) | | | | |
| Transfers | (57,291) | - | 57,291 | - |
| Total other financing sources | <u>(57,291)</u> | <u>-</u> | <u>57,291</u> | <u>-</u> |
| Change in fund balances | 54,066 | 44,456 | 58,085 | 156,607 |
| Fund balances - beginning | <u>235,608</u> | <u>-</u> | <u>43,533</u> | <u>279,141</u> |
| Fund balances - ending | <u>\$ 289,674</u> | <u>\$ 44,456</u> | <u>\$ 101,618</u> | <u>\$ 435,748</u> |

See accompanying notes and independent accountant's review report.

TOWN OF CORNWALL
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Net Change in fund balances – governmental funds \$ 156,607

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 their estimated useful life.

| | |
|--------------------------------|-----------|
| Expenditure for capital assets | 167,929 |
| Current year depreciation | (171,673) |

- The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increase long-term liabilities in the statement on net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

| | |
|------------------|----------|
| Issuance of debt | (30,000) |
| Payment of debt | 60,000 |

- 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 an increase in deferred property taxes.

48,085

Change in net assets of governmental activities \$ 230,948

See accompanying notes and independent accountant's review report.

TOWN OF CORNWALL, VERMONT
Statement of Revenues, Expenditures,
Budget and Actual - General Fund
For the Year Ended June 30, 2011

| | Final Budget | Actual Amounts | Variance with Budget Positive (Negative) |
|--|---------------------|-------------------|---|
| Revenues | | | |
| Property taxes | \$ - | \$ 2,547,425 | \$ 2,547,425 |
| State of Vermont | - | 86,161 | 86,161 |
| Services and fees | - | 40,232 | 40,232 |
| Note proceeds | - | 30,000 | 30,000 |
| Investment income | - | 831 | 831 |
| Others | - | 8,841 | 8,841 |
| | <u>-</u> | <u>2,713,490</u> | <u>2,713,490</u> |
| Expenditures | | | |
| General government | 214,038 | 223,232 | (9,194) |
| Public safety | 66,300 | 64,158 | 2,142 |
| Public works | - | 3,300 | (3,300) |
| Education | - | 2,162,414 | (2,162,414) |
| Debt retirement | - | 30,000 | (30,000) |
| Employee benefits | 7,200 | 7,976 | (776) |
| County tax | 12,200 | 10,927 | 1,273 |
| Insurance | 19,450 | 25,392 | (5,942) |
| Interest | 6,000 | 3,591 | 2,409 |
| Capital projects | - | 62,709 | (62,709) |
| Other charges | 1,500 | 8,434 | (6,934) |
| Total expenditures | <u>326,688</u> | <u>2,602,133</u> | <u>(2,275,445)</u> |
| Excess (deficiency) of revenues over expenditures | \$ <u>(326,688)</u> | \$ <u>111,357</u> | \$ <u>438,045</u> |

See accompanying notes and independent accountant's review report.

TOWN OF CORNWALL, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Cornwall, Vermont (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

a) Reporting Entity

The Town of Cornwall, 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. These services include: highway, planning and zoning, and general administrative services.

The general purpose financial statements of the Town of Cornwall, Vermont include all of the financial activity of the general fund, highway fund, and special revenue funds. All of these components are included because they are under the direct control of the Select Board. The Town exercises significant oversight and financial interdependence exists.

b) Basis of Presentation

Government-wide Statements

The Statement of Net Assets 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 Cornwall, 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.

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:

TOWN OF CORNWALL, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

b) Basis of Presentation (continued)
Fund Financial Statements

General Fund - The General Fund is used to account for all revenues and expenditures applicable to the general operations of the governmental agencies of the Town. All general operating revenues which are not restricted as to use by sources external to the Town are recorded in the General Fund.

Highway Fund – The Highway fund is used to account for all revenues and expenditures of the highway fund.

Special Revenue Funds – Special Revenue Funds are operating funds for which the use of revenues is restricted, generally by Federal and State governments. The Town uses several special revenue funds: the Escrow Account – Major Subdivision, the Municipal Equipment Account, the Grand List Maintenance Account, Act 200 Account, and the Capital Account.

c) Measurement Focus and Basis of Accounting

The Town-wide 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) Operating Budget

The operating budget of the General Fund is approved at Town meeting and the Select Board sets the tax rate based on grand list and approved budget. The operating budget is prepared on a modified accrual basis which differs from the accrual basis.

e) Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

TOWN OF CORNWALL, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

f) Capital assets

Property and equipment is stated at known or estimated historical cost. Net interest costs are capitalized on projects during the construction period. Depreciation is computed using the straight-line method over estimated useful lives as follows: office furniture and equipment – 5 to 10 years, motor vehicles and heavy equipment – 5 to 20 years, buildings and building improvements – 20 to 40 years, and infrastructure – 10 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 significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

The capitalization policy adopted by the Select Board specifies that an asset must exceed the following thresholds in order to be capitalized:

| | | |
|--|----|-------|
| Office equipment, furniture and fixtures | \$ | 1,000 |
| Heavy equipment and vehicles | | 1,000 |
| Building improvements and land | | 1,000 |
| Infrastructure | | 1,000 |
| Buildings | \$ | 1,000 |

g) Interfund Balances and Transfers

Interfund transfers represent major equipment purchases paid by the equipment fund to the general fund.

h) Net assets/Governmental Fund Balance

In the government-wide financial statements, net assets 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 assets. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

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

TOWN OF CORNWALL, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

h) Net assets/Governmental Fund Balance (continued)

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:

Highway Fund: According to Vermont State statute, highway funds must be used for highway 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 \$83,810 of committed fund balance as of June 30, 2011.

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 and board designated amounts are classified as assigned fund balance in the General Fund.

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

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.

TOWN OF CORNWALL, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

i) Encumbrance Accounting

Encumbrances outstanding at year-end are recorded as a reservation of fund balance in the Town's governmental funds, since they do not constitute expenditures or liabilities.

j) Use of Estimates

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

Note 2. 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 assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets 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 Assets.
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 CORNWALL, VERMONT

Notes to the Financial Statements

Note 3. Cash

At June 30, 2011 the Town's bank balance was \$481,027; the corresponding carrying amount of the Town's cash was \$440,401. Of the bank balance, \$250,000 was covered by Federal Depository Insurance, while the remaining \$190,401 was collateralized with securities held in the Town's name.

Note 4. Capital Assets

Capital asset activity for the year was as follows:

| | Balance June 30, 2010 | Additions | Transfers & Disposals | Balance June 30, 2011 |
|--|--------------------------|------------------|-----------------------------|--------------------------|
| Governmental activities: | | | | |
| Land & land improvements | \$ 14,000 | - | - | 14,000 |
| Buildings & improvements | 69,500 | - | - | 69,500 |
| Infrastructure | 2,070,949 | 153,754 | - | 2,224,703 |
| Machinery and equipment | 570,743 | 14,175 | - | 584,918 |
| Totals at historical cost | <u>2,725,192</u> | <u>167,929</u> | - | <u>2,893,121</u> |
| Less accumulated depreciation: | | | | |
| Buildings & improvements | (69,500) | - | - | (69,500) |
| Infrastructure | (859,154) | (122,081) | - | (981,235) |
| Machinery and equipment | (256,089) | (49,592) | - | (305,681) |
| Total | <u>(1,184,743)</u> | <u>(171,673)</u> | - | <u>(1,356,416)</u> |
| Governmental activities capital assets - net | <u>\$ 1,540,449</u> | <u>(3,744)</u> | - | <u>1,536,705</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|--------------------|-------------------|
| Public works | \$ 49,592 |
| General government | 122,081 |
| | <u>\$ 171,673</u> |

Note 5. Tax Anticipation Note

The Town holds a tax anticipation note with the National Bank of Middlebury for \$150,000 with a per annum rate of 2.950%. This tax anticipation note was renewed on September 21, 2010 and expires May 1, 2011. The following activity occurred during the year:

| | |
|--------------------|-------------|
| Balance at 7/1/10 | \$ - |
| Additional loans | 30,000 |
| Loan repayment | (30,000) |
| Interest charged | - |
| Balance at 6/30/11 | <u>\$ -</u> |

TOWN OF CORNWALL, VERMONT

Notes to the Financial Statements

Note 6. Notes Payable and Schedule of Five Year Maturities

Long-term liability activity for the year ended June 30, 2011 was as follows:

| | Balance June 30, 2010 | Additions | Reduction | Balance 6/30/11 |
|--|--------------------------|-----------|-----------|--------------------|
| Governmental Activities Notes payable | 104,480 | - | 30,000 | 74,480 |

| Description | Collateral | Interest Rate | Maturity Date | Balance 6/30/11 |
|-----------------------------|-----------------------------|------------------|------------------|--------------------|
| National Bank of Middlebury | 2009 single axle plow truck | 3.60% | 11/20/13 | 74,480 |

The debt service requirements at June 30, 2011 for the next five years and thereafter are as follows:

| Fiscal Year | Principal | Interest |
|-------------|-----------|----------|
| 2012 | 30,000 | 2,472 |
| 2013 | 30,000 | 1,371 |
| 2014 | 14,480 | 276 |
| 2015 | - | - |
| 2016 | - | - |

Note 7. Property Taxes

Property taxes attach as an enforceable lien on property as of May 1st. Property taxes for fiscal year 2011 were levied on September 9, 2010 and were payable in two installments November 1, 2010 and May 1, 2011.

Note 8. Risk Management

The Town is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, employee health and accident and environmental liability. The Town purchases commercial insurance coverage for the risks of losses to which it is exposed, exclusive of environmental liabilities which are not covered due to the excessive cost of coverage.

Note 9. Subsequent Events

The Select Board has evaluated subsequent events through November 18, 2011, the date on which the financial statements were available to be issued.

TOWN OF CORNWALL, VERMONT
Schedule of Revenues, Expenditures,
And Changes in Fund Balances - Special Revenue Funds
For the Year Ended June 30, 2011

| | Escrow Account - Major Subdivisions | Municipal Equipment Account | Grand List Maintenance Account | ACT 200 Account | Capital Account | Total Special Funds |
|---|---|-----------------------------------|--------------------------------------|--------------------|--------------------|---------------------------|
| Revenues | | | | | | |
| Interest | \$ - | \$ 14 | \$ 1 | \$ 8 | \$ - | \$ 23 |
| Miscellaneous | - | 813 | - | - | - | 813 |
| Total revenues | - | 827 | 1 | 8 | - | 836 |
| Expenditures | | | | | | |
| Miscellaneous | - | 21 | - | - | 21 | 42 |
| Total expenditures | - | 21 | - | - | 21 | 42 |
| Transfers | | | | | | |
| | - | - | - | - | 57,291 | 57,291 |
| Excess of revenues over expenditures | - | 806 | 1 | 8 | 57,270 | 58,085 |
| Fund balances - beginning | 89 | 26,565 | 88 | 16,791 | - | 43,533 |
| Fund balances - ending | \$ 89 | \$ 27,371 | \$ 89 | \$ 16,799 | \$ 57,270 | \$ 101,618 |

See accompanying notes and independent accountant's review report.