TOWN OF ROCKINGHAM, VERMONT

AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2013

TABLE OF CONTENTS

		Page #
INDEPENDENT AUDITOR'S REPORT		1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS		4 - 9
BASIC FINANCIAL STATEMENTS		
GOVERNMENT-WIDE FINANCIAL STATEMENTS		
Statement of Net Position	Exhibit A	10
Statement of Activities	Exhibit B	11
FUND FINANCIAL STATEMENTS		
Balance Sheet and Reconciliation to Statement of Net Position – Governmental Funds	Exhibit C	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	Exhibit D	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to to the Statement of Activities	Exhibit E	14
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – General Fund	Exhibit F	15 - 17
Statement of Net Position – Proprietary Fund	Exhibit G	18
Statement of Revenues, Expenses and Change in Fund Net Position – Proprietary Fund	Exhibit H	19
Statement of Cash Flows – Proprietary Fund	Exhibit I	20
Statement of Fiduciary Net Position	Exhibit J	21
Statement of Change in Fiduciary Net Position	Exhibit K	22
NOTES TO FINANCIAL STATEMENTS		23 - 46
SUPPLEMENTARY INFORMATION		
Combining Balance Sheet – Other Governmental Funds	Schedule 1	47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Other Governmental Funds	Schedule 2	48

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INDEPENDENT AUDITOR'S REPORT

To the Selectboard
Town of Rockingham
Bellows Falls, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Rockingham, Vermont as of and for the year ended June 30, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 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.

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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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Rockingham, Vermont, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund 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 management's discussion and analysis 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'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 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 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated December 5, 2013 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

FOTHERGILL SEGALE & VALLEY, CPAs
Montpelier, Vermont
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December 5, 2013

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

Financial Highlights

- The net position of our governmental activities increased by $1,635,801, or about 9.9%. Net position of our business-type activities decreased by $34,232, or about 3.7%.
- The cost of all of the Town's programs was $5,375,306, compared to $5,094,680 in the prior year, with no new programs added this year.
- The General Fund reported a decrease in fund balance this year of $603,231, which was $603,231 worse than what was budgeted.
- The restricted fund balance for the General Fund was $602,974 as of June 30, 2013, which consisted of unspent debt proceeds and recreation donations. The unassigned fund balance for the General Fund was a deficit of $40,143 as of June 30, 2013. The committed fund balance of $90,992 consists of $6,988 for tree planting and $84,004 for cemetery upkeep. The nonspendable fund balance was $209,166 and is prepaids for fiscal year 2014 expenditures of $67,274 and inventories of $141,892. (Exhibit C)
- The Development Fund reported an increase in fund balance this year of $108,829, compared to the $13,304 increase in fund balance it incurred in the prior year.
- The Capital Projects Fund reported an increase in fund balance this year of $11,094, compared to the $328,976 increase in fund balance it incurred in the prior year. This decrease is mostly due to a transfer from the General Fund in the prior year for the Brockways Mills Road project.
- The Library Fund reported a decrease in fund balance this year of $1,875,641, compared to the $2,429,045 increase in fund balance it incurred in the prior year, due to expenditures of debt proceeds received in the prior year on capital outlays.
- The Trustees of Public Funds reported an increase in fund balance this year of $26,255, compared to the $9,510 increase in fund balance it incurred in the prior year.

Financial Statements

The accompanying financial statements for the year ended June 30, 2013 include a Statement of Net Position and Statements of Activities for government activities, which are required following adoption of Governmental Accounting Standards Board Statement #34 (GASBS #34). These two financial statements are referred to as government-wide financial statements. These statements present the financial picture of the Town from an "economic resources" measurement perspective, using the accrual basis of accounting. The Statement of Net Position includes all assets of the Town, including capital assets, net of depreciation, and all liabilities, including long-term debt, with the difference between the two reported as net position. Year-to-year increases or decreases in net position serve as one useful indicator of whether the financial position of the Town is improving or deteriorating. The Statement of Activities reports revenues and expenses related to the programs of the Town and presents information showing how the Town's net position changed during the year.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a single portion of their costs through user fees and charges (business-type activities).

The fund financial statements include statements that present activities by fund. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The funds of the Town are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds primarily focus on near-term inflows and outflows of cash resources and their balance at the end of the year. The Town's main governmental fund is the General Fund. Other governmental funds are included in the governmental funds financial statements and schedules.

The proprietary funds of the Town are enterprise funds; they report revenues and expenses similar to those presented as business-type activities in the government-wide financial statements. The Town has one proprietary fund; the Theater Fund. The Town also reports fiduciary funds, but does not include the fiduciary activity and fund balances in the government-wide financial statements because the resources of those funds are not necessarily available to support the Town's programs. Fiduciary funds are used to account for resources used to accomplish the specific objectives associated with each fiduciary fund.

Government-wide Financial Analysis

The Town's combined net position increased by $1,601,569 from a year ago – increasing from $17,503,706 to $19,105,275. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 4,466,575	$ 6,806,582	$ 2,918	$ 52,014	$ 4,469,493	$ 6,858,596
Capital assets	20,967,955	17,242,049	2,084,795	2,150,986	23,052,750	19,393,035
Total assets	25,434,530	24,048,631	2,087,713	2,203,000	27,522,243	26,251,631
Long-term liabilities	6,017,451	6,334,741	1,175,797	1,272,474	7,193,248	7,607,215
Other liabilities	1,195,204	1,127,816	28,516	12,894	1,223,720	1,140,710
Total liabilities	7,212,655	7,462,557	1,204,313	1,285,368	8,416,968	8,747,925
Net position:						
Invested in capital assets, net of debt	16,316,180	14,708,788	910,395	883,786	17,226,575	15,592,574
Restricted	1,231,829	1,224,703	0	0	1,231,829	1,224,703
Unrestricted	673,866	652,583	(26,995)	33,846	646,871	686,429
Total net position	$18,221,875	$ 16,586,074	$ 883,400	$ 917,632	$19,105,275	$17,503,706

Net position of the Town's governmental activities increased by about 9.9% ($18,221,875 compared to $16,586,074) in fiscal year 2013. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from $652,583 at June 30, 2012 to $673,866 at June 30, 2013.

The net position of our business-type activities decreased by about 3.7% ($883,400 compared to $917,632) in fiscal year 2013.

Table 2
Changes in Net Position

	Governmental Activities			Business-type Activities		
	2013	2012	Net Change	2013	2012	Net Change
REVENUES AND TRANSFERS						
Program revenues:						
Charges for services	$ 218,696	$ 384,276	$ (165,580)	$255,617	$268,240	$ (12,623)
Operating grants and contributions	849,638	983,627	(133,989)	3,248	1,014	2,234
Capital grants and contributions	59,591	225,184	(165,593)	0	0	0
General revenues:						
Property taxes	4,037,837	3,466,317	571,520	0	0	0
Int/penalties on del. taxes	97,074	89,201	7,873	0	0	0
Earnings on investments	45,754	83,874	(38,120)	1	306	(305)
Payment in lieu of taxes	101,265	101,290	(25)	0	0	0
Gain/(loss) on sale of asset	0	(57,360)	57,360	0	0	0
Transfers	(145,003)	(148,487)	3,484	145,003	148,487	(3,484)
Total revenues and transfers	5,264,852	5,127,922	136,930	403,869	418,047	(14,178)
PROGRAM EXPENSES						
General government	1,190,462	1,153,411	37,051	0	0	0
Public safety	153,587	154,801	(1,214)	0	0	0
Public works	2,146,736	1,965,856	180,880	0	0	0
Solid waste	119,904	117,520	2,384	0	0	0
Community development	556,378	513,429	42,949	0	0	0
Culture and recreation	592,146	642,660	(50,514)	0	0	0
Interest on long-term debt	177,992	141,989	36,003	0	0	0
Theater	0	0	0	438,101	405,014	33,087
Total program expenses	4,937,205	4,689,666	247,539	438,101	405,014	33,087
EXTRAORDINARY ITEM						
Recoveries	1,436,251	2,656,461	(1,220,210)	0	0	0
Expenditures	(128,097)	(2,831,628)	2,703,531	0	0	0
Total extraordinary item	1,308,154	(175,167)	1,483,321	0	0	0
CHANGE IN NET POSITION	$1,635,801	$ 263,089	$1,372,712	$ (34,232)	$ 13,033	$ (47,265)

The increase in Public works expenses was the residual effect of tropical storm Irene. The Town's total revenues and transfers increased by $136,930 mostly due to decreases in charges for services and operating and capital grants and contributions and an increase in property taxes which exceeded the decrease in program revenues. The total cost of all programs and services increased by $247,539 with no new programs added this year. The net increase in the governmental net position is mostly related to flood resources used for capital outlays.

Table 3 presents the cost of each of the Town's six largest programs – general government, public safety, public works, solid waste, community development, and cultural and recreation – 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

	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	$ 1,190,462	$ 911,107	$ 1,153,411	$ 658,885
Public safety	153,587	153,587	154,801	154,801
Public works	2,146,736	1,971,874	1,965,856	1,549,751
Solid waste	119,904	22,789	117,520	13,587
Community development	556,378	51,307	513,429	(10,875)
Cultural and recreation	592,146	520,624	642,660	588,441
Interest on debt	177,992	177,992	141,989	141,989
Totals	$ 4,937,205	$ 3,809,280	$ 4,689,666	$ 3,096,579

Financial Analysis of the Town's Funds

On June 30, 2013, the Town's governmental funds reported combined ending fund balances of $2,651,420, a decrease of $2,330,498 in comparison with a $3,629,025 increase in the prior year. This is mostly a result in the timing of when loan proceeds were received versus when they were spent.

General Fund revenue and expenditures do vary from the operating budget as shown on Exhibit F. The following is a list of some of the specific revenues and expenditures that varied from the amounts budgeted.

	Budget	Actual	Variance Favorable (Unfavorable)	Explanation
Expenditures:				
Public works - improvements	$ 782,000	$ 734,005	$ 47,995	Brockway Mills project not completed when projected
Debt service	396,556	493,136	(96,580)	New Library bond interest not budgeted
Long-term debt proceeds	702,000	0	(702,000)	Brockway Mills project proceeds rec'd in prior year
Transfers out	(351,230)	(255,433)	95,797	Transfer in to FEMA fund not budgeted in error
Extraordinary item - flood	0	107,997	(107,997)	Tropical storm Irene

Fund balance of the Development Fund on June 30, 2013 was $402,589 representing an increase of $108,829 from 2012. The Capital Projects Fund had an increase in fund balance of $11,094 for the year resulting in a fund balance of $174,527 at June 30, 2013. The Trustees of Public

Funds ended the year with a $26,255 increase in fund balance from $256,661 to $282,916 at June 30, 2013. Net position of the Theater Fund on June 30, 2013 was $883,400 representing a decrease of $34,232 from 2012.

At year end, the Town was in the process of two major construction projects for library renovations and Brockway Mills. Both projects are expected to be completed in FY14 with total estimated cost of approximately $2,957,000 and $2,200,000 respectively. As of June 30, 2013, expenses incurred for the projects were approximately $2,486,000 and $1,676,000 respectively. The projects are being funded with bond proceeds.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2013, the Town had $23,052,750 compared to $19,393,035 at June 30, 2012 invested in a broad range of capital assets, including land, highway equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deductions) of $3,659,715 over the last year.

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

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	$ 616,258	$ 616,258	$ 0	$ 0	$ 616,258	$ 616,258
Capital assets being depreciated	16,074,608	14,989,819	2,084,795	2,150,986	18,159,403	17,140,805
Construction in process	4,277,089	1,635,972	0	0	4,277,089	1,635,972
Totals	$ 20,967,955	$ 17,242,049	$2,084,795	$ 2,150,986	$ 23,052,750	$19,393,035

This year's major additions included:

Governmental Activities	
Construction in process	$ 2,693,925
Bartonsville bridge	1,416,152
Temple place	52,808
Vehicles	216,039
Radios	30,787

Debt Administration

At June 30, 2013, the Town had $7,111,150 in bonds and leases outstanding compared to $7,512,223 at June 30, 2012, a decrease of $401,073. This decrease represents $3,155,000 of new debt and $3,556,073 paid down on debt.

New debt resulted from bond proceeds for the library renovations.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators and activities reflect the growth, prosperity and economic concerns of the Town.

The rapidly rising cost of public education funded by property taxes has led to a taxpayer revolt throughout the State of Vermont. In Fiscal Year 2014, 61% of the property taxes collected by the Town of Rockingham will be used to fund public education. The high cost of education results in pressure being placed on the municipal budget in order to keep overall property taxes at an affordable level.

The continued recession and lack of Grand List growth created a stranglehold on the budgetary process for Fiscal Year 2014. The addition of voter approved long-term debt payments have added to the expenditure budgets. This causes a demand for more revenue or a reduction of other expense areas to stabilize the tax rate.

The Town of Rockingham last completed a town-wide reappraisal in 2006. Work has begun for the next reappraisal in 2016. The Fiscal Year 2013 Grand List was $4,708,222 after all BCA appeals and Errors and Omissions. The total homestead tax rate was $2.2386 and the total non-residential tax rate was $2.2689 per $100 of assessed valuation during Fiscal Year 2013. Total Town property taxes billed for Fiscal Year 2013 was $4,060,814.

Total Fiscal Year 2014 budgeted expenditures for the combined governmental fund (including the Library and social services appropriations) approved by the Town's voters was $5,479,654, which represents an increase of $79,329 from the Fiscal Year 2013 budgeted expenditures. The municipal portion of the Town's Fiscal Year 2014 property taxes was approved by voters at $4,139,939 which represents an increase of $76,242 from the property taxes approved in Fiscal Year 2013. Additionally, a separate article added a $.01 per $100 assessed valuation on the tax rate towards deficit reduction.

Requests for Information

This report is designed to provide an overview of the Town of Rockingham's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Rockingham, P.O. Box 370, Bellows Falls, VT 05101.

TOWN OF ROCKINGHAM, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 723,354	$ 1,130	$ 724,484
Restricted cash	1,389,087	0	1,389,087
Investments	532,909	0	532,909
Receivables (Net of Allowance for Uncollectibles)	1,192,356	0	1,192,356
Lease Receivable	52,567	0	52,567
Loans Receivable (Net of Allowance for Uncollectibles)	345,980	0	345,980
Prepaid Expenses	68,233	1,788	70,021
Inventories	141,892	0	141,892
Due from Other Governments	4,664	0	4,664
Internal Balances	15,533	(15,533)	0
Capital Assets			
Land	616,258	0	616,258
Construction in Progress	4,277,089	0	4,277,089
Other Capital Assets, (Net of Accumulated Depreciation)	16,074,608	2,084,795	18,159,403
Total Assets	25,434,530	2,072,180	27,506,710
LIABILITIES			
Accounts Payable	35,797	5,844	41,641
Construction Payable	104,113	0	104,113
Accrued Payroll and Benefits Payable	57,188	3,365	60,553
Accrued Interest Payable	43,923	3,774	47,697
Due to Other Governments	3,180	0	3,180
Other Current Liabilities	11,441	0	11,441
Deferred Revenue	20,735	0	20,735
Due to Village of Bellows Falls	918,827	0	918,827
Bonds and leases payable due within one year	534,267	92,800	627,067
Accrued compensated absences due after one year	80,701	1,397	82,098
Bonds and leases payable due after one year	5,402,483	1,081,600	6,484,083
Total Liabilities	7,212,655	1,188,780	8,401,435
NET POSITION			
Invested in Capital Assets, Net of Related Debt	16,316,180	910,395	17,226,575
Restricted for:			
Trustees of Public Funds:			
Nonexpendable	146,551	0	146,551
Expendable	136,365	0	136,365
Recreation improvements	4,974	0	4,974
Community Development	801,136	0	801,136
Records restoration	24,341	0	24,341
Reappraisal	111,119	0	111,119
Employee Christmas	7,343	0	7,343
Unrestricted	673,866	(26,995)	646,871
Total Net Position	$ 18,221,875	$ 883,400	$ 19,105,275

See Notes to Financial Statements.

TOWN OF ROCKINGHAM, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental Activities:							
General Government	$ 1,190,462	$ 106,868	$ 172,487	$ 0	$ (911,107)	$ 0	$ (911,107)
Public Safety	153,587	0	0	0	(153,587)	0	(153,587)
Public Works	2,146,736	413	174,449	0	(1,971,874)	0	(1,971,874)
Solid Waste	119,904	97,115	0	0	(22,789)	0	(22,789)
Community Development	556,378	0	446,282	58,789	(51,307)	0	(51,307)
Culture and Recreation	592,146	14,300	56,420	802	(520,624)	0	(520,624)
Interest on Long-Term Debt	177,992	0	0	0	(177,992)	0	(177,992)
Total Governmental Activities	4,937,205	218,696	849,638	59,591	(3,809,280)	0	(3,809,280)
Business-Type Activities:							
Theater	438,101	255,617	3,248	0	0	(179,236)	(179,236)
Total	$ 5,375,306	$ 474,313	$ 852,886	$ 59,591	(3,809,280)	(179,236)	(3,988,516)
General Revenues:							
Property Taxes					4,037,837	0	4,037,837
Interest and Penalties on Delinquent Taxes					97,074	0	97,074
Unrestricted Net Investment Earnings					45,754	1	45,755
Payment in Lieu of Taxes					101,265	0	101,265
Transfers					(145,003)	145,003	0
Total general revenues and transfers					4,136,927	145,004	4,281,931
Extraordinary item - flood							
Federal/State and insurance recoveries					1,436,251	0	1,436,251
Flood expenditures					(128,097)	0	(128,097)
Total extraordinary item					1,308,154	0	1,308,154
Change in Net Position					1,635,801	(34,232)	1,601,569
Net Position - July 1, 2012					16,586,074	917,632	17,503,706
Net Position - June 30, 2013					$ 18,221,875	$ 883,400	$ 19,105,275

See Notes to Financial Statements.

TOWN OF ROCKINGHAM, VERMONT
BALANCE SHEET AND RECONCILIATION TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Major Funds					Nonmajor Funds	
	General Fund	Development Fund	Capital Projects Fund	Library Fund	Trustees of Public Funds Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash	$ 668,606	$ 725	$ 5,283	$ 48,740	$ 0	$ 0	$ 723,354
Restricted cash	598,000	0	0	791,087	0	0	1,389,087
Investments	0	0	0	253,633	279,276	0	532,909
Receivables (Net of Allowance for Uncollectibles)	1,192,356	0	0	0	0	0	1,192,356
Lease Receivable	0	52,567	0	0	0	0	52,567
Loans Receivable (Net of Allowance for Uncollectibles)	0	345,980	0	0	0	0	345,980
Grants Receivable	4,664	0	0	0	0	0	4,664
Prepaid Expenses	67,274	0	0	959	0	0	68,233
Inventories	141,892	0	0	0	0	0	141,892
Due from Other Funds	0	406,456	184,013	0	3,640	143,240	737,349
Total Assets	$ 2,672,792	$ 805,728	$ 189,296	$ 1,094,419	$ 282,916	$ 143,240	$ 5,188,391
LIABILITIES							
Liabilities:							
Accounts Payable	$ 33,288	$ 0	$ 0	$ 2,509	$ 0	$ 0	$ 35,797
Construction payable	40,122	0	9,099	54,892	0	0	104,113
Accrued Payroll and Benefits Payable	50,209	0	0	6,979	0	0	57,188
Due to Other Funds	476,936	0	0	244,880	0	0	721,816
Due to Other Governments & Subgrantees	3,180	0	0	0	0	0	3,180
Other Liabilities	11,441	0	0	0	0	0	11,441
Prepaid taxes	10,473	0	0	0	0	0	10,473
Deferred Revenue - taxes	265,327	0	0	0	0	0	265,327
Deferred Revenue - loans and leases	0	398,547	0	0	0	0	398,547
Deferred Revenue - grants	0	4,592	5,670	0	0	0	10,262
Due to Village of Bellows Falls	918,827	0	0	0	0	0	918,827
Total Liabilities	1,809,803	403,139	14,769	309,260	0	0	2,536,971
Fund Balances:							
Nonspendable - prepaids	67,274	0	0	959	0	0	68,233
Nonspendable - inventories	141,892	0	0	0	0	0	141,892
Restricted	602,974	402,589	0	791,087	282,916	142,803	2,222,369
Committed	90,992	0	174,527	0	0	437	265,956
Unassigned	(40,143)	0	0	(6,887)	0	0	(47,030)
Total Fund Balances	862,989	402,589	174,527	785,159	282,916	143,240	2,651,420
Total Liabilities and Fund Balances	$ 2,672,792	$ 805,728	$ 189,296	$ 1,094,419	$ 282,916	$ 143,240	

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.	20,967,955
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.	663,874
Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.	(6,061,374)
Net Position of Governmental Activities	$ 18,221,875

See Notes to Financial Statements.

TOWN OF ROCKINGHAM, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Major Funds					Nonmajor Funds	
	General Fund	Development Fund	Capital Projects Fund	Library Fund	Trustees of Public Funds Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Taxes	$ 3,596,449	$ 0	$ 0	$ 320,806	$ 0	$ 99,500	$ 4,016,755
Penalties and Interest	97,074	0	0	0	0	0	97,074
PILOT	101,265	0	0	0	0	0	101,265
Intergovernmental Revenues	248,587	446,282	58,789	0	0	20,986	774,644
Charges for Services	184,282	0	0	5,789	2,860	7,890	200,821
Investment Income	6,965	12,660	0	2,371	23,758	0	45,754
Licenses and Permits	17,875	0	0	0	0	0	17,875
Grants & Donations	1,052	0	0	56,170	0	2,029	59,251
Other Revenue	72,704	0	2,000	630	0	0	75,334
Loan Repayments	0	146,535	0	0	0	0	146,535
Lease Payments	0	15,385	0	0	0	0	15,385
Total Revenues	4,326,253	620,862	60,789	385,766	26,618	130,405	5,550,693
EXPENDITURES:							
Current							
General Government	1,129,283	0	4,000	0	363	13,193	1,146,839
Public Safety	114,653	0	0	0	0	0	114,653
Public Works	1,648,325	0	0	0	0	0	1,648,325
Solid Waste	119,904	0	0	0	0	0	119,904
Community Development	78,168	491,283	16,927	0	0	0	586,378
Culture & Recreation	211,673	0	0	339,461	0	0	551,134
Capital Outlay							
General Government	32,957	0	0	0	0	0	32,957
Culture & Recreation	0	0	7,843	1,921,946	0	0	1,929,789
Public Works	737,042	0	24,925	0	0	216,039	978,006
Debt Service							
Principal	3,242,976	19,250	0	0	0	201,047	3,463,273
Interest	207,573	0	0	0	0	4,360	211,933
Total Expenditures	7,522,554	510,533	53,695	2,261,407	363	434,639	10,783,191
Excess/(Deficiency) of Revenues Over Expenditures	(3,196,301)	110,329	7,094	(1,875,641)	26,255	(304,234)	(5,232,498)
Other Financing Sources/(Uses):							
Proceeds of Long-Term Debt	2,955,000	0	0	0	0	200,000	3,155,000
Transfers In	1,500	0	4,000	0	0	106,430	111,930
Transfers Out	(255,433)	(1,500)	0	0	0	0	(256,933)
Total Other Financing Sources/(Uses)	2,701,067	(1,500)	4,000	0	0	306,430	3,009,997
Excess Revenues (Expenditures) Before Extraordinary Item	(495,234)	108,829	11,094	(1,875,641)	26,255	2,196	(2,222,501)
Extraordinary Item							
Federal/State grants	1,236,751	0	0	0	0	0	1,236,751
Insurance proceeds	199,500	0	0	0	0	0	199,500
Flood related expenditures - capital outlay	(1,416,151)	0	0	0	0	0	(1,416,151)
Flood related expenditures	(128,097)	0	0	0	0	0	(128,097)
Net Extraordinary Item	(107,997)	0	0	0	0	0	(107,997)
Net Change in Fund Balances	(603,231)	108,829	11,094	(1,875,641)	26,255	2,196	(2,330,498)
Fund Balances - July 1, 2012	1,466,220	293,760	163,433	2,660,800	256,661	141,044	4,981,918
Fund Balances - June 30, 2013	$ 862,989	$ 402,589	$ 174,527	$ 785,159	$ 282,916	$ 143,240	$ 2,651,420

See Notes to Financial Statements.

TOWN OF ROCKINGHAM, VERMONT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	$	(2,330,498)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost ($4,356,903) of those assets is allocated over their estimated useful lives and reported as depreciation expense ($630,997). This is the amount by which depreciation was less than capital outlays and adjustments in the current period.		3,725,906
Revenues reported in the funds from prior year deferred revenues are not reported as revenues in the statement of activities.		(110,838)
The issuance of long-term debt (e.g., bonds, leases) ($3,155,000) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt ($3,463,273) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		308,273
In the statement of activities, accrued compensated absences are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). This year, compensated absences paid was more than the amounts earned by $9,017.		9,017
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 the interest accrues, regardless of when it is due. The interest reported in the statement of activities is less because accrued interest on bonds and notes payable decreased by $33,941.		33,941
Change in Net Position of Governmental Activities (Exhibit B)	$	1,635,801

See Notes to Financial Statements.

TOWN OF ROCKINGHAM, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	$ 3,615,834	$ 3,596,449	$ (19,385)
State and Federal Funds	312,225	332,231	20,006
Cemeteries	3,500	5,651	2,151
Town/Village/School Funds	14,500	17,622	3,122
Interest	80,000	104,039	24,039
Solid Waste and Recycling	93,950	97,115	3,165
Highway	50,700	41,951	(8,749)
Recreation	17,550	23,030	5,480
Fees	41,225	45,450	4,225
Town Hall Rents	15,200	12,348	(2,852)
Business Licenses and Permits	20,560	17,725	(2,835)
Other	9,275	31,314	22,039
Waypoint Center	2,000	1,328	(672)
Total Revenues	4,276,519	4,326,253	49,734
Expenditures:			
General Government			
Selectmen	8,300	8,753	(453)
Town Manager	79,035	82,783	(3,748)
Fees & Reimbursements	6,400	6,100	300
Elections	6,950	6,532	418
Finance Office	101,355	101,795	(440)
Auditing	27,500	25,051	2,449
Listers	59,385	57,112	2,273
Town Clerk's Office	99,640	98,003	1,637
Computer	38,200	39,405	(1,205)
Planning and Zoning	109,421	111,608	(2,187)
Board of Civil Authority	600	860	(260)
Legal	54,160	47,453	6,707
Town Hall	94,000	105,723	(11,723)
Town Owned Property	12,000	23,041	(11,041)
Rockingham Meeting House	13,285	13,971	(686)
Employee Benefits	214,327	227,395	(13,068)
Taxes	30,300	23,514	6,786
Animal Control	9,800	2,446	7,354
Service Agencies	76,678	76,678	0
Health, Education and Welfare	2,550	2,863	(313)
Insurance	59,000	64,301	(5,301)
Dues	5,900	5,900	0
Mapping	6,000	410	5,590
Improvements	20,000	0	20,000
Intergovernmental Expense	9,000	9,000	0
Total General Government	1,143,786	1,140,697	3,089

See Notes to Financial Statements.

TOWN OF ROCKINGHAM, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Public Safety			
Ambulance/Civil Defense	74,825	74,780	45
Fire Department	29,950	30,873	(923)
Total Public Safety	104,775	105,653	(878)
Public Works			
Highway Personnel	589,480	574,070	15,410
Highway Administration	27,300	27,408	(108)
Road Maintenance	362,000	329,133	32,867
Equipment Expenses	243,000	265,576	(22,576)
Town Village Garages	45,000	50,173	(5,173)
Bridges	54,500	22,794	31,706
Signs and Lighting	74,000	86,045	(12,045)
Sidewalks	39,000	25,977	13,023
Employee Benefits	262,448	236,798	25,650
Insurance	64,300	66,344	(2,044)
Improvements	782,000	734,005	47,995
Total Public Works	2,543,028	2,418,323	124,705
Solid Waste			
Sanitation	650	650	0
Recycling/Transfer Station	134,800	119,254	15,546
Total Solid Waste	135,450	119,904	15,546
Community Development	90,130	78,168	11,962
Culture & Recreation			
Recreation	153,900	167,015	(13,115)
Cemetery and Parks			
Cemetery Operating Expenses	20,425	14,142	6,283
Contract Work	25,500	25,685	(185)
Capital Improvements	5,000	0	5,000
Parks	10,239	4,831	5,408
Total Cemetery and Parks	61,164	44,658	16,506
Total Culture & Recreation	215,064	211,673	3,391

See Notes to Financial Statements.

TOWN OF ROCKINGHAM, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Other			
Debt Service	396,556	493,136	(96,580)
Total Other	396,556	493,136	(96,580)
Total Expenditures	4,628,789	4,567,554	61,235
Excess Revenues (Expenditures)	(352,270)	(241,301)	110,969
Other Financing Sources/(Uses)			
Long-Term Debt Proceeds	702,000	0	(702,000)
Transfers In	1,500	1,500	0
Transfers Out	(351,230)	(255,433)	95,797
Total Other Financing Sources/(Uses)	352,270	(253,933)	(606,203)
Excess Revenues (Expenditures) Before Extraordinary Item	0	(495,234)	(495,234)
Extraordinary Item			
Federal/State grants	0	1,236,751	1,236,751
Insurance proceeds	0	199,500	199,500
Flood related expenditures - capital outlay	0	(1,416,151)	(1,416,151)
Flood related expenditures	0	(128,097)	(128,097)
Total extraordinary item	0	(107,997)	(107,997)
Net Change in Fund Balance	$ 0	(603,231)	$ (603,231)
Fund Balance - July 1, 2012		1,466,220	
Fund Balance - June 30, 2013		$ 862,989	

See Notes to Financial Statements.

Exhibit G

TOWN OF ROCKINGHAM, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	Theater Fund
ASSETS	
Current Assets:	
Cash	$ 1,130
Prepaid Expense	1,788
Total Current Assets	2,918
Noncurrent Assets:	
Capital Assets	
Buildings & Equipment	2,523,305
Accumulated Depreciation	(438,510)
Total Noncurrent Assets	2,084,795
Total Assets	2,087,713
LIABILITIES	
Current Liabilities:	
Accounts Payable	5,844
Accrued Interest Payable	3,774
Accrued Payroll and Vacation	4,762
Due to Other Funds	15,533
Bonds Payable - Current Portion	92,800
Total Current Liabilities	122,713
Noncurrent Liabilities:	
Bonds Payable - Long-Term Portion	1,081,600
Total Liabilities	1,204,313
NET POSITION	
Investment in Capital Assets, Net of Related Debt	910,395
Unrestricted	(26,995)
Total Net Position	$ 883,400

See Notes to Financial Statements.

TOWN OF ROCKINGHAM, VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Theater Fund
OPERATING REVENUES:	
Admissions	$ 154,992
Concessions and Other	89,756
Rents	9,892
Contributions & Miscellaneous	4,225
Total Operating Revenues	258,865
OPERATING EXPENSES:	
Salaries	82,361
Benefits	25,455
Maintenance and Repairs	20,461
Materials and Supplies	12,227
Advertising	6,725
Film Carrier and Rental	86,809
Concessions	39,196
Booker	3,900
Rubbish Removal	570
Heating Fuel	17,705
Utilities	8,290
Live Theater Expense	16,732
Depreciation	66,191
Total Operating Expenses	386,622
Operating Loss	(127,757)
NONOPERATING REVENUES (EXPENSES):	
Interest Income	1
Interest Expense	(51,479)
Total Nonoperating Revenues (Expenses)	(51,478)
Loss Before Transfers	(179,235)
TRANSFER IN - Theater Portion of Town Hall	145,003
Change in Net Position	(34,232)
Net Position - July 1, 2012	917,632
Net Position - June 30, 2013	$ 883,400

See Notes to Financial Statements.

TOWN OF ROCKINGHAM, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Theater Fund
Cash Flows from (to) Operating Activities:	
Receipts from Customers and Users	$ 258,865
Payments to Suppliers	(211,114)
Payments for Wages and Benefits	(112,827)
Net Cash to Operating Activities	(65,076)
Cash Flows from Noncapital Financing Activities:	
Decrease in Due from Other Funds and Increase in Due to Other Funds	64,351
Transfers from Other Funds	145,003
Net Cash from Noncapital Financing Activities	209,354
Cash Flows from (to) Capital and Related Financing Activities:	
Principal Payments on Long-Term Bonds	(92,800)
Interest Payments on Long-Term Bonds	(51,479)
Net Cash to Capital and Related Financing Activities	(144,279)
Cash Flows from Investing Activities:	
Interest Income	1
Net Cash From Investing Activities	1
Net Increase in Cash	0
Cash - July 1, 2012	1,130
Cash - June 30, 2013	$ 1,130

Adjustments to Reconcile Operating Income/(Loss) to Net Cash from (to) Operating Activities:

Net Operating Loss	$ (127,757)
Depreciation Expense	66,191
Decrease in Prepaid Expenses	278
Decrease in Accrued Payroll	(5,011)
Decrease in Accrued Interest Payable	(723)
Increase in Accounts Payable	1,946
Net Cash to Operating Activities	$ (65,076)

See Notes to Financial Statements.

TOWN OF ROCKINGHAM, VERMONT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	Private Purpose Trust funds
ASSETS	
Cash	$ 621
Investments	89,464
Total Assets	90,085
LIABILITIES	
Total Liabilities	0
NET POSITION	
Held in Trust for Various Purposes	$ 90,085

See Notes to Financial Statements.

TOWN OF ROCKINGHAM, VERMONT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2013

	Private Purpose Trust Funds
ADDITIONS:	
Investment Earnings:	
Net Investment Gain	$ 8,142
DEDUCTIONS:	
Care of the Indigent and Needy	475
Change In Net Position	7,667
Net Position - July 1, 2012	82,418
Net Position - June 30, 2013	$ 90,085

See Notes to Financial Statements.

The Town of Rockingham, Vermont (the Town), is organized according to Vermont State Law and Town Charter, under the governance of a five member Selectboard to provide the following services for the Town of Rockingham: public safety, public works, sanitation, culture and recreation, community development, public improvements, and general administration.

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, and GASB 14.

Based on the 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 (focusing on the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's General Fund, Development Fund, Capital Projects Fund, Library Fund, Trustees of Public Funds Fund, Christmas Club Fund, Restoration Fund, Act 60 Fund and Equipment Fund are classified as governmental. The Town's Theater Fund is classified as business-type.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) 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 position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's governmental functions and business-type activities (theater). The functions are also supported by general government revenue (property taxes, certain intergovernmental revenues, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, including operating and capital grants. Program revenues must be directly associated with the governmental function (public safety, highways and streets, etc.) or a business-type activity. 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 or business-type activity) are normally covered by general revenues (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 position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues 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. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenses/expenditures of either fund category/type or the governmental and enterprise funds combined) for the determination of major funds. The General Fund, Development Fund, Library Fund, and the Theater Fund are required to be shown as major funds. The Town has elected to also show the Capital Projects Fund and the Trustees of Public Funds Fund as major 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.

Development Fund is used to account for community development loans and grants throughout the Town.

Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Library Fund is used to account for library operations.

Trustees of Public Funds Fund is used to report trust arrangements under which resources are to be used to support cemetery operations. Only investment earnings may be used to support these activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position, and cash flows. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the major enterprise fund of the Town:

Theater Fund is used to account for theater operations.

Fiduciary Funds

Private Purpose Trust funds are used to account for trust arrangements under which resources are to be used for the benefit of the indigent, elderly, destitute and for payment to the Greater Rockingham Area Services to be used for health expenses. Only investment earnings may be used to support these activities.

Measurement Focus

The accounting and financial reporting applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial 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 position). Fund equity is segregated into invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses 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.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when transactions occur and expenses are recognized when incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or within 60 days after year end for property taxes and six months for other revenue. 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, compensated absences, claims and judgments, and certain prepaids which are recognized when due/paid.

Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent.

Budgetary Accounting

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

Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost, except for infrastructure and small equipment and furniture which are reported if the cost is $50,000 and $10,000 or more, respectively. 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	50 - 150 years
Equipment/furniture	10 – 30 years
Vehicles	7 – 20 years
Infrastructure	20 – 50 years

GASB No. 34 requires the Town to report and depreciate new general infrastructure assets prospectively starting July 1, 2003. General infrastructure assets include roads, bridges, underground pipe (other than related to utilities), street lights, etc.

Accrued 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.

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.

Deferred Revenue

Deferred revenue consists of the following:

General Fund – Unspent grant funds and delinquent taxes and other receivables not collected within sixty (60) days after year end and prepaid taxes for next fiscal year.

Development Fund – Long-term receivables and unspent grant funds.

Capital Projects Fund – Unspent grant funds.

Net Position

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* In July of 2012, the Town adopted GASB Statement No. 63. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the statement of net position. 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 position is reported as restricted when there are legal limitations imposed on its use by Town legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Fund Equity

GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" provides fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the Town's Selectboard. Formal action must be taken prior to the end of the fiscal year (e.g. capital projects, compensated absences). The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the Selectboard, or body or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Selectboard can establish (and modify or rescind) fund balance commitments by passage of a resolution. This is typically done through a simple majority vote. Assigned fund balance is established by the Selectboard through a majority vote, and must be recorded in the minutes, as intended for specific purpose (such as the purchase of capital assets, construction, debt service or other purposes).

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds.

When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied in the following order:

1. Committed
2. Assigned
3. Unassigned

Investments

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

Interfund Activities

Interfund activity is 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 revenues 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, except for the net amounts due between governmental and business-type activities, which are reported as "internal balances".

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Expenses

Inventory quantities are determined by physical count and are valued at cost. Inventories consist of parts held for repairs and upkeep of equipment. Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Use of Estimates

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

NOTE 2 - CASH AND INVESTMENTS

The Town's cash and investments as of June 30, 2013 are classified as follows:

Cash:	
Cash on hand	$ 2,490
Cash deposits with financial institutions	2,111,702
Total cash	2,114,192
Investments:	
Money market funds	39,134
Fixed income mutual funds	329,607
Annuities	253,632
Total investments	622,373
Total cash and investments	$ 2,736,565

Investment policy

The Town's investment policy for all funds except for investments in the fiduciary and permanent funds is as follows:

The cash investments of the Town of Rockingham shall be undertaken in a manner that seeks to maximize investment income while ensuring the preservation of capital. The cash investments shall be invested in a manner that is designed to attain, at a minimum, a market-average rate of return, taking into account the Town's investment risk constraints and cash flow considerations.

Types of permitted investments

"Permitted investments" means any of the following cash investment instruments:

Negotiable certificates of deposit – Instruments issued by FDIC insured banks or savings and loan institutions that state specified sums, deposited for specified periods of time at specified rates of interest.

U.S. Treasury bills or notes – These obligations must mature within six months from the date of purchase and are guaranteed as to principal by the Government of the United States.

NOTE 2 - CASH AND INVESTMENTS (Continued)

Commercial bank-managed "sweep" accounts – These interest-bearing accounts are managed by the bank on a daily basis by transferring funds to or from checking accounts, based on the daily activity in the checking accounts, in order to minimize the checking account balances and maximize the balance maintained in the interest-bearing "sweep" account.

Commercial bank savings accounts.

Contracts with financial institutions

The Town may invest funds with federally insured depositories located in the Town of Rockingham. All depositories of the Town shall execute a contract with the Town which will collateralize the Town funds invested at such depository with a 105% margin percentage. The Town requires collateralization of all Town investments other than obligations of the United States with a 105% margin percentage. The Town will not allow the use of FDIC coverage as part of the calculation of the collateralization requirement. Depositories of the Town are required to report, to the Finance Director, compliance with the collateralization requirements on a monthly basis.

The Towns' investment policy for fiduciary and permanent funds is as follows:

The Town and the Village Board of Trustees have delegated the responsibility for implementing the investment policy to the Trustees of Public Funds.

Organization

The primary function of the Trustees of Public Funds is to serve as manager and administrator of Town and Village assets and to distribute funds derived from the generation of income from the invested assets of the fiduciary funds.

Investment objectives

The principal objectives of the investment program shall be:

- preservation of capital
- generation of income to fulfill charitable purposes of the fiduciary funds
- growth of asset value at a rate greater than inflation (as measured by the Consumer Price Index)
- provide market (S&P 500) equivalent income

Achieving these objectives will require assuming a moderate level of risk, a long-term investment horizon and diversification among assets. The funds will be invested to maximize total return (capital appreciation, interest and dividend income) consistent with a prudent level of risk.

Funding of withdrawals/distributions

The fiduciary funds have requirements and expectations for periodic withdrawals for programs and expenses. Resultant periodic cash needs will fluctuate somewhat, but should usually be able to be deferred for a 30 day period. The investment managers will be made aware of these

NOTE 2 - CASH AND INVESTMENTS (Continued)

requirements and will be responsible for employing a strategy to meet these needs. The Trustees would anticipate that the funds needed could most often be provided from cash and cash equivalents, fund contributions and investment income earnings.

Spending requirements for the fiduciary funds' assets equals 5% of total assets net of investment costs and management fees. Withdrawals are expected to be made annually on a regular basis based on the investment performance of the fund.

Asset allocation

The following asset allocation guidelines have been established by the Trustees. Any deviation of 20 percentage points or more of the total portfolio beyond these limits in asset category requires approval from the Trustees of Public Funds.

A. Cash and Equivalents – (0% – 15%)

Short-term investments shall consist of cash, FDIC insured certificates of deposit, and obligations of the U.S. Government or U.S. Agencies issues rated AA or better with one year maturity or less. Additionally, a money market fund or comparable investment vehicle with like investments may be used.

B. Fixed Income – (15% - 50%)

Fixed income investments may consist of debt securities listed in the "cash and cash equivalents" section above or mutual funds (either open-end or closed-end) with the primary investment objective of investing in fixed income securities both within and outside the United States. These mutual funds must be managed by a fund company with at least $100 million in assets under management in similar fixed income strategies. Otherwise, there is no restriction on the type of fixed income securities that the fund may hold as various sectors of the fixed income market will become more attractive than others over long-term market cycles.

C. Balanced or Flexible Funds – (0% - 80%)

The Trustees may invest in either open-end or closed-end mutual funds that have a flexible mandate in which they can hold cash, stocks or bonds both within and outside the United States. These mutual funds must be managed by a fund company with at least $100 million in assets under management in similar strategies. Otherwise, there is no restriction on the type of securities that the fund may hold or the allocation of assets within the fund as various sectors and asset classes will become more attractive than others over long-term market cycles.

D. Equities – (10% - 70%)

The portfolio may directly hold common stocks publicly traded on U.S. Exchanges or NASDAQ listed stocks and securities. The fiduciary funds may also invest in either open-end or closed-end mutual funds which invest in equities both within and outside the United States. These mutual funds must be managed by a fund company with at least $100 million in assets under management in similar strategies. Otherwise, there is no restriction on the type of securities that the fund may hold or the allocation of assets within the fund as various sectors and geographies will become more attractive than others over long-term market cycles.

NOTE 2 - CASH AND INVESTMENTS (Continued)

Maximum holdings

The maximum that may be invested in a single stock, security or mutual fund of any fiduciary fund is limited to 50% of that fund's total asset value. If appreciation results in a single investment's asset value exceeding the 50% limitation, the portfolio must be readjusted to bring said investment's asset value below the cap.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have a policy to limit the exposure to custodial credit risk. The Town's mutual funds are open-ended and are not exposed to custodial credit risk. The annuities are exempt from the custodial credit risk analysis.

An analysis of the Town's custodial credit risk for cash deposits by category at June 30, 2013 is as follows:

	Book Balance	Bank Balance
Insured	$ 48,458	$ 48,458
Uninsured, collateralized	2,063,244	2,233,129
Cash on hand	2,490	0
Total	$ 2,114,192	$ 2,281,587

The difference between the book and bank balance is due to reconciling items such as deposits in transit and outstanding checks.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 2 - CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity. Mutual funds are shown at their weighted average maturity. The annuities are exempt from the interest rate risk analysis.

	Remaining Maturity (in years)			
	Up to One	One to Five	Six to Ten	Total
Fixed income mutual funds	$ 0	$ 0	$ 329,607	$ 329,607
Total	$ 0	$ 0	$ 329,607	$ 329,607

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The annuities are exempt from the credit risk analysis. The mutual funds are open-ended and are therefore excluded from the credit risk analysis. The Town does not have any policy to limit the exposure to credit risk.

	Exempt From Disclosure
Investment type:	
Money market funds	$ 39,134
Fixed income mutual funds	329,607
Annuities	253,632
	$ 622,373

Concentration of credit risk

The Town does not have any limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer, other than mutual funds, that represent more than 5% of the total investments.

Investment income

Investment income is comprised of the following components for the year ended June 30, 2013:

	Interest & Dividends	Realized and Unrealized Gains	Total
General Fund	$ 6,965	$ 0	$ 6,965
Community Development	12,660	0	12,660
Library Fund	2,371	0	2,371
Trustees of Public Funds	5,968	17,790	23,758
Fiduciary Funds	2,635	5,507	8,142
Total	$ 30,599	$ 23,297	$ 53,896

NOTE 3 - RECEIVABLES

Receivable balances, net of allowances for uncollectible accounts, as of June 30, 2013 are as follows:

	Governmental Activities	Business-Type Activities	Net Receivables
Delinquent taxes receivable	$ 349,159	$ 0	$ 349,159
Penalties and interest on delinquent taxes	79,272	0	79,272
Accounts receivable - FEMA	758,384	0	758,384
Accounts receivable - other	16,541	0	16,541
Allowance for doubtful accounts	(11,000)	0	(11,000)
	$ 1,192,356	$ 0	$ 1,192,356

NOTE 4 – LEASE AND LOANS RECEIVABLE

Lease receivable consists of the following at June 30, 2013:

Development Fund	
Due from Sonnax, Inc., annual principal payments of $15,385 starting in 2004, due November 2016. Interest at 4.344% to 5.644% with semiannual interest payments.	$ 52,567
Due within one year	(15,385)
Due after one year	$ 37,182

Loans receivable consist of the following at June 30, 2013:

Development Fund:	
Due from Exner Block Limited Partnership, monthly payments of $1,697 starting 1/31/2031, 1% interest, secured by mortgage.	$ 419,000
Due from Howard Block Housing Limited Partnership, due on demand on or after 10/22/2032, 0% interest, secured by mortgage.	523,678
Due from various small businesses, monthly principal and interest payments required, interest at 0% to 4%, various due dates.	585,802
Total notes receivable at June 30, 2013	1,528,480
Allowance for doubtful accounts	(1,182,500)
Total	345,980
Due within one year	(47,874)
Due after one year	$ 298,106

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The Town has combined some of the cash resources of its governmental and proprietary fund types for accounting and reporting purposes; that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2013 were:

	Interfund Receivables	Interfund Payables
Governmental funds		
General Fund	$ 0	$ 476,936
Development Fund	406,456	0
Capital Projects Fund	184,013	0
Library Fund	0	244,880
Trustee of Public Funds	3,640	0
Other governmental funds		
Christmas Club Fund	7,343	0
Restoration Fund	24,341	0
Act 60 Fund	111,119	0
Equipment Fund	437	0
Total other governmental funds	143,240	0
Total governmental funds	737,349	721,816
Proprietary funds		
Theater Fund	0	15,533
Total	$ 737,349	$ 737,349

NOTE 6 - INTERFUND TRANSFERS

During the year interfund transfers occurred between funds. The various operating transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2013 are as follows:

Transfer from	Transfer to	Amount	Purpose
General Fund	Capital Projects Fund	$ 4,000	Fund capital outlay
General Fund	Theater Fund	145,003	Subsidize debt service
General Fund	Equipment Fund	106,430	Fund equipment purchases
Development Fund	General Fund	1,500	Admin. Reimb. & grant match
Totals		$ 256,933	

NOTE 7 – DUE TO THE VILLAGE OF BELLOWS FALLS

The Village of Bellows Falls has pooled its cash with the Town. Funds are deposited and invested by the Town Treasurer. The amount due to the Village of Bellows Falls based upon the pooled cash is $918,827. Interest income earned by the pooled cash is allocated based on the balances of the individual funds.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

Governmental activities	Balance June 30, 2012	Additions	Reclassifications & Disposals	Depreciation	Balance June 30, 2013
Capital assets not depreciated					
Land	$ 616,258	$ 0	$ 0	$ 0	$ 616,258
Construction in progress	1,635,972	2,693,925	(52,808)	0	4,277,089
Total capital assets not deprec.	2,252,230	2,693,925	(52,808)	0	4,893,347
Capital assets being depreciated					
Buildings and improvements	4,767,383	0	0	0	4,767,383
Equipment and furniture	259,939	30,787	0	0	290,726
Vehicles	3,032,268	216,039	0	0	3,248,307
Infrastructure	11,559,504	1,416,152	52,808	0	13,028,464
Total capital assets deprec.	19,619,094	1,662,978	52,808	0	21,334,880
Less accumulated depreciation for:					
Buildings and improvements	(811,051)	0	0	(76,811)	(887,862)
Equipment/furniture	(148,601)	0	0	(15,247)	(163,848)
Vehicles	(1,726,678)	0	0	(174,242)	(1,900,920)
Infrastructure	(1,942,945)	0	0	(364,697)	(2,307,642)
Total accum. depreciation	(4,629,275)	0	0	(630,997)	(5,260,272)
Total capital assets, net	$ 17,242,049	$ 4,356,903	$ 0	$ (630,997)	$ 20,967,955
Business-type activities					
Buildings and improvements	$ 2,439,116	$ 0	$ 0	$ 0	$ 2,439,116
Equipment and furniture	84,189	0	0	0	84,189
Accum. deprec. - bldgs & improv.	(355,900)	0	0	(57,780)	(413,680)
Accum. deprec. - equip. & furniture	(16,419)	0	0	(8,411)	(24,830)
Total capital assets, net	$ 2,150,986	$ 0	$ 0	$ (66,191)	$ 2,084,795

Reclassifications and disposals of $52,808 includes $52,808 of construction in progress put into service during fiscal year 2013.

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 43,908
Public safety	38,934
Public works	508,050
Culture and recreation	40,105
Total governmental activities	$ 630,997
Business-type activities:	
Theater	$ 66,191

NOTE 9 – DEFERRED REVENUE

Deferred revenue in the General Fund consists of $265,327 of delinquent taxes, penalties and interest on taxes that were not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities. Deferred revenue in the Development Fund consists of $4,592 of unspent grant funds and $398,547 of loans and leases receivable. Deferred revenue in the Capital Projects Fund consists of $5,670 of unspent grant funds.

NOTE 10 – OTHER CURRENT LIABILITIES

Other current liabilities in the General Fund consist of $1,441 in Town Hall rent deposits and tax sale surplus, $10,000 in excavation permits, totaling $11,441.

NOTE 11 - LONG-TERM LIABILITIES

The following is a summary of changes of long-term liabilities for the year ended June 30, 2013.

	Total	Governmental Activities	Business-type Activities
Long-term liabilities at July 1, 2012	$ 7,601,941	$ 6,334,741	$ 1,267,200
New bonds and notes issued	3,155,000	3,155,000	0
Decrease in accrued vacation payable	(9,017)	(9,017)	0
Bond and note payments	(3,556,073)	(3,463,273)	(92,800)
Long-term liabilities at June 30, 2013	7,191,851	6,017,451	1,174,400
Due within one year	(627,067)	(534,267)	(92,800)
Due after one year	$ 6,564,784	$ 5,483,184	$ 1,081,600

Long-term bonds and notes will mature approximately as follows:

	Governmental Activities			Business-Type Activities		
Years ending	Principal	Interest	Total	Principal	Interest	Total
June 30, 2014	$ 534,267	$ 163,307	$ 697,574	$ 92,800	$ 44,946	$ 137,746
June 30, 2015	534,830	156,041	690,871	92,800	41,187	133,987
June 30, 2016	435,415	144,407	579,822	92,800	37,426	130,226
June 30, 2017	434,222	135,409	569,631	89,600	33,667	123,267
June 30, 2018	434,854	125,196	560,050	89,600	29,855	119,455
June 30, 2019-2023	1,934,462	447,740	2,382,202	448,000	110,277	558,277
June 30, 2024-2028	889,950	218,883	1,108,833	268,800	18,346	287,146
June 30, 2029-2033	738,750	70,735	809,485	0	0	0
Total	5,936,750	$ 1,461,718	$ 7,398,468	1,174,400	$ 315,704	$ 1,490,104
Due within one year	(534,267)			(92,800)		
Due after one year	$ 5,402,483			$ 1,081,600		

NOTE 11 - LONG-TERM LIABILITIES (Continued)

Long-term liabilities include the following:

Governmental Activities	
General obligation municipal bonds with the Vermont Municipal Bond Bank, proceeds used to pay off Economic Development note used for sewer system improvements, due in annual installments plus semi-annual interest at 3.9%, due in November through 2021.	$ 141,150
Note payable to Merchants Bank, interest at 1.96%, annual principal payments of $100,000 plus interest, due December 2014. Proceeds used for Highway equipment.	200,000
General obligation municipal bonds with the Vermont Municipal Bond Bank, proceeds used for Town Hall renovations (36% in the Capital Projects Fund and 64% in the Theater Fund), due in 10 annual installments of $145,000 then 10 annual installments of $140,000, due on December 1 through 2025, interest at 3% to 4.58%.	660,600
General obligation municipal bonds with the Vermont Municipal Bond Bank, proceeds used for Library renovations, due in annual principal installments of $147,750, plus semi-annual interest at 1.098% to 3.908%, due in November 2032.	2,955,000
General obligation municipal bonds with the Vermont Municipal Bond Bank, proceeds used for Brockway Mills project, due in annual installments of $220,000 plus semi-annual interest, due December through 2021, interest at .804% to 3.514%.	1,980,000
	5,936,750
Accrued compensated absences	80,701
Total governmental activities	$ 6,017,451
Business-Type Activities	
Theater Fund	
General obligation municipal bonds with the Vermont Municipal Bond Bank, proceeds used for Town Hall renovations (36% in the Capital Projects Fund and 64% in the Theater Fund), due in 10 annual installments of $145,000 then 10 annual installments of $140,000, due on December 1 through 2025, interest at 3% to 4.58%.	$ 1,174,400

NOTE 12 – FUND BALANCES/NET POSITION

Fund balances and net position are restricted and committed as follows:

	Restricted	Committed
General Fund		
Unspent debt proceeds	$ 598,000	$ 0
Recreation donation	4,974	0
Tree planting	0	6,988
Cemetery	0	84,004
Development Fund		
Future development loans	402,589	0
Capital Projects Fund		
Capital purchases	0	174,527
Library Fund		
Unspent debt proceeds	791,087	0
Trustees of Public Funds	282,916	0
Nonmajor funds - Special Revenue Funds		
Christmas Club	7,343	0
Records restoration	24,341	0
Act 60	111,119	0
Equipment	0	437
Total restricted/commited fund balances - Exhibit C	2,222,369	$ 265,956
Deferred Community Development loans	398,547	
Restricted funds shown as part of net capital outlays	(1,389,087)	
Total restricted net position - Exhibit A	$ 1,231,829	

NOTE 13 - CONTINGENCY

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2013 have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 14 - PROPERTY TAXES

The Town is responsible for assessing and collecting property taxes for both the Town and Town School District. Property taxes are assessed annually based on property valuations as of April 1 and the approved budgets. Property taxes were due in four equal installments on August 10th, November 10th, February 10th and May 10th. All late payments are subject to an 8% penalty and interest is calculated at 1% per month. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale.

NOTE 14 - PROPERTY TAXES (Continued)

Town property tax revenue is recognized for the period for which the tax is levied to the extent they result in current receivables, which will be collected within 60 days of the fiscal year end. The tax rates for fiscal year 2012/2013 were as follows:

	Residential	Non-residential
Town - municipal	$ 0.8625	$ 0.8625
State Education Tax	1.3761	1.4064
	$ 2.2386	$ 2.2689

NOTE 15 - PENSION PLAN

The Town's full-time employees participate in the Town of Rockingham and Bellows Falls Village Employees' Pension Plan (the "Plan"), a multiple-employer public employee retirement plan or the State of Vermont's Municipal Employee's Retirement Plan (the "VMERS Plan"). All Town full-time employees who have completed one year of service must participate in one of the retirement plans.

Employees under the Plan who retire at or after age 65 with five years of credited service, or after age 62, with 30 years of service are entitled to a retirement benefit in the form of a life annuity, equal to 1 and 2/3% of the employee's average compensation over the final five years of service (average of annual compensation) multiplied by the years of credited service (not to exceed 30 years), plus ½% of the employee's average annual compensation multiplied by the years of credited service in excess of 30 years (not to exceed 5 years). Accrued benefits fully vest on reaching five years of service, but employee contributions are fully vested when made. Fully-vested employees with ten years of service may retire at or after age 55 and receive reduced retirement benefits. Sworn members of the Police and Fire Departments may receive early retirement without reduction as early as age 55 with at least twenty years of credited service. The payroll for employees covered by the Plan for the year ended June 30, 2013 was $1,176,122 and the Town's total payroll was $1,524,225.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The Plan does not make separate measurements of assets and pension benefit obligations for individual employers.

Unless otherwise indicated, the following information represents total combined Plan information for all participating employers (Bellows Falls Village Corporation and the Town of Rockingham, Vermont).

The pension benefit obligation was computed as part of an actuarial valuation performed as of December 31, 2012. Significant actuarial assumptions used include (1) rate of return on investments of present and future assets of 8% per annum, (2) projected salary increases of 6% per year, and (3) assumed retirement age is the greater of 62 or the age at which 30 years of service is completed (not to exceed age 65). The rate of return on investments and the projected salary increases have not changed from the prior year.

NOTE 15 - PENSION PLAN (Continued)

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described above.

The actuarial cost method used to determine the normal cost, actuarial accrued liability and contribution amounts of the plan is the Service Pro-Rate Unit Credit Actuarial Cost Method. Under this method benefits are projected to retirement (or earlier termination) for each plan member based on the assumptions as to future compensation increases.

The actuarial accrued liability of each participant is the actuarial present value of his/her benefit calculated using projected compensation to his/her retirement date (or termination, if earlier) and his/her credited service accrued to the valuation date. The total actuarial accrued liability is equal to the sum of such liabilities as determined for each active participant plus the actuarial present value of benefits being paid, or due to be paid, to retirees, beneficiaries and former active participants with deferred vested benefits.

The normal cost of each active participant is the positive difference in the actuarial present value of a participant's benefit calculated using projected compensation to his/her retirement date (or termination, if earlier) and his/her credited service accrued to the valuation date and the actuarial present value of a participant's benefit using projected compensation to his/her retirement date (or termination, if earlier) and his/her credited service accrued to one year following the valuation date. The total normal cost of the plan is the sum of the normal costs for each active plan participant.

The total actuarial accrued liability for all plan members less the actuarial value of plan assets is the unfunded actuarial accrued liability. This calculation is performed as of each valuation date. Deviations in actual experience from the actuarial assumptions result in actuarial gains or losses which reduce or increase, respectively, the unfunded actuarial accrued liability.

Under the Plan, the employers are obligated to pay the entire cost of the Plan, except that all active employees are required to contribute 5% of their annual compensation on a before tax basis to the Plan. Police and Fire employees are required to contribute 7% of their annual compensation effective January 1, 2005. The Town's contribution requirement for the Plan year ending December 31, 2013 of $57,040 was made in accordance with actuarially determined requirements through an actuarial valuation performed as of December 31, 2012. This contribution represents 4.85% of covered payroll.

Trend information gives an indication of the Plan's progress in accumulating sufficient assets to pay benefits when due. This information is presented below:

NOTE 15 - PENSION PLAN (Continued)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
1/1/2011	$ 2,399,747	$ 3,426,997	$1,027,250	70.0	$ 1,618,355	63.5
1/1/2012	2,315,608	3,476,546	1,160,938	66.6	1,525,045	76.1
1/1/2013	2,468,583	3,547,317	1,078,734	69.6	1,458,827	73.9

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Pension Cost/Annual Required Contribution	Actual Contribution	Percentage Contributed	Net Pension Obligation
12/31/2011	$ 107,112	$ 107,112	100%	$ 0
12/31/2012	117,010	117,010	100%	0
12/31/2013	109,527	109,527	100%	0

All Plan assets are invested in various funds and accounts by the Plan's trustees, Banknorth Investment Management. The Town's contribution for the Plan year ending December 31, 2013 represents 52.1% of total contributions required of all participating entities.

The VMERS Plan requires that both the Town and employees contribute to the VMERS Plan which provides retirement, disability and death benefits. The Town has elected to participate in VMERS Plan B which requires all eligible employees to contribute 4.5% of gross wages while the Town contributes 5%.

The premise of VMERS Plan B is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in this plan is done in the aggregate, not by municipality. Due to the nature of this pension plan, net assets available for benefits as well as the present value of vested and non-vested plan benefits by municipality are not determinable.

The Town's total payroll for the year was $1,524,225 while covered payroll for the VMERS Plan was $1,176,122. Pension expense for the VMERS Plan year was $58,806 for fiscal year 2013, $61,571 for fiscal year 2012 and $58,473 for 2011.

Additional information regarding the State of Vermont Municipal Employees' Retirement Plan is available upon request from the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

NOTE 16 – DEFERRED COMPENSATION

The Town offers its employees a deferred compensation plan through the International City/County Management Association's "ICMA" Retirement Corporation. The plan permits employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Town has no liability for losses under this plan but does have the duty of due care that would be required of an ordinary prudent investor. All of the investments are self directed by each employee.

NOTE 17 – 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 insurance coverage from the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund that covers 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 coverage in any of the past three (3) fiscal years.

NOTE 18 – SUPERFUND SITE

The TLR building, acquired by the Town through a tax sale, has been identified by the Environmental Protection Agency (EPA) as a Superfund site. The Town is exempt from liability for costs related to this site because EPA regulations consider properties acquired through tax sales as involuntary acquisitions exempt from liability.

NOTE 19 – TOWN-VILLAGE AGREEMENTS

The Town and Bellows Falls Village Corporation (Village) take part in the following agreements:

Fire Rescue Vehicle

In 1996, the Village entered into an agreement with the Town to lease a fire rescue vehicle at a cost of $1 per year for fifteen years.

Village Public Works Building

In September 1998, the Village and Town agreed to share the use of the Village Public Works building for a period of five years. The agreement was renewed in 2004 and provides that the Town will pay an annual fee of $1 and handle operational (electricity, fuel and telephone), improvement and maintenance costs, while the Village will pay insurance costs and utility fees. The renewed agreement contains an evergreen clause whereby the agreement is automatically extended unless either Board votes to terminate it.

Recycling/Transfer Station

In 1992, the Village entered into an agreement with the Town to lease the Town all of its property that is located on the east side of Route 5 in Westminster, Vermont for the purpose of operating a Rockingham/Westminster Recycling/Transfer Station at a cost of $1 per year for twenty years. The agreement automatically renews when the Town continues to use the facilities as outlined in the agreement.

NOTE 19 – TOWN-VILLAGE AGREEMENTS (Continued)

Town Recreation Program

In 2000, the Village entered into an agreement with the Town to lease to the Town a portion of property located on the west side of Playground Road for the purposes of operating a Town recreation program at a cost of $1 per year for a period of 20 years. On June 29, 2010, this agreement was restated and updated to allow for the demolition of the old recreation building, which was owned by the Village of Bellows Falls, and the construction of a new facility to be wholly owned by the Town of Rockingham. The term of the agreement was also extended for a period of 20 years at a cost of $1 per year.

Fire Equipment Purchases

In 1995, the Village entered into a Memorandum of Understanding with the Town and the Saxtons River Village Corporation related to the purchase and use of fire equipment within the Town. The Town will purchase and retain title to all major fire equipment and lease to the Village appropriate equipment for $1 per year. The term of each lease will be structured over the reasonable life expectancy of the specific equipment. The Village will be responsible for all expenses incurred in connection with the operation, maintenance and repair of the equipment. The Memorandum of Understanding will remain in full force and effect unless formally amended and/or rescinded by any one of the three parties at an annual or special meeting warned for that purpose.

NOTE 20 - COMMITMENTS

Sewer Hook-Up Fees

Pursuant to 1999 and 2004 amendments to a 1994 interlocal agreement with the Town regarding sewer-hook up fees received by the Village for commercial or residential hook-up fees onto the Town's Industrial Park Sewer Line, the Village shall reimburse the Town for the fees received.

Other

The Town has been awarded a Community Development grant to assist in funding a regional affordable housing rehabilitation program. The award was for $611,897. This award is wholly funded by the granting agency. Additionally, this award is being sub-granted to a local housing agency. At June 30, 2013, $430,630 had been sub-granted to the local housing agency.

The Town has entered into a contract with Golden Cross Ambulance, Inc. to provide emergency medical services for the Town for five years at a rate of $72,000 per year and ending on June 30, 2016.

NOTE 20 - COMMITMENTS (Continued)

On August 24, 2009, the Town entered into an agreement with ACS Enterprise Solutions, Inc. to receive information technology products and services. The agreement calls for monthly payments of $995 and is for the period August 1, 2009 through July 31, 2014 and will automatically renew for an additional five year term.

In April 2013, the Town entered into a fourteen month agreement, through June 30, 2014, with the Windham County Sheriff's Department for law enforcement services at a rate of $43 per hour.

NOTE 21 – LEASES

The Town has entered into a lease agreement to lease out a piece of land adjacent to the Rockingham Meetinghouse for a period of 5 years at $300 per year. The land is to be used strictly for growing agricultural crops and will expire on March 31, 2014. The Town received $300 in rent in regards to this lease in fiscal year 2013.

The Town has entered into a lease agreement for a postage meter for the sixty-three (63) month period ending December 31, 2013. The lease calls for monthly payments of $94 for the first eighteen (18) months and $147 for the remaining forty-five (45) months.

The Town has entered into a lease agreement for a copier for the sixty (60) month period ending October 2016. The lease calls for monthly payments of $318.

The future minimum lease payments under these leases are as follows:

Fiscal year 2014	$ 4,699
Fiscal year 2015	3,816
Fiscal year 2016	3,816
Fiscal year 2017	1,272
Total	$ 13,603

The lease expense for these leases in fiscal year 2013 was $5,583.

NOTE 22 – CONSTRUCTION IN PROCESS

At year end, the Town was in the process of two major construction projects for library renovations and Brockway Mills. Both projects are expected to be completed in FY14 with total estimated cost of approximately $2,957,000 and $2,200,000 respectively. As of June 30, 2013, expenses incurred for the projects were approximately $2,486,000 and $1,676,000, respectively. The projects are being funded with bond proceeds.

NOTE 23 - BUDGETARY COMPARISON SCHEDULES

The Town is not legally required to adopt a budget for the Development Fund and the Library Fund. Therefore, a budgetary comparison is not presented for these funds.

NOTE 24 – FLOOD DAMAGE AND REIMBURSEMENTS

On August 28, 2011, Tropical Storm Irene came through the Town of Rockingham, causing flooding of roads, bridges, and other infrastructure. Areas of the State of Vermont were declared disaster areas, and FEMA reimbursed some of the expenditures relating to damages caused by the flood. Expenditures listed under extraordinary item ($1,544,248) do not include the direct labor and equipment costs incurred by the employees and equipment of the Town, which are included in their regular budget line, although they were reimbursed by FEMA.

Reimbursements for Tropical Storm Irene break down as follows:

Federal/State reimbursement	$ 1,236,751
Insurance reimbursement	199,500
Total	$ 1,436,251

NOTE 25 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 5, 2013, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.

TOWN OF ROCKINGHAM, VERMONT
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds			Capital Projects Fund	
	Christmas Club Fund	Restoration Fund	Act 60 Fund	Equipment Fund	Total
ASSETS					
Due From Other Funds	$ 7,343	$ 24,341	$ 111,119	$ 437	$ 143,240
Total Assets	$ 7,343	$ 24,341	$ 111,119	$ 437	$ 143,240
LIABILITIES AND FUND BALANCES					
Fund Balances:					
Restricted	$ 7,343	$ 24,341	$ 111,119	$ 0	$ 142,803
Committed	0	0	0	437	437
Total Fund Balances	7,343	24,341	111,119	437	143,240
Total Liabilities and Fund Balances	$ 7,343	$ 24,341	$ 111,119	$ 437	$ 143,240

TOWN OF ROCKINGHAM, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue Funds			Capital Projects Fund	
	Christmas Club Fund	Restoration Fund	Act 60 Fund	Equipment Fund	Total
Revenues:					
Intergovernmental Revenues	$ 0	$ 0	$ 20,986	$ 0	$ 20,986
Taxes	0	0	0	99,500	99,500
Grants & Donations	2,029	0	0	0	2,029
Charges for Services	0	7,890	0	0	7,890
Total Revenues	2,029	7,890	20,986	99,500	130,405
Expenditures:					
Current Expenditures					
General Government	1,322	7,021	2,600	2,250	13,193
Capital Outlay	0	0	0	216,039	216,039
Debt Service					
Principal	0	0	0	201,047	201,047
Interest	0	0	0	4,360	4,360
Total Expenditures	1,322	7,021	2,600	423,696	434,639
Excess (Deficiency) of Revenues Over Expenditures	707	869	18,386	(324,196)	(304,234)
Other Financing Sources/(Uses):					
Proceeds of Long-Term Debt	0	0	0	200,000	200,000
Transfers In	0	0	0	106,430	106,430
Total Other Financing Sources	0	0	0	306,430	306,430
Net Change in Fund Balances	707	869	18,386	(17,766)	2,196
Fund Balances - July 1, 2012	6,636	23,472	92,733	18,203	141,044
Fund Balances - June 30, 2013	$ 7,343	$ 24,341	$ 111,119	$ 437	$ 143,240